



# Road King Infrastructure Limited

( incorporated in Bermuda with limited liability )

Stock Code : 1098



Annual Report



## Corporate Profile

**Road King Infrastructure Limited** is a leading Hong Kong listed company with its core business in the investment, development, operation and management of toll roads and property projects in China. Road King has a toll road portfolio of HK\$6 billion, comprising 19 toll road and bridge projects spanning approximately 1,000 kilometers in eight provinces of China. Road King has commenced the property development business in China since 2004. Projects are located in nine provinces and municipalities, with total gross floor area of approximately 6.1 million square metres.



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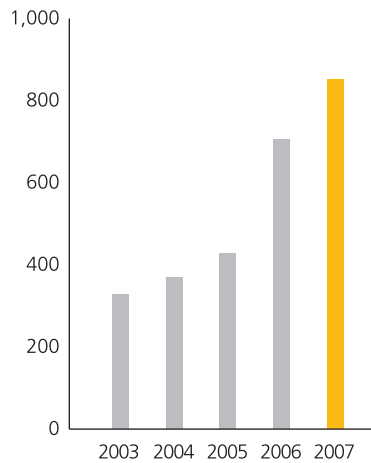
## FINANCIAL HIGHLIGHTS

(HK\$' million)	For the years ended 31 December				
	2007	2006	2005	2004	2003
Group's share of toll revenue	1,282	1,187	1,187	993	815
Revenue from property development	2,408	506	–	–	–
Cash received from toll roads	767	885	864	687	614
Cash received from property development	2,598	555	66	–	–
Revenue	2,408	552	78	48	119
Profit before tax	1,209	786	388	357	334
Profit attributable to shareholders	851	705	428	369	323
Basic earnings per share (HK\$)	1.16	1.16	0.73	0.63	0.56
Dividend per share (HK\$)	0.52	0.48*	0.43	0.34	0.25
Bank balances and cash	2,091	1,137	421	1,569	488
Total assets	21,428	10,962	7,341	7,004	5,855
Total liabilities	12,804	4,184	2,074	1,990	1,081
Shareholders' funds	8,472	6,778	5,231	4,968	4,729
Net book value per share (HK\$)	11.5	9.8	8.9	8.5	8.1
Gearing ratio (%)	79	46	37	38	21
Interest coverage (x)	16.4	9.9	7.1	6.9	8.6
Land bank attributable to the Group (million sq.m.)	6.1	2.9	1.6	0.2	–

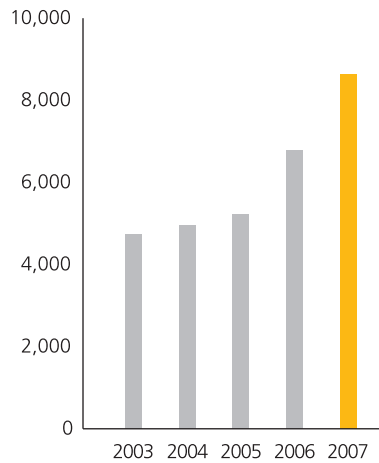
\* excluding special interim dividend

FINANCIAL HIGHLIGHTS (CONTINUED)

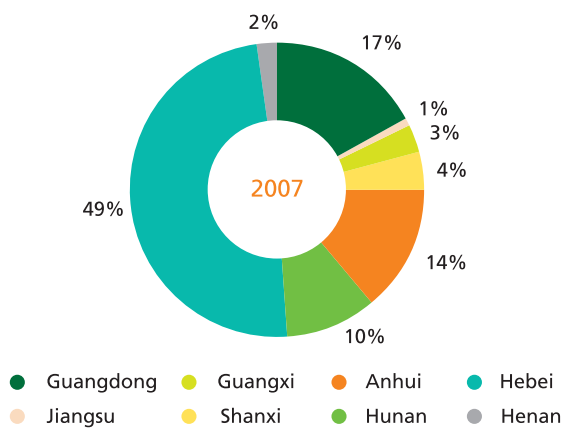
Profit Attributable to Shareholders  
(HK\$' million)



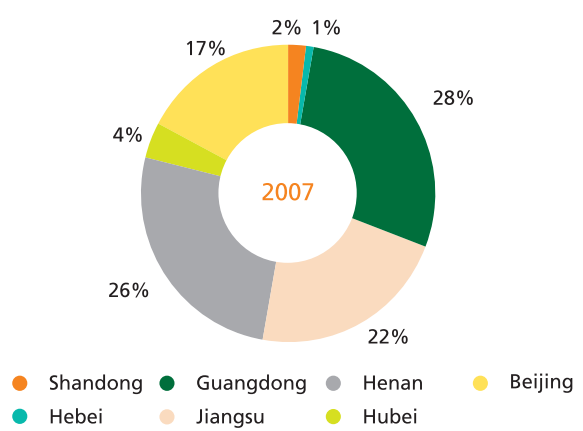
Shareholders' Funds  
(HK\$' million)



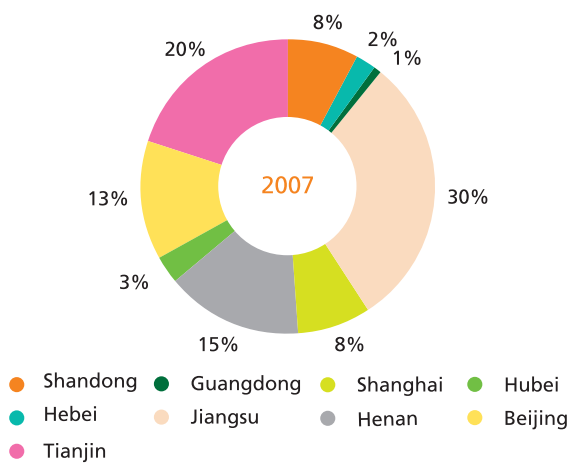
Revenue contribution of toll road projects by location



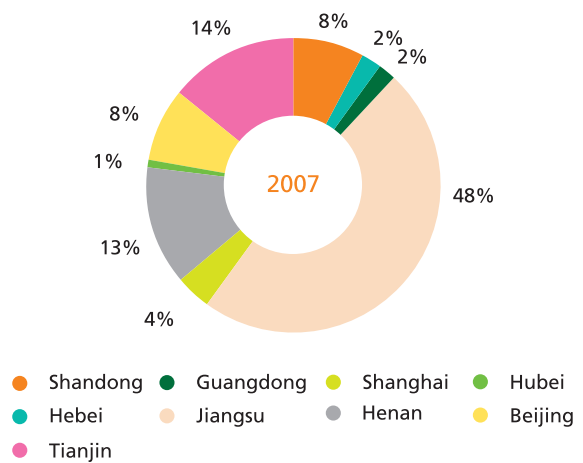
Revenue contribution of property projects by location



Site area by location



Gross floor area by location



# CORPORATE STRUCTURE



## ROAD KING INFRASTRUCTURE LIMITED

### TOLL ROAD BUSINESS

#### Hebei

- Road Rise Investments Ltd.**
- Baoding-Tianjin Expressway
- Road Bond Investments Ltd.**
- Road Base Investments Ltd.**
- Ontex Investments Ltd.**
- Tangshan-Tianjin Expressway
- Road Sincere Investments Ltd.**
- Road Fly Investments Ltd.**
- National Highway 307  
Shijiazhuang-Jinzhou Highway
- Road Honour Investments Ltd.**
- Road Sun Investments Ltd.**
- National Highway 309  
Handan-Guantao Highway

#### Guangxi

- Tonston Investments Ltd.**
- Yulin City Ring Roads
- Signrite Investments Ltd.**
- Yulin-Gongguan Highway,  
Yulin Section

#### Anhui

- Kohyu Investments Ltd.**
- Provincial Highway 307 Bengbu  
Huaihe Bridge Highway
- Kamshan Investments Ltd.**
- Provincial Highway 307 Bengbu  
Huaiyuan-Mengcheng Highway
- Road Keen Investments Ltd.**
- Road Success Investments Ltd.**
- National Highway 206  
Hefei-Huainan Highway
- Road Harvest Investments Ltd.**
- Bengbu Chaoyanglu Huaihe  
Highway Bridge
- Road Giant Investments Ltd.**
- Road Mass Investments Ltd.**
- Road Team Investments Ltd.**
- Road Union Investments Ltd.**
- Hefei-Yeji Highway

#### Guangdong

- Landgear Investment Ltd.**
- National Highway 324  
Luoding-Chonghua Highway
- Intersafe Investments Ltd.**
- Shenzhen Airport-Heao  
Expressway, Eastern Section

#### Hunan

- Road Famous Investments Ltd.**
- Road Grand Investments Ltd.**
- Road Express Investments Ltd.**
- Road Link Investments Ltd.**
- Road Crown Investments Ltd.**
- Road Glorious Investments Ltd.**
- Changsha-Yiyang Expressway

#### Jiangsu

- Anwell Investment Ltd.**
- Provincial Highway 343  
Suzhou-Shanghai Airport  
Highway

#### Shanxi

- Pondtai Investments Ltd.**
- National Highway 108 Yuci  
Dongchangshou-Qixian  
Dongguan Highway
- Road Fortune Investments Ltd.**
- Taiyuan-Yuci Highway
- Road Gain Investments Ltd.**
- National Highway 108 Yuci  
City Bypass

#### Henan

- Lackson Investments Ltd.**
- Longdistance Investments Ltd.**
- National Highway 311 and  
Provincial Highway 103  
Xuchang-Nanyang Highway

# PROPERTY BUSINESS

## Guangdong

Guangzhou Junyue Real Estate Limited

- Parkrise

Guangzhou Junya Real Estate Limited

- Parkvista Phase I

Guangzhou Junde Real Estate Limited

- Parkvista Phase II

## Jiangsu

Changzhou Great Gallop Properties Developments Limited

- Royal City

Changzhou Great Superior Properties Developments Limited

- Vista Panorama

Changzhou Greatmind Properties Developments Limited

- Grand Metropolis

Suzhou Junyu Properties Limited

- Phoenix City

Suzhou Industrial Park Sunco Land Company Limited

- The Heaven by Lakeside

## Shanghai

Shanghai Junxiang Properties Development Company Limited

- Shang Jun Garden

Shanghai Sunco Fangcheng Property Company Limited

- The River Side

## Beijing

Beijing Sunco Land Fengrun Real Estate Development Company Limited

- Blues International Apartments

Beijing Sunco Land Daxing Real Estate Development Company Limited

- Songs & Sea

Sunco Land (Beijing) Real Estate Development Company Limited

- Forest Creek

Beijing Wuyuetian Properties Development Company Limited

- Jianguomen Project

## Henan

Zhengzhou Keshu Real Estate Company Limited

- Central Special Zone

Henan Sunco Property Company Limited

- Zhengzhou 1st Street
- International No. 1

Luoyang Sunco Real Estate Development Company Limited

- Luoyang 1st Street
- Sunco Town
- The Mansion

## Shandong

Shandong Sunco Rongsheng Land Company Limited

- Unusual Landscape

Jinan Shuncheng Real Estate Development Company Limited

- Shuncheng

## Hebei

Hebei Sunco Property Development Company Limited

- Blues County

## Hubei

Wuhan Nengda Enterprise Development Company Limited

- Palen Villas

## Tianjin

Tianjin Sunco Xindi Property Company Limited

- Sun Town

Tianjin Sunco Rongxin Land Company Limited

- Mountain My Life

## CHAIRMAN'S STATEMENT



**ZEN Wei Pao, William**  
*Chairman*

Dear Shareholders,

We have achieved yet another successful year with both our business and financial position continued to strengthen in 2007 and attain delightful results.

The Group's profit attributable to shareholders increased from HK\$705 million for 2006 to HK\$851 million for 2007, representing an increase of 21%. The Board recommended a final dividend of HK\$0.28 per share. Together with the interim dividend of HK\$0.24 per share, the total dividend for 2007 is HK\$0.52 per share.

Toll road business remained as the Group's core business and continued to contribute stable cash and profit. Property sales increased from HK\$506 million in 2006 to HK\$2,408 million in 2007. Upon completion of the acquisition of Sunco Property, the size of our landbank was doubled. Together with certain new investments made in the second half of 2007, our landbank reached 6.1 million sq.m. as of 31 December 2007.

The procedural steps of the acquisition of Sunco Property have caused certain disputes and we have taken appropriate legal actions to resolve them. We believe that an equitable result will be achieved and these disputes should not have any material impact on the Group.

The Group anticipates that the PRC's economy will continue to grow. The austerity measures will benefit the society as well as the economy. These factors will all facilitate the development of the Group's business in the long term. However, in the short run, the policies of the PRC Government towards both the infrastructure and real estate businesses will be in a state of flux due to the implementation of austerity measures and the impact on the sub-prime mortgage incident. The Group will adopt a prudent and optimistic development approach and continue to enhance our efficiency and improve competitiveness in order to maintain the growth momentum of our business.



## CHAIRMAN'S STATEMENT (CONTINUED)

In 2008, the Group will continue to maximize the value of toll road business, including divesting the Class I/II highway portfolio and increasing investments in expressways. In respect of the property business, the Group will continue to strengthen the team setup and enhance its efficiency to maximize the value of the existing portfolio, and to gradually build up the landbank size when opportunities arise. At the same time, the Group will seek a separate listing of the property business when it is suitable.

On behalf of the Board, we express our gratitude to our business partners, customers and shareholders. We would also like to extend our appreciation to our staff for their dedication.

**Zen Wei Pao, William**

*Chairman*

Hong Kong, 8 April 2008

# CHIEF EXECUTIVE OFFICER'S REPORT



**KO Yuk Bing**  
*Managing Director & CEO*

Dear Shareholders,

## Results for 2007

The Group's profit attributable to shareholders for 2007 was HK\$851 million or HK\$1.16 per share. The steady profit from toll road business together with the growing contribution from the property business provide an impetus to the increase in the Group's earnings.

## Toll Road Business

Total traffic volume and toll revenue of the Group's toll road projects in 2007 were 130 million vehicles and RMB2.3 billion respectively, representing an increase of 11% and 16%, respectively, as compared to those in 2006 (excluding the results of Guangsan Expressway which was terminated in the second half of year 2006). Cash generated from the toll road business amounted to HK\$767 million.

Benefited from the economic growth in China, the Group's expressways continued to perform well in 2007 with annual toll revenue increased by 24%. Total revenue and cashflow generated from the expressway projects represented 67% and 65% respectively, of those of the Group and such proportions are expected to increase in the future.

In 2007, the Group disposed of 25% of the equity interest in Provincial Highway 307 Bengbu Huaihe Bridge Highway, Provincial Highway 307 Bengbu Huaimeng Highway and Bengbu Chaoyanglu Huaihe Bridge in the Anhui Province, of which the Group owned 60% equity interest prior to the disposal. The Group intends to dispose of its remaining 35% interest in the coming few years. In addition, the Group entered into a framework agreement in 2007 to dispose of its interest in Yugong Highway and certain assets of Yulin City Ring Roads in Guangxi Zhuang Autonomous Region. The transaction is expected to be completed in 2009. These disposals are in line with the Group's strategy to dispose of Class III highway projects to enhance investment returns.

The Group did not commit any investment in new expressway project in 2007 due to the uncertainties in the regulatory approval procedures. However, the Group is still in the process of evaluating and negotiating several new expressway projects. Upon the clarification of the procedures, the Group will consider to materialise new investments.

## Property Business

The Group's revenue in property development surged substantially from HK\$506 million in 2006 to HK\$2,408 million in 2007 and total contracted sales and pre-sales of properties in 2007 amounted to 444,000 sq.m. in aggregate (comprising only the results of the Group's wholly-owned projects and projects of Sunco Property since it was acquired in July 2007).

In 2007, the Group's seven wholly-owned property development projects, namely Parkrise and Parkvista in Guangzhou; Royal City, Vista Panorama and Grand Metropolis in Changzhou; and Phoenix City in Suzhou, had achieved satisfactory progress; with the selling price of the projects in Guangzhou far exceeded the original expectation; the Changzhou projects well perceived by the locals; and the gradual integration of the operation of Phoenix City into the Group's stringent management system and thus improving its development.

The Group acquired projects of the Sunco group in phases. The acquisition of 49% equity interest in Sunco Property was completed in January 2007. In July 2007, the Group increased its shareholding in Sunco Property to approximately 88.5%. After a series of transactions and restructuring, the Group's property business is now operated under the brand of RK Properties.

The procedural steps of the acquisition of Sunco Property have caused certain commercial disputes which are being resolved by the Group in accordance with the law.

## Prospects

The toll road and the property businesses both leverage on the Group's experience and relationship in the PRC and are complementary in characteristics, thus helping the Group to diversify the operation risk.

The toll road business brings stable cash inflow to the Group and serves as a robust source of profit. The Group will continue to explore opportunities to divest its Class I/II Highway portfolio to maximise the value of the toll road business while continuing to identify new expressway projects.

The property business will focus on resolving the legacy issues of the acquired projects, and consolidating and strengthening the management team. The Group also plans to impose stringent construction and sales programs, improve management and control systems, and look for new development opportunities.

## Acknowledgement

I express my sincere gratitude to our business partners, customers and shareholders for their enduring support, and thank all staff for their dedication and hard work.

**Ko Yuk Bing**  
*Managing Director & CEO*

Hong Kong, 8 April 2008



P1. Jianguomen Project



P2. Blues International Apartments



P3. Forest Creek



P4. Songs & Sea



P5. Shang Jun Garden



P6. The River Side



P7. Parkrise



P8. Parkvista Phase I



P9. Parkvista Phase II



P10. Sun Town



P11. Mountain My Life



P12. Phoenix City



P13. The Heaven by Lakeside



P14. Royal City



P15. Vista Panorama



P16. Grand Metropolis



P17. Blues County



P18. Unusual Landscape



P19. Shuncheng



P20. Zhengzhou 1st Street



P21. Central Special Zone



P22. International No. 1



P23. Luoyang 1st Street



P24. Sunco Town



P25. The Mansion

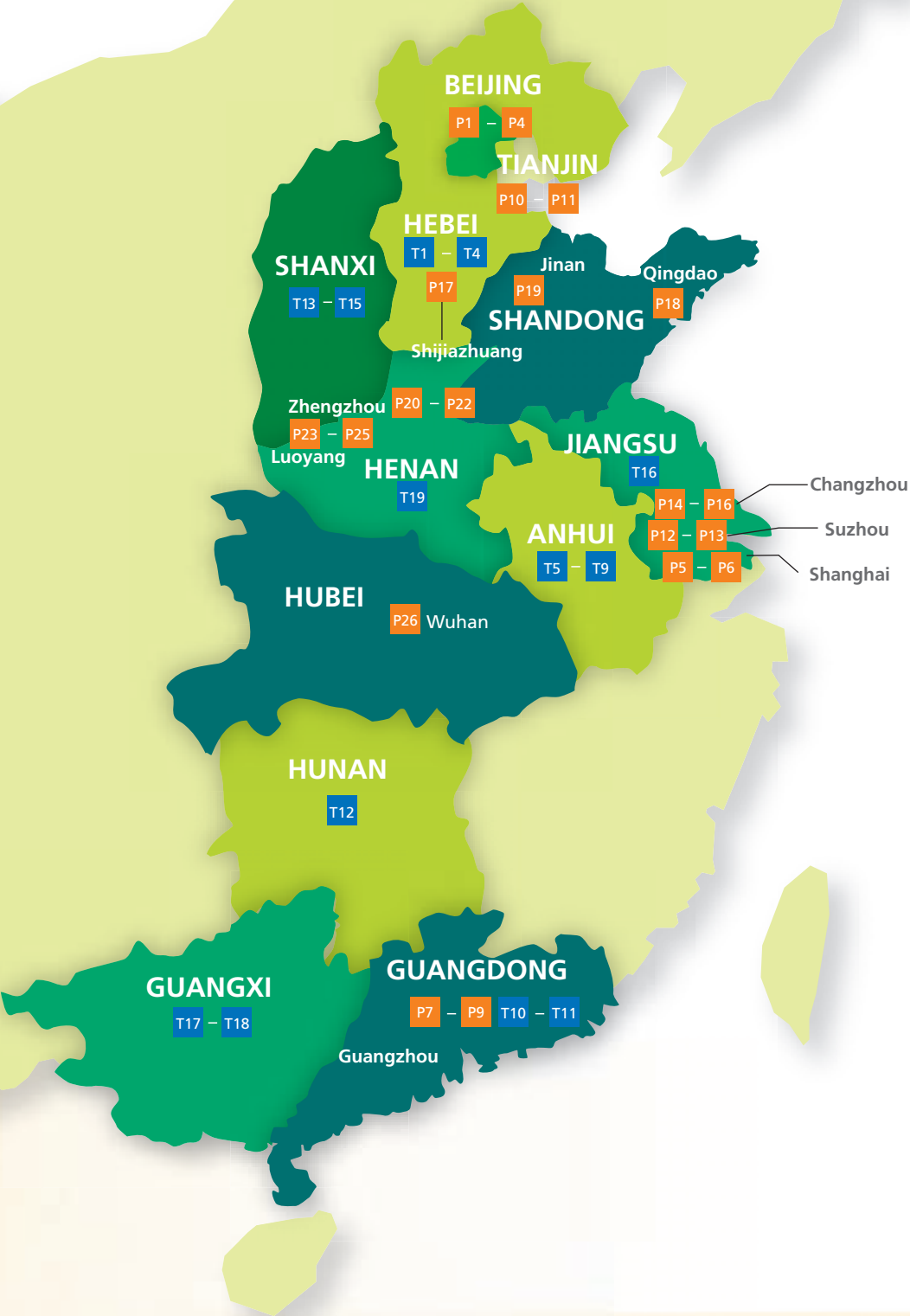


P26. Palen Villas

**T** Toll Road Projects

**P** Property Projects

# Management Discussion & Analysis





## Business Review

### Toll Road Business

#### Traffic Volume and Revenue

Project		2007 AADT	Growth in 2007 %	2007 Annual Toll Revenue RMB <sup>1</sup> million	Growth in 2007 %
<b>Hebei Province</b>					
T1.	Baojin Expressway	20,528	+19	386	+39
T2.	Tangjin Expressway	28,697	+28	471	+15
T3.	Shijin Highway	12,933	+5	53	+11
T4.	Hanguan Highway	10,544	-21	69	-30
<b>Anhui Province</b>					
T5.	Bengbu Huaimeng Highway	7,416	+9	15	+8
T6.	Hehuai Highway	16,440	-4	78	+26
T7.	Heye Highway	37,282	+6	210	+12
T8.	Bengbu Huaihe Bridge Highway	12,126	+18	31	+16
T9.	Chaoyanglu Huaihe Bridge	7,789	+17	15	+8
<b>Guangdong Province</b>					
T10.	Jihe Expressway	88,377	+49	420	+27
T11.	Luochong Highway	18,494	+6	61	+5
<b>Hunan Province</b>					
T12.	Changyi Expressway comprising Expressway	28,458 22,552	-21 +25	290 273	+19 +24
	Changyi Old Road	5,906	-67	16	-27
<b>Shanxi Province</b>					
T13.	Taiyu Highway	14,875	-25	27	-32
T14.	Yuci City Bypass	9,803	+20	20	-17
T15.	Dongguan Highway	8,382	-5	31	-11
<b>Jiangsu Province</b>					
T16.	Airport Highway	6,818	-11	39	-9
<b>Guangxi Zhuang Autonomous Region</b>					
T17. & T18.	Yulin City Ring Road and Yugong Highway	17,488	+24	42	+12
<b>Henan Province</b>					
T19.	Xunan Highway	11,043	+10	66	+20

*Performance in 2007*

**Hebei Province**

Hebei Province is an important province in the Bohai Economic Region. It plays a key role in connecting the two most prioritised cities of China – Beijing and Tianjin. The 2008 Beijing Olympic Games are expected to stimulate further development of Hebei and boost the infrastructure development as well as the transportation demand to a record high. In 2007, the GDP of Hebei was about RMB1,386.4 billion, representing a growth of 13%, while the GDP per capita was around RMB20,003 with a 38% growth over the previous year. The total mileage of completed expressways was about 2,853 km by the end of 2007.

Tangjin Expressway, which links up the North China coastal area, the North-eastern and the Southern provinces, had a prominent performance and sustained an excellent growth in 2007. Attributing to the rapid development of the Beijing, Tianjin and Hebei region, the project will continue to have a bright prospect.

With various positive factors including organic growth of traffic, completion of major maintenance works on Beijing-Shijiazhuang Expressway and the implementation of weight-based toll fee collection policy, Baojin Expressway showed a surge in the revenue in 2007. As Beijing and Tianjin continue to expand to its peripheral region, the revenue of project will continue to grow.

In 2007 Shijin Highway experienced a surge in revenue due to the completion of widening work and the repairing work for the bridge of Shihuang Expressway (its competitor). After completion of repairing works on the bridge of Shihuang Expressway, Shijin Highway's revenue is expected to resume to its normal figure level with steady growth.

Hanguan Highway is a major route in the eastbound coal transportation route from Shanxi and is also one of the national routes connecting Shanxi and Shandong provinces. In the second half of 2007, the opening of Qinghong Expressway, which is parallel to Hanguan Highway, affected the revenue of the project. The impact will be fully reflected in 2008. The Group is taking measures to mitigate this effect.

**Anhui Province**

Anhui Province is adjacent to Shanghai, Nanjin and the Yangtze River Delta Economic Region and serves as a transportation hub between the western provinces and the eastern coastal provinces. In 2007, the GDP of Anhui was RMB734.6 billion, representing a growth of 14% over the previous year. This was the fourth consecutive year with double digit growth. The foreign trade also showed rapid expansion. The total amount of import and export trades increased by 30% to RMB15.9 billion. The rapid economical growth also brought an increase of road transportation. By the end of 2007, the number of privately-owned vehicle in Anhui was 1.1 million. In 2007, the highway transport carried 820 million passengers and 620 million ton freight. The total mileage of expressways in use was 2,205 km.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In 2007, Hehuai Highway project company joined the local authority and the police to strengthen governance on unregulated vehicles. Together with the implementation of weight-based toll collection policy with the levy of penalties on overloaded trucks, the toll revenue increased by 26%. In the second half of 2008, the Group expects that there will be a negative impact on the revenue of the project after the completion of He-Huai-Fu Expressway, which is parallel to Hehuai Highway.

The toll revenue from the Bengbu Haiihe Bridge Highway, Chaoyanglu Huaihe Bridge and the Bengbu Huaimeng Highway increased by over 11% in 2007 due to the continued development. In 2007, we disposed of 25% of the equity interest in the captioned highways, which the Group owned 60% equity interest prior to the disposal.

Heye Highway was benefited from the growth of traffic and the implementation of weight-based toll fee collection policy. The toll revenue recorded an increase of 12% in year 2007. He-Liu-Ye Expressway, which is parallel to the project, was opened in November 2007 and induced significant traffic diversion. The Group is implementing measures to mitigate this effect.

### Hunan Province

Economic performance of the Hunan Province was satisfactory in 2007, with GDP of RMB914.5 billion representing an increase of 14% over the previous year. The income of the provincial government increased 25% to RMB111.9 billion. In 2007, turnover in freight transport increased 15% to 68.3 billion ton-km; freight transport by highway increased 18% to 854 million tons; turnover in passenger transport increased 7% to 54.8 billion passenger-km; passenger transport by highway increased 4% to 1.2 billion passengers.

Steady growth in passenger and freight volume stimulated market demand for the development and usage of transportation infrastructure. In 2007, Hunan completed an investment of RMB12.8 billion in expressway construction. There were 362 km of newly constructed expressways, which raised the total mileage of expressways of the province to 1,765 km by the end of 2007.

The revenue of Changyi Expressway project increased 19% compared with the previous year. As a result of the positive impact from the economic development and growth of tourism, the project is expected to maintain the growth momentum in 2008.

### Shanxi Province

In year 2007, the GDP of Shanxi Province and the income of the provincial government were RMB569.6 billion and RMB120 billion respectively, representing an increase of 14% and 31% respectively over the previous year. The substantial growth of Shanxi economy is a result of tremendous efforts in attracting foreign investment by the provincial government in recent years. In 2007, foreign direct investment contract value in Shanxi increased 89% to US\$2.5 billion. Growth in the provincial economy boosted the rapid development of local transportation network to meet the increasing demands.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Shanxi is the major province for coal mining in China. In addition, approximately a quarter of the coal was delivered by road transportation. In 2007 the amount of coal supply to other provinces increased by 15% to 540 million tons, which subsequently increased highway usage rate. The total mileage of expressways of the province was 1,893 km by the end of 2007.

Traffic and toll revenue of Taiyu Highway decreased in 2007 due to traffic diversion caused by new expressways and highways nearby. The project has strengthened the control of the privileged vehicles to improve the performance.

The stringent administrative and safety control on coal mines by Shanxi Government affected the coal-carrying traffic and revenue of Yuci City Bypass and Dongguan Highway in year 2007. Toll revenue for these two projects are expected to maintain at current level in 2008.

### Jiangsu Province

Jiangsu Province maintained its strong economic growth in 2007 with an increase of 15% in GDP. The 2007 GDP amounted to RMB2,556 billion, while GDP per capita for 2007 was RMB33,689. The value of the foreign trade amounted to US\$349.7 billion, of which exports accounted for US\$203.7 billion, representing an increase of 27% over the previous year.

The highway transportation industry continued its development in 2007. In 2007, the province had spent RMB8.2 billion on expressway infrastructure investment. There were 203km of newly constructed expressway, which raised the total mileage of expressways in the province to 3,608 km.

Traffic and toll revenue of Airport Highway decreased due to the completion of new expressways and highways nearby in 2007. Toll revenue is expected to maintain at stable level in 2008.

### Guangdong Province

The economy of Guangdong Province continued to develop rapidly in 2007, with GDP of RMB3,067.4 billion representing an increase of 15% over the previous year. The GDP per capita was RMB32,713.

During 2007, the import and export value was a record high of around US\$634.1 billion, representing an increase of 20% over the previous year, of which import and export trades accounted for US\$264.8 billion and US\$369.3 billion respectively, representing an increase of 18% and 22% over the previous year. Trade surplus of the year was approximately US\$104.4 billion, which was US\$27.8 billion higher than that of the previous year.

Guangdong has made substantial investments in transportation infrastructure in recent years. In the past five years, the value of completed major construction amounted to approximately RMB585.3 billion. The total mileage of expressways was about 3,520 km. In 2007, the turnover in passenger transport by highway increased by 16% to 141.1 billion passenger-km; turnover in cargo volume increased by 22% to 90.7 billion ton-km.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The revenue of Jihe Expressway continued to enjoy the growth in line with the economic growth of Guangdong as a result of the new transportation network between Hong Kong and Guangdong as well as the Closer Economic Partnership between China and Hong Kong. In 2007, the toll revenue of the project increased by 27%. With the development of logistic, industrial and trade centres along Jihe Expressway, the toll revenue will continue to grow.

Toll revenue from Luochong Highway increased 5% in 2007 and is expected to grow with the local economy in 2008.

### Guangxi Zhuang Autonomous Region

Guangxi Zhuang Autonomous Region (“Guangxi”) connects the south-western, southern and central southern China and the ASEAN. It is also a transportation hub serving the south-western and north-western China. The economy of Guangxi continued its rapid growth in 2007. In 2007, GDP of Guangxi was RMB588.6 billion, representing an increase of 15% over the previous year and the GDP per capita was RMB12,408. During 2007, there was significant growth in foreign trade. The value of foreign trade amounted to US\$9.28 billion, representing an increase of 39% over the previous year. The total mileage of expressways of Guangxi amounted to 1,800 km by the end of 2007.

In 2007, the project company continued to tighten toll collection control. Leveraged on the strong economic growth and completion of new connecting roads, toll revenue increased by 12% as compared with that of 2006. Toll revenue is expected to become stable in 2008.

The Group entered into a framework agreement in 2007 to dispose of its interest in Yugong Highway and certain assets of Yulin City Ring Roads. The transaction is expected to be completed in 2009.

### Henan Province

Henan province continued its economic development. In 2007, GDP of Henan increased 14%, amounting to RMB1,558.1 billion, compared with the previous year.

In 2007 the total import and export trade value was US\$12.81 billion, 30.7% more than that of the previous year. Profit of industrial enterprises above designated size increased by 69%, with its ranking jumping from the tenth to the fourth in China. The provincial government has made tremendous efforts in attracting foreign investment, utilising foreign investment of US\$3.1 billion, an increase of 66% over the previous year.

Transportation infrastructure developed rapidly due to strong economic growth of the province. By the end of 2007, the total mileage of expressways of Henan was approximately 4,556 km, which surpassed other provinces in the country. Road density was 142.6 km per 100 sq. km, ranked the second among provinces in China, forming a comprehensive transportation hub in the central China region.

Along with the economic growth of Henan province, the traffic and toll revenue of Xunan Highway in 2007 increased by 10% and 20% respectively compared with the previous year. Toll revenue is expected to maintain a stable growth in the year 2008.



## Property Business

During 2007, the Group had made effort to consolidate its property portfolio and strengthen its financial position. The Group expanded its presence from two provinces to nine provinces and municipalities through public auction as well as the acquisition of privately-owned project companies. The landbank increased from GFA of 2.9 million sq.m. as of 31 December 2006 to 6.1 million sq.m. as of 31 December 2007.

### Sales

For the year under review, the Group completed properties for sales with a total GFA of 428,000 sq.m. delivered that comprised:

Location	Total GFA delivered* sq.m.	Residential GFA sq.m.	Commercial GFA sq.m.
Henan	155,000	149,000	6,000
Jiangsu	107,000	106,000	1,000
Beijing	58,000	58,000	—
Guangdong	52,000	47,000	5,000
Others	56,000	56,000	—

Set out below is an analysis of the average selling prices in 2007:

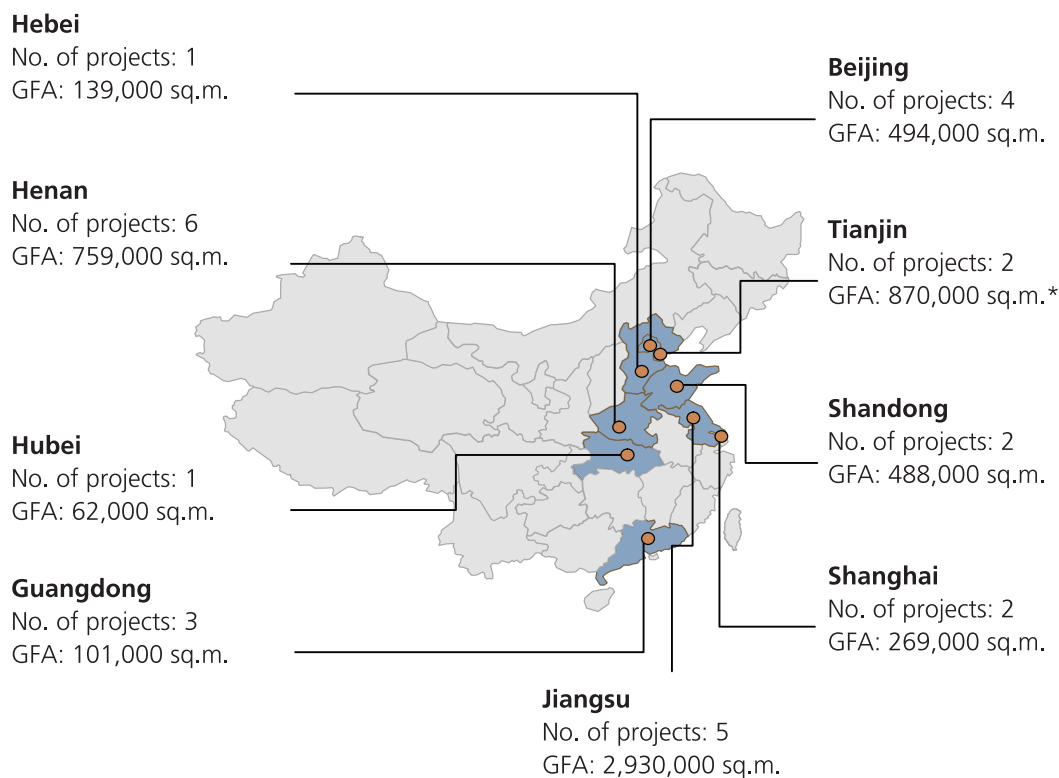
Location	GFA contracted in 2007* sq.m.	Average selling price RMB/sq.m.
Jiangsu	187,000	4,800
Beijing	88,000	10,100
Henan	70,000	4,100
Guangdong	47,000	14,100
Others	52,000	5,600

\* Sale of car parks is excluded.

### Landbank

The Group's landbank includes properties under relocation, planning and construction, properties held for sale and properties held for investment. As at 31 December 2007, the Group's landbank amounted to 6.1 million sq.m. of GFA located in nine provinces and municipalities, namely Beijing, Shanghai, Tianjin, Hebei, Henan, Shandong, Hubei, Jiangsu and Guangdong.

The diagram below sets out the locations and attributable area of the major projects as at 31 December 2007:



\* As detailed in the sub-paragraph headed "Litigations in the PRC" below, the Group has not been able to access the properties of the two projects in Tianjin since their acquisitions in 2007. The total GFA of the two Tianjin projects of 870,000 sq.m. as stated herein is based on the best knowledge of and information available to the Directors as of 30 June 2007.

*Updates of major projects in 2008*

**Beijing**

*Blues International Apartments*

Blues International Apartments is a large-scale residential and commercial development project located at Caihuying West Street in the Fengtai District of Beijing, occupying a site area of 73,000 sq.m.. Blues International Apartments is adjacent to a number of shopping malls and comprises recreational facilities such as a spa and a swimming pool. Lize Commercial District, one of the biggest commercial areas in the southwest of Beijing, is only 150 metres away from Blues International Apartments.

Blues International Apartments has planned residential and commercial GFA of 211,000 sq.m. and 7,000 sq.m., respectively, most of which have already been pre-sold. Delivery of this project has been scheduled to take place in 2008.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### *Songs & Sea*

Songs & Sea is a nine-phase large-scale residential and commercial development project located at the North Area in Daxing District of Beijing, occupying a site area of 285,000 sq.m.. Songs & Sea features an artificial lake of over 38,000 sq.m. and comprises recreation facilities including a clubhouse, a shopping mall and a plaza.

Songs & Sea has planned residential and commercial GFA of 410,000 sq.m. and 13,000 sq.m., respectively, of which a total of 226,000 sq.m was attributable to the Group as of 31 December 2007. A substantial portion of Phases 1 and 2 of this project has been completed and sold, and construction and pre-sales of the remaining phases of the Songs & Sea project are underway and the whole project is expected to be completed in 2009.

### **Guangzhou**

#### *Parkvista*

Parkvista is a two-phase residential and commercial project located in a high-end residential and commercial area in eastern Zhujiang New City of Guangzhou, with Phases 1 and 2 each occupying a site area of 7,000 sq.m..

Phase 1 of the project comprises six high-rise residential buildings of 336 units that are constructed on top of a shopping mall. Phase 1 has planned residential and commercial GFA of 56,000 sq.m. and 6,000 sq.m., respectively, of which a total of 34,000 sq.m. was delivered in 2007 and the remaining of 28,000 sq.m. was attributable to the Group as of 31 December 2007.

Phase 2, which is planned to comprise five high-rise residential buildings of 546 units, is located next to Phase 1 and is connected via a shopping mall. The planned residential and commercial GFA of Phase 2 is 53,000 sq.m. and 6,000 sq.m., respectively. Completion of Phase 2 is targeted to be 2009.

### **Suzhou**

#### *Phoenix City*

Phoenix City is a three-phase residential and commercial project located in the Suzhou Industrial Park, at the bank of Jinji Lake to the east of Suzhou. The project occupies a site area of 860,000 sq.m.. Suzhou International Expo Centre is located on the west of Phoenix City.

Phoenix City has planned residential and commercial GFA of 1.5 million sq.m. and 74,000 sq.m., respectively, of which a total of 1.4 million sq.m. was attributable to the Group as of 31 December 2007. Pre-sales of residential units commenced in 2004 and a portion of this project has already been completed. The construction of the entire project is expected to be completed in 2011.

### **Changzhou**

The project in Changzhou which consists of three developments, namely Royal City, Vista Panorama and Grand Metropolis, is located in the central urban zone of Wujin District with a total planned GFA of 1.5 million sq.m.. Although these projects are situated adjacent to each other, they are targeting different clientele. Royal City

is a five-phase high-end residential development community whereas Vista Panorama is a highrise residential development providing quality and affordable apartments to small families. Grand Metropolis is a commercial complex, comprising a shopping arcade, an office building and a budget hotel.

Royal City occupies a site area of 487,000 sq.m.. There is a variety of residential products at Royal City, ranging from villas, low-rise, mid-rise and high-rise properties. Royal City has planned residential and commercial GFA of 835,000 sq.m. and 9,000 sq.m., of which a total of 829,000 sq.m. was attributable to the Group as of 31 December 2007. Construction of Phase I commenced in 2006 and is expected to be completed in 2008. The whole project is expected to be completed in 2013.

Vista Panorama is a high-rise residential and commercial development occupying a site area of 127,000 sq.m.. The project has planned residential and commercial GFA of 386,000 sq.m. and 16,000 sq.m., respectively. Pre-sale of Phase I started in September 2007 and construction of Phase I is expected to be completed in 2009.

Grand Metropolis occupies a site area of 67,000 sq.m.. It has a planned commercial GFA of 120,000 sq.m.. This property is intended to be kept as an investment property and lease out the commercial space. Construction of Grand Metropolis commenced in 2006 and the Group succeeded in securing a long-term contract with a supermarket chain, which is expected to be a major anchor tenant in the first stage of this development. Construction of Grand Metropolis is expected to be completed in 2009.

### Acquisition of Sunco Property

In 2006, the Group announced its plan to acquire projects of the Sunco group in phases. The Group completed the acquisition of 49% equity interest in Sunco Property in January 2007. In July 2007, the Group increased its shareholding in Sunco Property to approximately 88.5%. After a series of transactions and restructuring, the Group's property projects are now operated under the brand of RK Properties.

### Spin-off of Property Group

On 21 November 2007, the Group announced that it had submitted to the Stock Exchange with a proposal to spin-off of its property business. The Group believes that the spin-off could (i) improve the segregation of focus in respect of each of the toll road and property business; (ii) attract investors with different profile; and (ii) realise the value of the property business.

The Group is currently in discussion with the Stock Exchange in respect of the spin-off proposal. The Group will also follow closely, and assess, the impact on the financial markets caused by the sub-prime mortgage crisis on the spin-off proposal. Further announcement will be made as and when appropriate.



## Disputes with the former major shareholders of Sunco Property and former management of two subsidiaries in Tianjin

### *Litigations in the PRC*

After completion of the equity transaction in Sunco Property in July 2007, the Group was unexpectedly not able to obtain management control over two of the subsidiaries in Tianjin. The Group's representatives could not gain access to the office and were not able to secure possession of the company chops and certain books and records of these companies.

Having taken PRC legal advice, the Group initiated civil proceedings in Tianjin district People's Court to enforce its right. As the Group has strong evidence in support of the claim, the Group believes that it will be able to assume control of the properties as well as the companies. The Group is now pushing for a court hearing date to be fixed. The Group will continue to pursue the above lawsuits in order to gain management control over its properties in Tianjin in 2008.

### *Litigations in Hong Kong*

Subsequent to the completion of the acquisition of Sunco Property as well as the exercise of the option to acquire Sunco Real Estate on behalf of an independent third party in 2007 pursuant to the option agreement signed in early 2007, the Group and the purchaser of Sunco Real Estate discovered that the former Sunco major shareholders of Sunco Property ("Former Sunco Major Shareholders") had not disclosed all liabilities and payment obligations. Both parties have therefore jointly taken legal actions and filed claims for compensation amounting to approximately RMB600 million in aggregate, of which approximately RMB250 million was claimed by the Group.

Subsequent to the Group commencing proceedings in respect of the claims above, it was noted that the Former Sunco Major Shareholders had issued a writ against the Group disputing that the procedures for the acquisition of certain projects, which the Group considers groundless. The Group is currently pursuing its claims vigorously. Further announcement will be made as and when appropriate.

## Financial Review

The 2007 financial statements reflect the impact of the growth of the Group's self developed property projects as well as the completion of the acquisition of Sunco Property in mid-2007 on the financial positions of the Group. These factors, together with certain financing activities as mentioned under the paragraph headed "Financing activities" below, contributed to most of the fluctuations of the items as listed in the 2007 financial statements.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The table below summarises the major items of the consolidated income statement of the Group for the two years ended 31 December 2006 and 31 December 2007.

	For the year ended	
	31 December 2007	2006
	HK\$'million	HK\$'million
Sales	2,408	544
Gross profit	666	168
Discount on acquisition of a subsidiary/deemed acquisition of additional interest in a subsidiary	—	174
Other income	421	102
Selling expenses	(92)	(21)
Operating expenses	(371)	(147)
Share of results of joint ventures	577	587
Others	8	(77)
Profit before tax	1,209	786
Income tax expense	(343)	(84)
Profit after taxation	866	702
Minority Interests	(15)	3
Profit attributable to the shareholders of the Company	851	705

### *Sales*

The increase of sales from HK\$544 million in 2006 to HK\$2,408 million in 2007 was mainly attributable to the growth of self developed property development business in Changzhou and Guangzhou as well as the contributions from the acquired property projects.

### *Gross Profit*

Although the gross profit increased to HK\$666 million in 2007, the gross margin decreased from 30% in 2006 to 28% in 2007. The decrease of the gross margin was mainly attributable to the stock of Sunco Property and Suzhou Junyu which was pre-sold at below market price prior to the Group's acquisitions. This impact was partly offset by the high margin of Parkvista project in Guangzhou, part of which was sold and delivered in 2007.

### *Discount on acquisition of a subsidiary/deemed acquisition of additional interest in a subsidiary*

This represented mainly the fair value adjustment arisen from the Group's acquisition of Phoenix City in Suzhou in 2006.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### *Other income*

Other income mainly comprised the exchange gain generated during the year resulting from the appreciation of Renminbi.

### *Selling expenses*

The increase in the selling expenses was mainly due to the increase in selling and marketing activities during the year, which was in line with the increase in sales.

### *Operating expenses*

Despite the increase in the operating expenses, mainly caused by the consolidation of the operation teams of the self-developed property business and the legacy Sunco Property, the merger of the two teams generated synergy and improved the economy of scale and reduced the average operating expenses per sq.m. delivered.

### *Income tax expense*

Taxation included the profit tax and Land Appreciation Tax ("LAT"). The disproportional increase in the taxation expense was mainly attributable to rise in LAT in 2007 as a result of the increase in revenue.

The table below summarises the major items of the consolidated balance sheet of the Group as at 31 December 2006 and 2007.

	As at 31 December	
	2007	2006
	HK\$'million	HK\$'million
Non-current assets		
— Interests in joint ventures	5,170	5,073
— Other non-current assets	1,398	119
	<b>6,568</b>	5,192
Current assets		
— Inventory of properties	10,379	2,897
— Advances for land leases	1,393	459
— Other current assets	3,088	2,414
	<b>14,860</b>	5,770
Current Liabilities		
— Deposits from pre-sale of properties	(4,128)	(383)
— Other current liabilities	(2,492)	(2,236)
	<b>(6,620)</b>	(2,619)
Non-current liabilities	<b>(6,184)</b>	(1,565)
Total equity	<b>8,624</b>	6,778

*Interests in joint ventures*

Interests in joint ventures mainly represents the Group's interests in the joint ventures relating to the toll road business. In 2007, the Group disposed of 25% of the equity interests in three Class I/II highways, of which the Group owned 60% equity interest prior to the disposal.

*Other non-current assets*

The increase in other non-current assets was mainly due to the inclusion of a long term receivable and the carrying value of two unconsolidated subsidiaries in Tianjin, details of which are set out in notes 21 and 22 to the financial statements.

*Inventory of properties/Advances for land leases/Deposits from pre-sales properties*

The increase of the balances as at 31 December 2007 was mainly due to the expansion of the property business from presence in two provinces to nine provinces and municipalities through public auction as well as the acquisition of privately-owned project companies. The landbank of the Group increased from GFA of 2.9 million sq.m. as of 31 December 2006 to 6.1 million sq.m. as of 31 December 2007.

*Other current assets*

The increase of other current assets was mainly due to the unutilised proceeds raised from the financing activities undertaken in 2007, details of which are set out in the paragraph headed "Financing activities" below.

*Non-current liabilities*

The increase in non-current liabilities was mainly due to the issue of the aggregate of US\$350 million senior notes in 2007, details of which are set out in the paragraph headed "Financing activities" below.

## Liquidity and financial resources

As at 31 December 2007, shareholders' funds increased to HK\$8,472 million (31 December 2006: HK\$6,778 million). The increase was mainly due to the share placement of 45,000,000 ordinary shares at HK\$12.2 each in March 2007 and profit earned during the year. Net assets per share increased to HK\$11.5 (31 December 2006: HK\$9.8).

As at 31 December 2007, the Group's total assets were HK\$21,428 million (31 December 2006: HK\$10,962 million) and cash and bank balances (including pledged deposits) were HK\$2,091 million (31 December 2006: HK\$1,137 million), of which 90% were denominated in Renminbi, 7% were denominated in US dollars and the remaining 3% were denominated in HK dollars. In addition, there were mainly unutilised facilities of US\$100 million and RMB150 million as at 31 December 2007.

## Financing activities

To finance investments in property projects and strengthen the financial position of the Group, the Group had undertaken the following financing activities in addition to the aforementioned share placement during the year ended 31 December 2007:

- (a) upgraded the syndicated bank loans of US\$170 million to US\$220 million in May 2007;
- (b) issued US\$200 million fixed rate notes and US\$150 million floating rate notes in May 2007; and
- (c) arranged a term loan facility of US\$100 million in December 2007.

## Debt and gearing

The gearing ratio of the Group increased from 46% at the end of 2006 to 79% as at 31 December 2007 as a result of the issue of fixed and floating rate notes as well as the upgrade of the bank loans. Interest coverage was 16.4 times (2006: 9.9 times).

As at 31 December 2007, the Group's total borrowings were HK\$6,724 million (2006: HK\$3,141 million). The maturity profile of the Group's total borrowings is set out as follows:

	As at 31 December	
	2007	2006
	HK\$'million	HK\$'million
Repayable:		
Within one year	609	1,582
After one year but within two years	602	—
After two years but within five years	4,008	1,559
After five years	1,505	—
<b>Total borrowings</b>	<b>6,724</b>	<b>3,141</b>

The Group's borrowings were primarily denominated in US dollars. Other than the US\$200 million 6.25% fixed rate guaranteed notes due 2011 and the US\$200 million 7.625% fixed rate senior notes due 2014, the Group's borrowings were mainly on a floating rate basis.

## Financing and treasury policies

The Group continued to adopt prudent financing and treasury policies. All the Group's financing and treasury activities are centrally managed and controlled. Implementation of the Group's related policies are made under collective but extensive considerations on refinancing risk, interest rate risk and exchange rate risk.

## Charges on assets

As at 31 December 2007, bank balances of RMB220 million were pledged as security in favour of banks for mortgage facilities granted to the buyers of the Group's property projects. In addition to these charged deposits, properties valued at RMB1,357 million were pledged as security for certain loan facilities granted to certain property projects and the shares of the intermediate subsidiaries holding interests in Baojin Expressway, Jihe Expressway (Eastern section) and Heye Highway with aggregate net asset value of not less than US\$220 million were charged to secure for the syndicated loan facility of US\$220 million.

## Exposure on foreign exchange fluctuations

The Group's borrowings are mainly denominated in US dollars, but its cashflow is generated from projects denominated principally in Renminbi. As at 31 December 2007, 90% of cash and bank balances were denominated in Renminbi and the remaining 10% were denominated in US dollars or Hong Kong dollars. The continuous appreciation of Renminbi had contributed to the Group's results. Save for the aforesaid, the Group has no significant exposure to foreign exchange fluctuation.

## Exposure on interest rate

Following the introduction of austerity measures by the PRC Government and the measures implemented by the US Government in light of the sub-prime mortgage crisis, interest rates for the Renminbi and US dollar borrowings diverged rapidly and significantly in 2007. The one-year interest rate for Renminbi borrowings increased 22% from 612 basis points as at 1 January 2007 to 747 basis points as at 31 December 2007 while the London Interbank Offered Rate reduced by 22% from 544 basis points to 422 basis points during the same period.

Since the Group's borrowings are mainly denominated in Renminbi and US dollars, interest payments have been affected by interest rate fluctuations although to a certain extent the effect of higher interest payments from the Renminbi borrowings is offset by lower interest payments from US dollar borrowings. The Directors consider that the monetary policies implemented by the PRC and the US Governments will continue to have a major impact on the results and operation of the Group.

## Material future capital commitments

At the balance sheet date, the Group had capital commitments in respect of investment costs to be injected into infrastructure joint ventures after the fifth year amounted to HK\$38,505,000 (2006: HK\$36,241,000).

In addition, the Group will further invest HK\$437,145,000 to develop a shopping mall in Changzhou for investment purpose.

## Contingent liabilities

As at 31 December 2007, the Group provided guarantees of RMB3,102 million and RMB300 million in favour of its customers for their purchases of the Group's properties and a financial institution to provide credit facilities to the unconsolidated subsidiaries in Tianjin, respectively. The guarantees provided by the Group in favour of its customers will be released when the customers pledge their real estate certificates as securities to banks for the mortgage loans granted.

## Employees

Excluding the staff of joint ventures, the total number of employees of the Group (including the employees of the Tianjin subsidiaries) was 1,467 as at 31 December 2007. Expenditure on staff (excluding Directors' emolument) amounted to HK\$135 million. Employees are remunerated according to their performance and contribution. Other employee benefits include but not limited to provident fund, insurance, medical cover and training programs, as well as a share option scheme. In 2007, 19,500,000 share options were granted to Directors and employees under the Company's share option scheme adopted in May 2003.

## Prospects

The sub-prime mortgage crisis in the United States has affected the liquidity in the US, triggering a downturn in the economy. The global financial markets have been affected by the negative data of the US economy and recent credit troubles of certain financial institutions have further deteriorated the markets. Although the China economy is generally believed to be insulated from the downturn of the US economy, some recent trade figures of China had reflected that its trade surplus has narrowed, due to both the slowdown in US economy and the appreciation in Renminbi. The Group will therefore follow closely of the impact of the sub-prime mortgage crisis on the China economy and will take additional caution in making new investment decisions.

## Toll road business

The Group's toll road business remained stable in 2007. Although the Group has been in negotiation to invest in a few expressway projects, the Group did not commit any investment in new expressway project in 2007 due to the uncertainties in the regulatory approval procedures experiencing in recent years. Upon the clarification of the procedures, the Group will consider to materialise new investments.

## Property business

In 2007, the PRC real estates sector achieved a substantial growth as a result of the continuing growth in urbanisation and improvement in personal wealth. To facilitate the long-term stability of the economy and facilitate a healthy economic growth, the PRC Government introduced a series of austerity measures in 2007 with particular focus in the real estates sector. The Directors consider that these policies are integral to the long-term development of the Group. Furthermore, it is believed that these policies will facilitate a consolidation of the market and thus provide opportunities to the Group to expand its landbank. If and when the right opportunity arises, the Group will consider to increase its landbank in 2008, focusing in the Guangzhou and Beijing areas.

## DIRECTORS AND SENIOR MANAGEMENT

### Executive Directors

#### **Mr. Zen Wei Pao, William**

*(aged 60, Chairman)*

Mr. Zen has been the Chairman of the Company since its establishment. He is also the Chairman of Wai Kee Holdings Limited ("Wai Kee"), the controlling shareholder of the Company. Mr. Zen holds a Bachelor of Science degree and a Master of Business Administration degree. He is a member of both The Hong Kong Institution of Engineers and The Institute of Quarrying, UK. He is also an individual founder member and a fellow member of Hong Kong Institution of Highways and Transportation. He has extensive experience in civil engineering, construction material, and infrastructure and property development in Hong Kong, Taiwan and the PRC. He is the brother of Mr. Zen Wei Peu, Derek and the father of Mr. Zen Chung Hei, Hayley.

#### **Mr. Ko Yuk Bing**

*(aged 52, Managing Director  
and Chief Executive Officer)*

Mr. Ko joined the Company in early 1995. Mr. Ko holds a Master of Science degree in Engineering. He is a Chartered Engineer and a fellow member of The Institution of Civil Engineers, UK, The Institution of Structural Engineers, UK and The Hong Kong Institution of Engineers. He has extensive experience in infrastructure development in Hong Kong and the PRC, and has over 18 years of experience in business development and operation in the PRC.

#### **Mr. Chan Kam Hung**

*(aged 49, Chief Operating Officer)*

Mr. Chan has been appointed as an Executive Director of the Company since July 2002. He holds a Bachelor of Economics degree from the

University of Sydney. He is a Chartered Accountant of Australia and a fellow member of The Hong Kong Institute of Certified Public Accountants. Mr. Chan has over 25 years of auditing, accounting and corporate management experience. Prior to joining the Company, he held senior corporate management positions in multi-national companies and listed companies in Hong Kong.

#### **Mr. Fong Shiu Leung, Keter**

*(aged 45, Finance Director)*

Mr. Fong has been appointed as an Executive Director of the Company since July 2000. He holds a Bachelor of Arts degree in Accountancy. He is a Certified Practising Accountant in Australia and a fellow member of The Hong Kong Institute of Certified Public Accountants. He has over 20 years of experience in auditing, accounting and business advisory profession. Prior to joining the Company, he was an audit principal of an international accounting firm.

#### **Mr. Zen Wei Peu, Derek**

*(aged 55)*

Mr. Zen has been a Director of the Company since its establishment. He is also the Vice Chairman of Wai Kee and the Chairman of Build King Holdings Limited. He holds a Bachelor of Science degree in Engineering and a Master of Business Administration degree. He is a Chartered Engineer and is a member of The Institution of Civil Engineers, UK and a fellow member of The Institute of Quarrying, UK. Mr. Zen has over 30 years of experience in civil engineering industry. He is the brother of Mr. Zen Wei Pao, William and uncle of Mr. Zen Chung Hei, Hayley.



## Non-executive Directors

### **Mr. Hu Aimin**

*(aged 59)*

Mr. Hu has been appointed as a Non-executive Director of the Company since February 2004. He is the Chairman of Shum Yip Holdings Company Limited and Shenzhen Investment Limited ("Shenzhen Investment"). He is also a Non-executive Director of Ping An Insurance (Group) Company of China Limited and Coastal Greenland Limited, listed companies in Hong Kong. He graduated from the Hunan University of China and holds a Master degree in Business Administration. He was the Secretary-general and Chief of Administration Office of the Shenzhen Municipal Government, Deputy Secretary-general of the Shenzhen Municipal Committee, a standing member of District Committee of Futian District, Shenzhen Municipality, and the Director of Leadership Science and Talents Studies Research Office in Hubei and the Assistant Executive Editor-in-chief of a periodical named Studies on Leadership. He has over 30 years of experience in administration and management.

### **Mr. Zhang Yijun**

*(aged 53)*

Mr. Zhang has been appointed as a Non-executive Director of the Company since December 2004. He is an Executive Director and President of Shenzhen Investment. He is also a Non-executive Director of Coastal Greenland Limited, a listed company in Hong Kong. He graduated from South China Normal University in the PRC in 1983. He holds an EMBA degree from Shanghai Jiao Tong University, and is currently a senior economist. He had also underwritten research studies of assets and corporate management in Japan. Mr. Zhang was Chairman and Chief Executive of Shenzhen Construction and Investment Corp. and held senior government positions in Shenzhen. He has over 10 years of property development experience.

## Independent Non-executive Directors

### **Mr. Chan Hing Chiu, Vincent**

*(aged 72)*

Mr. Chan joined the Company as an Independent Non-executive Director in 1996. He was the Chairman of Scott Wilson Kirkpatrick (Hong Kong) Limited ("SWK") and is currently retired. He had been a Partner and a Director of SWK since 1981. Mr. Chan holds a Bachelor of Science degree in Engineering and a Master of Science degree. He is a member of The Institution of Civil Engineers, UK and a fellow member of The Hong Kong Institution of Engineers.

### **Mr. Chow Shiu Kee, Stephen**

*(aged 59)*

Mr. Chow joined the Company as an Independent Non-executive Director in 1996. He holds a Bachelor of Arts degree and a Master of Law degree. He is a solicitor admitted to practice in Hong Kong and a partner of the solicitors firm of Messrs. Wong Poon Chan Law & Co. He is a Notary Public and a China Appointed Attesting Officer. Mr. Chow is a member of Solicitors Disciplinary Tribunal Panel, a member of Appeal Tribunal (Buildings) and a member of the Law Society Free Legal Advice Scheme.

### **Mr. Lau Sai Yung**

*(aged 60)*

Mr. Lau joined the Company as an Independent Non-executive Director in August 2004. He is the sole-proprietor of Lau SY & Co., Certified Public Accountants, the Executive Chairman of Union Alpha CPA Limited, a council member and an Honorary Fellow of the Chinese University of Hong Kong and also holds honorary positions in various schools, charitable and non-profit-making organizations. He holds a Bachelor degree in Business Administration from The Chinese University of Hong Kong. Mr. Lau is a Certified

Public Accountant (Practising) and has over 30 years of experience in the profession of accounting. He is also a fellow member of The Association of Chartered Certified Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants, an associate member of The Institute of Chartered Accountants in England and Wales, The Taxation Institute of Hong Kong, The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators of the United Kingdom, and a member of The Society of Chinese Accountants and Auditors, Hong Kong.

## Senior Management

### **Ms. Chuk Wing Suet**

*(aged 36)*

Ms. Chuk is the Deputy Chief Operating Officer of the Company and a director of RK Properties Holdings Limited. She holds a Master of Business Administration degree and a Bachelor of Social Science degree. Ms. Chuk has over 14 years of experience in business investment, operation, development and promotion in Hong Kong and the PRC.

### **Mr. Yu Kam Fat, James**

*(aged 52)*

Mr. Yu is the Deputy Chief Operating Officer of Toll Road Division. He holds a Master and a Bachelor of Science degree in Civil Engineering. He is a Chartered Engineer and is a member of The Association of Professional Engineers of Ontario, Canada; The Institution of Civil Engineers, UK; The Institution of Structural Engineers, UK; The Institution of Highway and Transportation, UK and is a fellow of The Hong Kong Institution of Engineers. He is also a Registered Structural Engineers, HK and a Registered Professional Engineer, HK. He has over 28 years of experience in civil engineering and project management.

### **Mr. Leung Chin Wan**

*(aged 53)*

Mr. Leung is the Engineering and Cost Controller of RK Properties Holdings Limited. He holds a Master of Science degree in Engineering. He is a member of The Hong Kong Institution of Engineers. He has over 29 years of experience in civil engineering with more than 19 years of experience in the PRC project management.

### **Mr. Chan Wah Shing, Dickson**

*(aged 51)*

Mr. Chan is a General Manager of the Toll Road Division. He holds a Master of Science degree in Total Quality Management and an engineering degree. He is a member of The Chartered Quality Institute, UK. He has over 26 years of experience in civil engineering and project management.

### **Mr. Chan Sai Kuen, Daniel**

*(aged 50)*

Mr. Chan is the General Manager of the Toll Road Division. He holds a Bachelor of Business Administration degree in Accounting. He has over 26 years of experience in accounting and project management.

### **Mr. Lai Siu Keung**

*(aged 44)*

Mr. Lai is a Deputy General Manager of the Toll Road Division. He holds a Bachelor of Engineering (Hons) degree in Civil Engineering. He has over 24 years of experience in civil engineering and project management.

### **Mr. Wang Hao**

*(aged 37)*

Mr. Wang is a Deputy Chief Executive Officer of the Property Division and is responsible for primary land development projects and property development projects in Beijing. He holds a Master of Structural Engineering degree and a Bachelor of Structural Engineering degree. Mr. Wang has over

## DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

12 years of experience in engineering, corporate management and credit control. He was the Chief Financial Officer from 2000 to 2005 and the Chief Executive Officer from 2005 to 2007 of the Sunco Property group.

### **Ms. Tian Aijun**

*(aged 39)*

Ms. Tian is the Chief Operating Officer - Central China Region of the Property Division. She holds a Master in Accounting degree and a Bachelor of Education degree. She is a Registered Accountant in the PRC. She has three years of experience in audit and four years of experience in education management. Ms. Tian joined the Sunco Property group in 2001 and was involved in the corporate management and project operation management.

### **Mr. Zen Chung Hei, Hayley**

*(aged 33)*

Mr. Zen is the Chief Financial Officer of the Property Division. He holds a Master of Business Administration degree, a Bachelor of Commerce degree in Accounting and a Bachelor of Science degree in Computer Science. He is a member of both The Hong Kong Institute of Certified Public Accountants and The New Zealand Institute of Chartered Accountants. Mr. Zen has 12 years experience in finance, accounting, business investment and development in the United States, Hong Kong and the PRC. He is the son of Mr. Zen Wei Pao, William and the nephew of Mr. Zen Wei Peu, Derek.

### **Mr. Lee Tak Fai, Kennedy**

*(aged 42)*

Mr. Lee is the Financial Controller of the Property Division. He joined the Group in early 2007. He has 17 years of experience in assurance and business advisory services. Prior to joining the Group, he worked for a number of international accounting firms during the period from 1990 to 2003 and was previously the financial controller as well as qualified accountant and the assistant general manager of the corporate finance department of several companies listed on the Main Board of the Stock Exchange. Mr. Lee holds a Bachelor of Social Science degree in the University of Hong Kong and is a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institutes of Certified Public Accountants.

## DIRECTORS' REPORT

The Directors have pleasure in presenting their annual report and the audited consolidated financial statements for the year ended 31 December 2007.

### Principal Activities

The Company acts as an investment holding company. The principal activities of the Group, including the infrastructure joint ventures, are the investment in, development, operation and management of toll roads and expressways and property development projects in the PRC, the details of the principal subsidiaries and joint ventures are set out in notes 42 and 19 to the consolidated financial statements respectively.

### Major Customers and Suppliers

In view of the nature of the toll road business, there are no major customers and suppliers. For the property business, the major customers are households and aggregate sales attributable to the Group's five largest customers were less than 30% of total sales. In addition, in view of the number of property projects undertaken and their diversified geographical locations, the five largest contractors were less than 30% of total construction payments.

### Results and Appropriations

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 60.

An interim dividend of HK\$0.24 per share amounting to HK\$179,908,000 was paid to the shareholders on 13 September 2007.

The Directors recommended the payment of a final dividend of HK\$0.28 per share to the shareholders on the register of members on Monday, 26 May 2008 amounting to approximately HK\$211 million subject to the approval by the shareholders at the forthcoming annual general meeting. It is expected that final dividend will be paid on or before 30 May 2008.

### Closure of Register of Members

The Register of Members of the Company will be closed from Thursday, 22 May 2008 to Monday, 26 May 2008, both days inclusive.

In order to qualify for the final dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Securities Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on Wednesday, 21 May 2008.

## Share Capital and Share Options

Details of the movements during the year in the share capital and share options of the Company are set out in notes 27 and 28 to the consolidated financial statements respectively.

## Reserves

Movements during the year in the reserves of the Group are set out in the consolidated statement of changes in equity on page 63.

## Distributable Reserves of the Company

The Company's reserves available for distribution to shareholders as at 31 December 2007 were as follows:

	2007 HK\$'000	2006 HK\$'000
Contributed surplus	1,348,042	1,348,042
Retained profits	215,173	383,560
	<b>1,563,215</b>	1,731,602

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

- (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

## Property, Plant and Equipment

Details of movements during the year in the property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

## Properties Under Development for Sale

Particulars of these properties of the Group are shown under the section of Major Projects Information.

## Bank and Other Borrowings

Particulars of bank and other borrowings of the Group are set out in note 29 to the consolidated financial statements.

## Retirement Benefit Plans

Particulars of these retirement benefit plans of the Group are set out in note 35 to the consolidated financial statements.

## Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 136 of the annual report.

## Directors and Directors' Service Contracts

The Directors of the Company during the year and up to the date of this report are:

**Executive Directors:**

Zen Wei Pao, William (*Chairman*)

Ko Yuk Bing (*Managing Director and Chief Executive Officer*)

Chan Kam Hung (*Chief Operating Officer*)

Fong Shiu Leung, Keter (*Finance Director*)

Zen Wei Peu, Derek

**Non-executive Directors:**

Hu Aimin

Zhang Yijun

**Independent Non-executive Directors:**

Chan Hing Chiu, Vincent

Chow Shiu Kee, Stephen

Lau Sai Yung

In accordance with Bye-law 87 of the Company's Bye-laws, Messrs. Chan Kam Hung, Fong Shiu Leung, Keter, Zhang Yijun and Chan Hing Chiu, Vincent shall retire by rotation at the forthcoming annual general meeting. Except for Mr. Chan Hing Chiu, Vincent, all retired directors, being eligible, will offer themselves for re-election. All other remaining directors continue in office.

On 8 April 2008, the Company announced that Dr. Chow Ming Kuen, Joseph was appointed as an Independent Non-executive Director with effect from 15 April 2008. Accordingly, the Board will comprise eleven Directors on 15 April 2008. Dr. Chow will hold office only until the forthcoming annual general meeting pursuant to Bye-law 86(2) and, being eligible, offer himself for re-election.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## Directors' Interests in Contracts of Significance

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Competing Interests

During the year and up to the date of this report, the following Directors had interest in the business which competes or is likely to compete, either directly or indirectly, with the business of the Group for the year ended 31 December 2007 pursuant to Rule 8.10 of the Listing Rules.

Name of Director	Name of entity	Description of nature of business	Nature of interest of the Director in the entity
Hu Aimin	Shenzhen Investment Limited and its subsidiaries	Property development and infrastructure investment	Director
Zhang Yijun	Shenzhen Investment Limited and its subsidiaries	Property development and infrastructure investment	Director

As the Board is independent of the boards of the above-mentioned entities, the Group is therefore capable of carrying on its business independently of, and at arm's length from, the business of these entities.

## Disclosure of Interests

### Directors' Interests and Short Positions

As at 31 December 2007, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

#### (I) Shares

Name of Director	Capacity/ Nature of interest	Number of shares held		Percentage of holding (%)
		Long position	Short position	
Zen Wei Pao, William	Personal	500,000 (note 1)	—	0.07
		6,000,000 (note 2)	—	0.80
Ko Yuk Bing	Personal	410,000 (note 1)	—	0.05
		5,100,000 (note 2)	—	0.68



DIRECTORS' REPORT (CONTINUED)

Name of Director	Capacity/ Nature of interest	Number of shares held		Percentage of holding (%)
		Long position	Short position	
Chan Kam Hung	Personal	1,000,000 (note 1)	—	0.13
		3,400,000 (note 2)	—	0.45
Fong Shiu Leung, Keter	Personal	380,000 (note 1)	—	0.05
		3,700,000 (note 2)	—	0.49
Zen Wei Peu, Derek	Personal	5,786,000 (note 1)	—	0.77
		2,300,000 (note 2)	—	0.31
Hu Aimin	Personal	500,000 (note 2)	—	0.07
Zhang Yijun	Personal	500,000 (note 2)	—	0.07
Chan Hing Chiu, Vincent	Personal	450,000 (note 1)	—	0.06
		350,000 (note 2)	—	0.05
Chow Shiu Kee, Stephen	Personal	255,000 (note 1)	—	0.03
		740,000 (note 2)	—	0.10
Lau Sai Yung	Personal	55,000 (note 1)	—	0.01
		600,000 (note 2)	—	0.08

Notes:

1. Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
2. Long position in the underlying shares of the Company pursuant to unlisted equity derivatives (including physically settled, cash settled and other equity derivatives). Share options granted to Directors are included in this category, the particulars of which are set out in (II) below.

DIRECTORS' REPORT (CONTINUED)

(II) *Underlying Shares — Share Options*

The share option scheme was adopted by the Company on 12 May 2003. Particulars of the share option scheme are set out in note 28 to the consolidated financial statements.

A summary of movement during the year under the share option scheme is as follows:

Name	Issue	Number of share options				Balance at 31.12.2007	Weighted average closing price (note 6)
		Balance at 1.1.2007	Granted during the year	Exercised during the year	Lapsed during the year		
<b>Directors</b>							
Zen Wei Pao, William	Note 1	500,000	—	500,000	—	—	13.90
	Note 2	2,500,000	—	2,500,000	—	—	14.12
	Note 3	2,500,000	—	1,500,000	—	1,000,000	14.77
	Note 4	2,500,000	—	—	—	2,500,000	—
	Note 5	—	2,500,000	—	—	2,500,000	—
Ko Yuk Bing	Note 2	700,000	—	700,000	—	—	13.58
	Note 3	2,300,000	—	1,800,000	—	500,000	13.65
	Note 4	2,300,000	—	—	—	2,300,000	—
	Note 5	—	2,300,000	—	—	2,300,000	—
Chan Kam Hung	Note 2	1,300,000	—	1,300,000	—	—	13.13
	Note 3	1,800,000	—	1,800,000	—	—	14.46
	Note 4	1,800,000	—	—	—	1,800,000	—
	Note 5	—	1,600,000	—	—	1,600,000	—
Fong Shiu Leung, Keter	Note 2	600,000	—	600,000	—	—	14.22
	Note 3	1,400,000	—	700,000	—	700,000	14.44
	Note 4	1,400,000	—	—	—	1,400,000	—
	Note 5	—	1,600,000	—	—	1,600,000	—
Zen Wei Peu, Derek	Note 4	1,300,000	—	500,000	—	800,000	14.60
	Note 5	—	1,500,000	—	—	1,500,000	—
Hu Aimin	Note 4	250,000	—	—	—	250,000	—
	Note 5	—	250,000	—	—	250,000	—
Zhang Yijun	Note 4	250,000	—	—	—	250,000	—
	Note 5	—	250,000	—	—	250,000	—
Chan Hing Chiu, Vincent	Note 2	250,000	—	250,000	—	—	16.30
	Note 3	250,000	—	250,000	—	—	16.30
	Note 4	250,000	—	—	—	250,000	—
	Note 5	—	100,000	—	—	100,000	—
Chow Shiu Kee, Stephen	Note 1	250,000	—	250,000	—	—	13.82
	Note 2	250,000	—	110,000	—	140,000	15.70
	Note 3	250,000	—	—	—	250,000	—
	Note 4	250,000	—	—	—	250,000	—
	Note 5	—	100,000	—	—	100,000	—
Lau Sai Yung	Note 3	250,000	—	—	—	250,000	—
	Note 4	250,000	—	—	—	250,000	—
	Note 5	—	100,000	—	—	100,000	—
		25,650,000	10,300,000	12,760,000	—	23,190,000	

DIRECTORS' REPORT (CONTINUED)

Name	Issue	Number of share options				Balance at 31.12.2007	Weighted average closing price (note 6)
		Balance at 1.1.2007	Granted during the year	Exercised during the year	Lapsed during the year		
<b>Others</b>							
Employees	Note 1	460,000	—	325,000	—	135,000	13.16
	Note 2	490,000	—	100,000	—	390,000	14.40
	Note 3	1,470,000	—	1,360,000	—	110,000	13.12
	Note 4	8,790,000	—	3,025,000	35,000	5,730,000	14.89
	Note 5	—	9,200,000	—	40,000	9,160,000	—
		11,210,000	9,200,000	4,810,000	75,000	15,525,000	
		36,860,000	19,500,000	17,570,000	75,000	38,715,000	

Notes:

1. The share options under this issue were granted on 17 October 2003 with an exercisable period from 17 October 2003 to 16 October 2008 and an exercise price of HK\$5.15.
2. The share options under this issue were granted on 26 August 2004 with an exercisable period from 26 August 2004 to 25 August 2009 and an exercise price of HK\$5.70.
3. The share options under this issue were granted on 14 December 2005 with an exercisable period from 14 December 2005 to 13 December 2010 and an exercise price of HK\$5.80.
4. The share options under this issue were granted on 20 December 2006 with an exercisable period from 20 December 2006 to 19 December 2011 and an exercise price of HK\$11.66.
5. The share options under this issue were granted on 6 November 2007 with an exercisable period from 6 November 2007 to 5 November 2012 and an exercise price of HK\$14.85.
6. This represents the weighted average closing price of the Company's shares immediately before the date on which the share options were exercised.

Save as disclosed above, none of the Directors or their associates has any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange.

Save as disclosed herein, none of the Directors nor their spouse or children under 18 years of age were granted or had exercised any rights to subscribe for any securities of the Company or any of its associated corporations.

## Arrangements to Acquire Shares or Debentures

Other than the share option scheme as mentioned earlier, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Substantial Shareholders' Interests

As at 31 December 2007, the interests or short positions of every person, other than a Director of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

Name of shareholder	Capacity/Nature of interest	Number of shares held		Percentage of holding (%) (note 11)
		Long position (note 1)	Short position	
Wai Kee Holdings Limited (note 2)	Corporate	285,763,428	—	37.97
Wai Kee (Zens) Holding Limited (note 3)	Corporate	285,763,428	—	37.97
Groove Trading Limited (note 4)	Personal/Beneficiary	66,000,000	—	8.77
Wai Kee China Investments (BVI) Company Limited (note 4)	Corporate	216,146,428	—	28.72
Wai Kee China Investments Company Limited (note 5)	Corporate	216,146,428	—	28.72
ZWP Investments Limited (note 6)	Personal/Beneficiary	216,146,428	—	28.72
Shenzhen Investment Limited (note 7)	Corporate	197,914,142	—	26.30

DIRECTORS' REPORT (CONTINUED)

Name of shareholder	Capacity/Nature of interest	Number of shares held		Percentage of holding (%) (note 11)
		Long position (note 1)	Short position	
Hover Limited (note 8)	Personal/Beneficiary	197,914,142	—	26.30
Cheah Cheng Hye (note 9)	Founder of discretionary trust	57,654,852	—	7.66
Hang Seng Bank Trustee International Limited (note 9)	Trustee	57,654,852	—	7.66
Cheah Company Limited (note 9)	Corporate	57,654,852	—	7.66
Cheah Capital Management Limited (note 9)	Corporate	57,654,852	—	7.66
Value Partners Group Limited (note 9)	Corporate	57,654,852	—	7.66
Value Partners Limited (note 9)	Investment Manager	57,654,852	—	7.66
To Hau Yin (note 10)	Spouse	57,654,852	—	7.66

Notes:

1. Long position in the Shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
2. Wai Kee Holdings Limited is deemed to be interested in the Shares through its interests in (i) its wholly-owned subsidiaries, namely Wai Kee (Zens) Holding Limited, Groove Trading Limited, Wai Kee China Investments (BVI) Company Limited, Wai Kee China Investments Company Limited, ZWP Investments Limited and Top Horizon Holdings Limited respectively; and (ii) its subsidiaries, namely Build King Holdings Limited, Top Tactic Holdings Limited, Amazing Reward Group Limited, Leader Construction Company Limited and Leader Civil Engineering Limited, which beneficially held 3,617,000 Shares, respectively.
3. Wai Kee (Zens) Holding Limited is a direct wholly-owned subsidiary of Wai Kee Holdings Limited.
4. Groove Trading Limited and Wai Kee China Investments (BVI) Company Limited are direct wholly-owned subsidiaries of Wai Kee (Zens) Holding Limited.
5. Wai Kee China Investments Company Limited is a direct wholly-owned subsidiary of Wai Kee China Investments (BVI) Company Limited.
6. ZWP Investments Limited is a direct wholly-owned subsidiary of Wai Kee China Investments Company Limited.

## DIRECTORS' REPORT (CONTINUED)

7. *Shenzhen Investment Limited is deemed to be interested in the Shares through its interests in its wholly-owned subsidiary, namely Hover Limited.*
8. *Hover Limited is a direct wholly-owned subsidiary of Shenzhen Investment Limited.*
9. *Hang Seng Bank Trustee International Limited, the trustee of the C H Cheah Family Trust (the "Trust"), holds 100% interest in Cheah Company Limited which holds 100% interest in Cheah Capital Management Limited, which holds 35.65% interests in Value Partners Group Limited, which in turn holds 100% interest in Value Partners Limited. By virtue of SFO, Cheah Cheng Hye, being the founder of the Trust, is deemed to be interested in the interest held by Value Partners Limited.*
10. *To Hau Yin is the spouse of Cheah Cheng Hye and is deemed to be interested in the interest held by Cheah Cheng Hye.*
11. *The percentage was calculated based on 752,646,566 ordinary shares in issue as at 31 December 2007.*

Save as disclosed above, no other person (other than a Director of the Company) has an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

## Purchase, Sale or Redemption of The Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

## Donations

During the year, donations made by the Group were HK\$44,971.

## Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## Sufficiency of Public Float

According to the information that is available to the Company and within the knowledge of the Directors of the Company, the Company has maintained the prescribed public float under the Listing Rules.

## Emolument Policy

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Executive Directors of the Company with the exception of the Chairman of the Board are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme is set out in note 28 to the consolidated financial statements.

## Placing of New Shares

On 22 February 2007, the Company and J.P. Morgan Securities (Asia Pacific) Limited entered into a placing agreement to place an aggregate of 45,000,000 new Shares, to not less than six independent investors, at the placing price of HK\$12.20 per Share representing a discount of approximately 4.4% to the closing price of HK\$12.76 per Share on that date. The net proceed per placing Share was approximately HK\$11.87. The placing was completed and 45,000,000 Shares were duly issued and allotted on 5 March 2007. The net proceeds from the placing was approximately HK\$534 million which was used for replenishing general working capital for the primary purposes of funding of the Group's property development business in the PRC and the provision of loans to Sunco Property.

## Connected Transaction

As disclosed in the circular of the Company dated 22 November 2007, the anticipated contractual value (as amended) between Changzhou Great Gallop Properties Development Limited (the "Developer"), an indirect wholly-owned subsidiary of the Company, and 常州利駿建築工程有限公司 (the "Contractor"), a wholly-owned subsidiary of Value Ahead Limited, a company indirectly owned as to 60% by the Company and as to 40% by Build King Holdings Limited ("Build King") for the construction and decoration works of Phases 1A and 1B of the Royal City residential development project was approximately RMB387,000,000. As Wai Kee Holdings Limited is the controlling shareholder of each of the Company and Build King, the works rendered under the construction agreement between the Developer and the Contractor constituted a connected transaction for the Company. This connected transaction was approved by the then independent shareholders of the Company on 10 December 2007.

For the year ended 31 December 2007, a total amount of approximately RMB221,721,000 was incurred by the Group for the construction work undertaken by the Contractor.

## Continuing Disclosure of the Listing Rules

In compliance with continuing disclosure obligations of the Listing Rules, the following information is disclosed:

1. Pursuant to rules 13.16 of the Listing Rules:
  - (a) All the Group's investments in highway projects are structured in the form of Sino-foreign co-operative joint ventures. There are altogether 42 infrastructure joint ventures and 2 property joint ventures. All these are regarded as joint ventures irrespective of whether the Group's interests exceed 50% or not. The investments are in the form of both registered capital and loans. The size of loans made by the Group and by the other joint venture partner(s) to each joint venture is in proportion to the respective interests in each joint venture.
  - (b) During the year, the Group has not provided guarantees in respect of bank facilities utilised by the joint ventures.
  - (c) The total amount of loans to the joint ventures was HK\$3.43 billion which in aggregate exceeds 8% of the Group's adjusted total assets of HK\$21.22 billion (being the Group's total assets as at 31 December 2007 adjusted for the dividend proposed for the year ended 31 December 2007 by the Company) as at 31 December 2007 and exceeds 8% of the Company's market capitalisation of HK\$10.39 billion as at 31 December 2007. The loans are actually part of the investments and are unsecured, interest free and have no definite repayment terms.
  - (d) The loans to the joint ventures are reflected in the accounts as part of the cost of investment and were funded by equities raised at the listing of the Company or by borrowings or internal resources of the Group.

2. Pursuant to rule 13.18 of the Listing Rules:

The Company are obliged to make an offer to repurchase all US\$200 million fixed rate senior notes due 2014 and US\$150 million floating rate senior notes due 2012 ("Notes") then outstanding at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest, if any, to (but not including) the date of repurchase in the occurrence of a change of control triggering event and a decline in rating of the Notes.



## 3. Pursuant to rule 13.22 of the Listing Rules:

- (a) A summary of aggregate financial information of the joint ventures, based on the adjusted financial statements prepared under the accounting principles generally accepted in Hong Kong as at 31 December 2007, is as follows:

	As at 31 December 2007 HK\$'000
<b>Balance sheet</b>	
Property, plant and equipment	10,341,743
Current assets	1,650,523
Current liabilities	(1,206,683)
Net current assets	443,840
Amounts due to joint venture partners	(1,642,558)
Net assets	9,143,025
<b>Income Statement</b>	
Total income	2,538,683
Total expenses	(1,262,735)

- (b) Details of the joint ventures are as follows:

	% of interest held indirectly by the Company	Loan to joint venture HK\$'000	Outstanding loan to be injected HK\$'000
<b>Infrastructure Joint Ventures</b>			
Anhui Road Universe Hefei Highway Development Co., Ltd.	50%	124,677	—
Anhui Road Universe Hehuai Highway Dayang Section Development Co., Ltd.	60%	80,118	—
Anhui Road Universe Hehuai Highway Yangjin Section Development Co., Ltd.	60%	71,707	—
Anhui Road Universe Liuan Highway Development Co., Ltd.	50%	64,705	—

DIRECTORS' REPORT (CONTINUED)

	% of interest held indirectly by the Company	Loan to joint venture HK\$'000	Outstanding loan to be injected HK\$'000
Bengbu Road King Chaoyanglu Huaihe Highway Bridge Development Co., Ltd.	35%	36,361	—
Bengbu Road King Huaihe Bridge Highway Development Co., Ltd.	35%	43,253	—
Bengbu Road King Huaimeng Highway Development Co., Ltd.	35%	31,686	—
Guangxi Hengjing Highway Development Co., Ltd.	70%	61,513	20,700
Guangxi Lutong Highway Development Co., Ltd.	70%	81,800	17,805
Handan Rongguang Highway Development Co., Ltd.	70%	79,223	—
Handan Xinguang Highway Development Co., Ltd.	70%	80,474	—
Hebei Baofa Expressway Co., Ltd.	40%	54,064	—
Hebei Baofeng Expressway Co., Ltd.	40%	54,111	—
Hebei Baohui Expressway Co., Ltd.	40%	53,907	—
Hebei Baojie Expressway Co., Ltd.	40%	54,994	—
Hebei Baojin Expressway Co., Ltd.	40%	54,377	—
Hebei Baoli Expressway Co., Ltd.	40%	55,049	—
Hebei Baoming Expressway Co., Ltd.	40%	50,550	—
Hebei Baosheng Expressway Co., Ltd.	40%	54,187	—
Hebei Baoyi Expressway Co., Ltd.	40%	54,445	—
Hebei Baoyu Expressway Co., Ltd.	40%	54,703	—
Hebei Tanghui Expressway Co., Ltd.	45%	182,778	—
Hebei Tangjin Expressway Co., Ltd.	45%	159,225	—
Hebei Tangrun Expressway Co., Ltd.	45%	109,749	—
Hunan Changyi (Baining) Expressway Co., Ltd.	43.17%	58,635	—
Hunan Changyi (Cangyi) Expressway Co., Ltd.	43.17%	59,832	—
Hunan Changyi Expressway Co., Ltd.	43.17%	59,567	—
Hunan Changyi (Hengchang) Expressway Co., Ltd.	43.17%	61,465	—
Hunan Changyi (Ningheng) Expressway Co., Ltd.	43.17%	59,510	—

DIRECTORS' REPORT (CONTINUED)

	% of interest held indirectly by the Company	Loan to joint venture HK\$'000	Outstanding loan to be injected HK\$'000
Hunan Changyi (Zijiang No. 2 Bridge) Expressway Co., Ltd.	43.17%	47,346	—
Liuan Road Universe Liuye Highway Development Co., Ltd.	50%	68,487	—
Liuan Road Universe Pihe Bridge Development Co., Ltd.	50%	63,286	—
Luodingshi Luochong Highway Company Limited	61%	114,725	—
Pingdingshan Road King Xuchang-Nanyang Highway (Xiangcheng Section) Development Co., Ltd.	50%	68,352	—
Pingdingshan Road King Xuchang-Nanyang Highway (Yexian Section) Development Co., Ltd.	50%	59,025	—
Shanxi Lutong Dongguan Highway Co., Ltd.	65%	99,693	—
Shanxi Lutong Taiyu Highway Co., Ltd.	65%	75,938	—
Shanxi Lutong Yuci Highway Co., Ltd.	65%	60,460	—
Shenzhen Airport-Heao Expressway (Eastern Section) Co., Ltd.	45%	377,028	—
Shijiazhuang Luhui Road & Bridge Development Co., Ltd.	60%	96,657	—
Shijiazhuang Luxin Road & Bridge Development Co., Ltd.	60%	54,040	—
Suzhou Road King Shanghai-Suzhou Airport Road Development Co., Ltd.	50%	120,874	—
<b>Property Joint Ventures</b>			
常州利駿建築工程有限公司 (“Changzhou Value Ahead”)	60%	14,880*	—
上海順馳方城置業有限公司	31.5%**	66,316	—
		3,433,772	38,505

\* The loan was advanced to the immediate holding company of Changzhou Value Ahead, Value Ahead Limited, which then on-lent it to Changzhou Value Ahead.

\*\* The joint venture is held by a 88.46% owned subsidiary of the Company.

4. Save as disclosed above, there is no other continuing disclosure required to be made by the Company pursuant to Chapter 13 of the Listing Rules.

## Auditors

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors.

On behalf of the Board  
**Zen Wei Pao, William**  
*Chairman*

Hong Kong, 8 April 2008

# CORPORATE GOVERNANCE REPORT

## Corporate Governance Practices

The Company is dedicated to maintaining the highest standard of corporate governance as it believes that corporate governance practices are fundamental to the smooth and effective operation of a company and can enhance shareholders' value and safeguard shareholders' interests.

Throughout the year of 2007, the Company has complied with all mandatory code provisions in the Code on Corporate Governance Practices ("Code") set out in Appendix 14 of the Listing Rules except for the deviation from Code Provision A.4.1 which is explained below.

## Board of Directors

The principal responsibilities of the Board are to set the long-term objectives and plans, formulate corporate strategies, oversee the management and evaluate the performance. The Board is directly accountable to the shareholders and responsible for preparing the financial statements.

As at 31 December 2007, the Board comprised ten Directors including five Executive Directors, two Non-executive Directors and three Independent Non-executive Directors whose biographical details are set out in the "Directors and Senior Management" section of this Annual Report.

On 8 April 2008, the Company announced that Dr. Chow Ming Kuen, Joseph was appointed as an Independent Non-executive Director with effect from 15 April 2008. Accordingly, the Board will comprise eleven Directors on 15 April 2008.

The Board meets regularly and these regular meetings are held at least four times each year. In addition to this, special Board meetings are held whenever major issues are encountered and Board resolutions are required. The attendance records of individual Directors at the Board meetings and two other Board Committees (the Audit and the Remuneration Committees) held in 2007 are set out below:

	Board meeting	Audit Committee meeting	Remuneration Committee meeting
<b>Executive Directors</b>			
Zen Wei Pao, William	9/9	—	3/4
Ko Yuk Bing	8/9	—	—
Chan Kam Hung	8/9	—	—
Fong Shiu Fong, Keter	8/9	—	—
Zen Wei Peu, Derek	7/9	—	—
<b>Non-executive Directors</b>			
Hu Aimin	7/9	—	—
Zhang Yijun	6/9	—	—
<b>Independent Non-executive Directors</b>			
Chan Hing Chiu, Vincent	6/9	3/3	4/4
Chow Shiu Kee, Stephen	9/9	3/3	4/4
Lau Sai Yung	8/9	3/3	4/4

Notice of regular Board meetings is given to all Directors at least 14 days before meeting, and all Directors are given the opportunity to include matters in the agenda for discussion at the Board meetings. The agenda and meeting materials are normally sent to all Directors at least three days before the regular Board meeting (and so far as practicable for such other Board meetings) to ensure that they can give sufficient time and attention to the affairs of the Company.

All Directors have direct access to the Company Secretary who is responsible for advising the Board on corporate governance and compliance issues. The Company Secretary is also responsible for taking the minutes of Board meetings and Board committee meetings. Such minutes are open for inspection by Directors.

## Non-executive Directors

Code Provision A.4.1 stipulates that Non-executive Directors should be appointed for a specific term, subject to re-election. None of the Non-executive Directors and Independent Non-executive Directors of the Company is appointed for a specific term. However, in accordance with the Bye-law 87 of the Company's Bye-laws, at each annual general meeting, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. The Company considers that this is no less exacting than those provided in the Code.

The Company has received annual written confirmation of independence from all Independent Non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board considers that they are independent in accordance with the Listing Rules.

## Nomination of Directors

The Company does not have nomination committee.

The appointment of a new Director is a collective decision of the Board. The Executive Directors are responsible for identifying and recommending proposed candidate(s) to the Board for approval of an appointment. The Board shall consider the suitability of a candidate to act as a Director on the basis of candidate's expertise, experience, integrity and time commitment to the Company and approve the appointment.

The Board has not considered the appointment of any Directors during 2007. However, as mentioned above, Dr. Chow Ming Kuen, Joseph was nominated and appointed as Independent Non-executive Director with effect from 15 April 2008.

## Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer are separately held by Mr. Zen Wei Pao, William and Mr. Ko Yuk Bing respectively. The separate roles ensure their independent responsibility and accountability. The Chairman is responsible for overseeing the functioning of the Board and ensuring the establishment of strategic direction of the Group while the Chief Executive Officer is responsible for implementing the Board's approved strategies and policies and the day-to-day operations.

## Board Committees

The Board has delegated responsibility to the executive management of the Company including implementation of the decisions of the Board, organisation of the day-to-day operation and management, monitoring operating budget, supervision of capital and human resources. In addition, the Board has established the following two Board Committees to oversee particular aspects of the Company's affairs:

### Remuneration Committee

The Remuneration Committee was formed in 2005 and currently comprises four members, namely, Mr. Chan Hing Chiu, Vincent (Chairman of the Remuneration Committee), Mr. Zen Wei Pao, William, Mr. Chow Shiu Kee, Stephen and Mr. Lau Sai Yung.

The main responsibilities of the Remuneration Committee are to support and advise the Board regarding the Company's remuneration policy, and the formulation and review of the specific remuneration packages of Executive Directors (excluding the Chairman of the Board) and senior management and determine their remuneration packages.

The Remuneration Committee held four meetings during the year.

In 2007, the Remuneration Committee approved the remuneration and bonus packages to Executive Directors (excluding the Chairman of the Board) and senior management, the grant of share options to them and the employment contracts of new senior staff. It also reviewed the level of pay-rise, the fringe benefits and payment of discretionary bonus to the general staff.

### Audit Committee

The Audit Committee was formed in 1998 and currently comprises three members, namely, Mr. Lau Sai Yung (Chairman of the Audit Committee), Mr. Chan Hing Chiu, Vincent and Mr. Chow Shiu Kee, Stephen, all of whom were Independent Non-executive Directors.

The main responsibilities of the Audit Committee are to review the financial statements and the auditor's reports and monitor the integrity of the financial statements. It also assists the Board to oversee internal control structure, risk management system and internal and external audit functions.

The Audit Committee held three meetings during the year.

In 2007, the Audit Committee reviewed the published financial statements and determined the remuneration of external auditors.

During the year, the Audit Committee had met with the external auditors without the presence of any Executive Directors.



## Internal Control

The Board has responsibility to maintain sound and effective internal control system to safeguard the Company's assets and shareholders' interest.

The internal control system comprises a defined organisational structure and comprehensive policies and standards. Responsibilities of each business and operational unit are defined to ensure effective check and balance.

The Board through the Audit Committee has conducted a review of the effectiveness of the Group's internal control systems of the Company and its subsidiaries for the year ended 31 December 2007.

## Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility, with the support from the Finance and Accounting department, to prepare the consolidated financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements on a going concern basis.

## External Auditors' Remuneration and Reporting Responsibilities

During 2007, the Company engaged Messrs. Deloitte Touche Tohmatsu to perform audit and tax and consultancy services. The remuneration paid to external auditors in respect of audit services fee and tax and consultancy services fee provided by the Company's auditors are HK\$3,974,000 and HK\$6,210,000 respectively.

The statement of the Company's external auditors, Messrs. Deloitte Touche Tohmatsu regarding their reporting responsibilities is set out in the Independent Auditor's Report on pages 57 to 59.

## Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors ("Model Code") as set out in Appendix 10 of the Listing Rules as its own code. All Directors have confirmed, following specific enquiry, that they have complied with the Model Code throughout the year ended 31 December 2007.

## Communication with Shareholders

The Board endeavours to communicate with shareholders through annual and other general meetings directly.

The Board is committed to provide clear and full information of the Group to shareholders through the publication of announcements, circulars, interim and annual reports. Updated information of the Group is also available to shareholders through the Company's website.

Shareholders are encouraged to attend general meetings of the Company at which the Chairman of the Board and Directors are available to answer shareholders' questions.

## Investor Relations

The Company emphasises the relations with investors. It maintains an open dialogue with institutional shareholders, fund managers, analysts and the media through regular and timely public disclosures on the Company's latest developments. During the year, in addition to the press release and announcements, the Company held various road shows in Hong Kong and Singapore to meet with analysts and fund managers. It helped enhance the transparency of the Company to existing and potential investors.

## INDEPENDENT AUDITOR'S REPORT



### TO THE SHAREHOLDERS OF ROAD KING INFRASTRUCTURE LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Road King Infrastructure Limited and its subsidiaries (collectively referred to as the "Group") set out on pages 60 to 135, which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Directors' Responsibility for the Consolidated Financial Statements

The directors are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Without qualifying our opinion we draw attention to notes 22 and 38 to the consolidated financial statements. The Group currently has not obtained effective control over 天津順馳新地置業有限公司 and 天津順馳融信置地有限公司 (collectively referred to as the "Tianjin Companies") despite the fact that the board of directors of the Tianjin Companies was appointed by the Group, due to the circumstances described in note 22, and accordingly, the Group has not accounted for the Tianjin Companies as subsidiaries of the Group. The Group has commenced legal proceedings against the former management of the Tianjin Companies with a view to obtain effective control over these companies. The date of hearing has not been fixed at the date of this report. The directors, based on advice of the Group's PRC legal adviser, are of the firm belief that the court ruling will be favourable to the Group and accordingly, the Group can assume effective control over the Tianjin Companies in the foreseeable future. However, as the eventual outcome of the court proceedings cannot be determined with certainty, there exist uncertainties which may affect the following:

- the Group being unable to obtain effective control over the Tianjin Companies or otherwise realise the underlying properties of the Tianjin Companies, thereby impacting the recoverability of the Group's investments in these companies amounting to HK\$592,821,000.
- the banks seeking payment from the Group in relation to credit facilities to the Tianjin Companies amounting to HK\$315,789,000 as at 31 December 2007 which has been guaranteed by the Group as described in note 38, in the event that the Tianjin Companies are not in a position to repay the credit facilities by the maturity date in July 2008.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Other than the fair value of the guarantees amounting to HK\$22,000,000 as at the date the guarantee was initially given, no provision for any liability or impairment that may result has been made in the consolidated financial statements.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

8 April 2008

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Notes	Continuing operations		Discontinued operation		Total	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
<b>Revenue</b>	7	<b>2,407,770</b>	514,072	—	38,167	<b>2,407,770</b>	552,239
Sales of completed properties held for sale		<b>2,407,770</b>	505,501	—	—	<b>2,407,770</b>	505,501
Sales of ginseng		—	—	—	38,167	—	38,167
		<b>2,407,770</b>	505,501	—	38,167	<b>2,407,770</b>	543,668
Cost of sales		<b>(1,741,789)</b>	(336,578)	—	(39,395)	<b>(1,741,789)</b>	(375,973)
Gross profit (loss)		<b>665,981</b>	168,923	—	(1,228)	<b>665,981</b>	167,695
Minimum income undertakings		—	8,571	—	—	—	8,571
Discount on acquisition of a subsidiary/deemed acquisition of additional interest in a subsidiary	16	—	163,410	—	10,606	—	174,016
Interest income		<b>96,189</b>	38,234	—	8	<b>96,189</b>	38,242
Other income		<b>420,886</b>	101,935	—	472	<b>420,886</b>	102,407
Selling expenses		<b>(91,506)</b>	(21,003)	—	—	<b>(91,506)</b>	(21,003)
Operating expenses		<b>(371,302)</b>	(142,464)	—	(4,483)	<b>(371,302)</b>	(146,947)
Share of results of joint ventures	9	<b>577,107</b>	586,844	—	—	<b>577,107</b>	586,844
Share of result of an associate		<b>12,267</b>	—	—	—	<b>12,267</b>	—
Finance costs	10	<b>(100,670)</b>	(121,927)	—	(2,045)	<b>(100,670)</b>	(123,972)
<b>Profit before taxation</b>	11	<b>1,208,952</b>	782,523	—	3,330	<b>1,208,952</b>	785,853
Income tax expense	13	<b>(342,811)</b>	(75,535)	—	(8,595)	<b>(342,811)</b>	(84,130)
<b>Profit (loss) for the year</b>		<b>866,141</b>	706,988	—	(5,265)	<b>866,141</b>	701,723
<b>Attributable to:</b>							
Shareholders of the Company		<b>851,067</b>	706,988	—	(1,912)	<b>851,067</b>	705,076
Minority interests		<b>15,074</b>	—	—	(3,353)	<b>15,074</b>	(3,353)
		<b>866,141</b>	706,988	—	(5,265)	<b>866,141</b>	701,723
<b>Dividends paid</b>	14	<b>372,698</b>	288,964	—	81,072	<b>372,698</b>	370,036
Earnings per share	15						
From continuing and discontinued operations							
— Basic						<b>HK\$1.16</b>	HK\$1.16
— Diluted						<b>HK\$1.14</b>	HK\$1.14
From continuing operations							
— Basic						<b>HK\$1.16</b>	HK\$1.16
— Diluted						<b>HK\$1.14</b>	HK\$1.14

# CONSOLIDATED BALANCE SHEET

At 31 December 2007

	Notes	2007 HK\$'000	2006 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	17	103,881	9,724
Prepaid lease payments for land	18	49,912	—
Interests in joint ventures	19	5,170,093	5,073,408
Loans to joint ventures	19	81,196	13,408
Loans to related companies	20	54,700	54,700
Deferred tax assets	30	81,862	9,576
Long-term receivables	21	433,132	31,484
Available-for-sale investments	22	592,821	—
		<b>6,567,597</b>	5,192,300
<b>Current assets</b>			
Inventory of properties	23	10,379,463	2,896,959
Advances for land leases	24	1,393,210	458,758
Prepaid lease payments for land	18	1,365	—
Debtors, deposits and prepayments	25	769,764	1,276,419
Prepaid income tax		226,432	—
Pledged deposits	26	231,583	24,018
Bank balances and cash	26	1,858,941	1,113,374
		<b>14,860,758</b>	5,769,528
<b>Total assets</b>		<b>21,428,355</b>	10,961,828
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to shareholders of the Company</b>			
Share capital	27	75,265	69,008
Reserves		8,397,151	6,708,560
		<b>8,472,416</b>	6,777,568
<b>Minority interests</b>		<b>151,527</b>	—
<b>Total equity</b>		<b>8,623,943</b>	6,777,568
<b>Non-current liabilities</b>			
Bank and other borrowings — due after one year	29	6,114,771	1,559,029
Deferred tax liabilities	30	69,155	5,885
		<b>6,183,926</b>	1,564,914

CONSOLIDATED BALANCE SHEET (CONTINUED)

At 31 December 2007

	Notes	2007 HK\$'000	2006 HK\$'000
<b>Current liabilities</b>			
Creditors and accrued charges	31	<b>1,663,877</b>	603,075
Deposits from pre-sale of properties		<b>4,127,823</b>	383,494
Income tax payable		<b>219,839</b>	50,622
Bank and other borrowings — due within one year	29	<b>608,947</b>	1,582,155
		<b>6,620,486</b>	2,619,346
<b>Total equity and liabilities</b>		<b>21,428,355</b>	10,961,828

The consolidated financial statements on pages 60 to 135 were approved and authorised for issue by the Board of Directors on 8 April 2008 and are signed on its behalf by:

**Zen Wei Pao, William**  
DIRECTOR

**Ko Yuk Bing**  
DIRECTOR



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

	Attributable to shareholders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Special reserve HK\$'000 (note 1)	Share option reserve HK\$'000	Statutory reserve HK\$'000 (note 2)	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2006	59,090	1,566,947	45,254	1,260,000	3,611	—	2,296,376	5,231,278	35,215	5,266,493
Exchange differences arising on translation to presentation currency recognised directly in equity	—	—	253,353	—	—	—	—	253,353	1,713	255,066
Profit (loss) for the year	—	—	—	—	—	—	705,076	705,076	(3,353)	701,723
Total recognised income and expense for the year	—	—	253,353	—	—	—	705,076	958,429	(1,640)	956,789
Recognition of equity-settled expense — share based payments	—	—	—	—	34,408	—	—	34,408	—	34,408
Exercise of preference shares of a subsidiary	—	—	—	—	—	—	—	—	(10,606)	(10,606)
Placement of new shares	8,000	868,800	—	—	—	—	—	876,800	—	876,800
Expense incurred in relation to the placement of new shares	—	(18,369)	—	—	—	—	—	(18,369)	—	(18,369)
Issue of ordinary shares upon exercise of share options	1,918	104,025	—	—	—	—	—	105,943	—	105,943
Transfer upon exercise of share options	—	1,224	—	—	(1,224)	—	—	—	—	—
Dividends	—	—	—	—	—	—	(288,964)	(288,964)	—	(288,964)
Distribution in specie	—	—	(40,885)	—	—	—	(81,072)	(121,957)	(22,969)	(144,926)
Balance at 31 December 2006	69,008	2,522,627	257,722	1,260,000	36,795	—	2,631,416	6,777,568	—	6,777,568
Exchange differences arising on translation to presentation currency recognised directly in equity	—	—	497,594	—	—	—	—	497,594	187	497,781
Profit for the year	—	—	—	—	—	—	851,067	851,067	15,074	866,141
Total recognised income and expense for the year	—	—	497,594	—	—	—	851,067	1,348,661	15,261	1,363,922
Released upon disposal of a joint venture	—	—	(7,838)	—	—	—	—	(7,838)	—	(7,838)
Recognition of equity-settled expense — share based payments	—	—	—	—	66,783	—	—	66,783	—	66,783
Placement of new shares	4,500	544,500	—	—	—	—	—	549,000	—	549,000
Expense incurred in relation to the placement of new shares	—	(10,368)	—	—	—	—	—	(10,368)	—	(10,368)
Issue of ordinary shares upon exercise of share options	1,757	119,551	—	—	—	—	—	121,308	—	121,308
Transfer upon exercise of share options	—	8,002	—	—	(8,002)	—	—	—	—	—
Forfeiture of share options	—	—	—	—	(62)	—	62	—	—	—
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	136,266	136,266
Dividends	—	—	—	—	—	—	(372,698)	(372,698)	—	(372,698)
Appropriation	—	—	—	—	—	10,867	(10,867)	—	—	—
Balance at 31 December 2007	75,265	3,184,312	747,478	1,260,000	95,514	10,867	3,098,980	8,472,416	151,527	8,623,943

Note 1: Special reserve was arisen on group reorganisation representing the difference between the nominal amount of the share capital issued by the Company and the aggregate of the nominal amount of the issued share capital of a subsidiary, which was acquired by the Company pursuant to the group reorganisation.

Note 2: The statutory reserve of the Group represents reserve required by relevant People's Republic of China ("PRC") laws applicable to the Company's PRC subsidiaries.

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	Notes	2007 HK\$'000	2006 HK\$'000
<b>Operating activities</b>			
Profit before taxation		1,208,952	785,853
Adjustments for:			
Depreciation of property, plant and equipment		4,104	1,652
Write-down of inventories		—	1,599
Interest income		(96,189)	(38,242)
Imputed interest income on long-term receivables		(12,000)	—
Finance costs		100,670	123,972
Share-based payments		66,783	34,408
Discount on acquisition of a subsidiary/deemed acquisition of additional interest in a subsidiary		—	(174,016)
Gain on disposals of interests in infrastructure joint ventures	34	(11,130)	(5,140)
Change in fair value of derivative financial instruments		—	14
Realised gain on disposal of listed equity securities		—	(1,464)
Realised gain on derivative financial instruments		—	(672)
Share of results of joint ventures		(577,107)	(586,844)
Share of result of an associate		(12,267)	—
Loss (gain) on disposal of property, plant and equipment, net		251	(29)
Operating cash flows before movements in working capital		672,067	141,091
Decrease in inventories and ginseng crops		—	3,493
Decrease (increase) in debtors, deposits and prepayments		1,941,473	(8,535)
Decrease in completed properties held for sale		309,948	336,578
Increase in properties under development for sale		(997,246)	(323,852)
Decrease in creditors and accrued charges		(2,937,647)	(757,021)
Increase in deposits from pre-sale of properties		240,146	49,670
<b>Cash used in operations</b>		<b>(771,259)</b>	<b>(558,576)</b>
Income tax paid		(204,851)	(21,212)
<b>Net cash used in operating activities</b>		<b>(976,110)</b>	<b>(579,788)</b>

## CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the year ended 31 December 2007

	Notes	2007 HK\$'000	2006 HK\$'000
<b>Investing activities</b>			
Interest received		96,958	32,696
Dividends received from infrastructure joint ventures		474,504	222,131
Proceeds on sales of listed securities		—	31,434
Proceeds on disposal of derivative financial instruments		—	34,822
Proceeds on disposal of property, plant and equipment		666	156
Proceeds on disposal of non-current assets held for sale		—	10,236
Proceeds on disposals of interests in infrastructure joint ventures	34	128,000	52,381
Acquisition of an associate	32	(275,741)	—
Net cash outflow from acquisition of subsidiaries	32	(685,849)	(326,499)
Disposal of subsidiaries	33	—	(1,885)
Repayment from a related company		363,636	—
Repayment of deferred consideration arising from disposal of an infrastructure joint venture		31,067	—
Capital contributions to joint ventures		(8,911)	—
Loans to associates		(806,896)	—
Loan to a joint venture		(66,316)	—
Loans to third parties		—	(802,153)
Loans to related companies		—	(7,422)
Purchases of property, plant and equipment		(85,889)	(4,778)
Additions to prepaid lease payments for land		(51,277)	—
Increase in advances for land leases		(730,992)	(277,746)
Purchases of derivative financial instruments		—	(59,298)
Reduction of cost of investments in infrastructure joint ventures		255,211	622,796
Increase in pledged deposits		(57,538)	(851)
<b>Net cash used in investing activities</b>		<b>(1,419,367)</b>	(473,980)
<b>Financing activities</b>			
New borrowings raised		4,826,117	1,443,321
Repayment of borrowings		(1,623,113)	(248,523)
Issue of ordinary shares		670,308	982,743
Expenses incurred in connection with the issue of shares		(10,368)	(18,369)
Interest paid		(393,328)	(137,534)
Dividends paid		(372,698)	(288,964)
<b>Net cash from financing activities</b>		<b>3,096,918</b>	1,732,674
<b>Net increase in cash and cash equivalents</b>		<b>701,441</b>	678,906
<b>Cash and cash equivalents at beginning of the year</b>		<b>1,113,374</b>	421,192
<b>Effect of foreign exchange rate changes</b>		<b>44,126</b>	13,276
<b>Cash and cash equivalents at end of the year, represented by bank balances and cash</b>		<b>1,858,941</b>	1,113,374

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007

## 1. General

The Company is an exempted company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and principal place of business of the Company is Suite 501, 5/F, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

The Company is an investment holding company. The principal activities of the Group are the development, operation and management of toll roads and expressways and operation of property development business in the People's Republic of China (the "PRC"). The principal activities of the major subsidiaries and joint ventures are detailed in notes 42 and 19 respectively.

The functional currency of the Company and the Group's jointly controlled entities and its major subsidiaries is Renminbi ("RMB"). However, the financial statements of the Group are presented in Hong Kong dollars as the Directors consider this presentation is more useful for its current and potential investors.

## 2. Application of New and Revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs has resulted in the following areas:

- The impact of application of HKFRS 7 "Financial instruments: Disclosures" has been to expand the disclosures provided in the financial statements regarding the Group's financial instruments, especially on the sensitivity analysis to market risk.
- The impact of application of HKAS 1 (Amendment) "Capital Disclosures" has been to disclose information regarding its objectives, policies and processes for managing capital.

## 2. Application of New and Revised Hong Kong Financial Reporting Standards *(continued)*

The application of the remaining new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early adopted the following new and revised standards, amendment or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions <sup>3</sup>
HK(IFRIC)-Int 12	Service Concession Arrangements <sup>4</sup>
HK(IFRIC)-Int 13	Customer Loyalty Programmes <sup>5</sup>
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009.

<sup>3</sup> Effective for annual periods beginning on or after 1 March 2007.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2008.

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2008.

The Group is in the process of making an assessment of the potential impact of these standards, amendment or interpretations. Other than the adoption of HK(IFRIC)-Int 12 “Service Concession Arrangements” which may have potential impact to the consolidated financial statements, the Directors of the Company so far concluded that the application of the remaining standards, amendment or interpretations will have no material impact on the consolidated financial statements of the Group. The Group is still not in the position to reasonably estimate the impact that may arise from the HK(IFRIC)-Int 12.

### 3. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance. The principal accounting policies adopted are as follows:

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Net assets attributable to subsidiaries transferred to shareholders by way of dividend in kind (“dividend in specie”) of the shares of the subsidiaries are recorded at carrying amount in the consolidated financial statements.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group’s equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority’s share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority’s interest in the subsidiary’s equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

### 3. Significant Accounting Policies (*continued*)

#### Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

Acquisition of additional interests in subsidiaries which are businesses is recorded at the book value of the net assets attributable to the interests. The excess of the carrying amounts of net assets attributable to the interests over the cost of the acquisition is recognised as discount on acquisition.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

#### Excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

### 3. Significant Accounting Policies (*continued*)

#### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

#### *Sales of properties*

Revenue from sale of properties in the ordinary course of business is recognised when all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Payments received from purchasers prior to this stage are recorded as "Deposits from pre-sale of properties" under current liabilities.

#### *Others*

Minimum income undertakings are recognised when receivable in accordance with the joint venture agreements.

Revenue from sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the Group's right to receive payment has been established.



### 3. Significant Accounting Policies (*continued*)

#### Toll highway operation right

Amortisation of toll highway operation rights of the Group's infrastructure joint ventures is recognised to write off their cost on a units-of-usage basis whereby amortisation is provided based on the ratio of traffic volume for a particular year over the projected total traffic volume throughout the operating years of the respective toll roads. If it is considered appropriate, independent professional traffic studies will be obtained. Appropriate adjustments will be made should there be a material change.

#### Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

#### Properties under development for investment properties

Properties under development for investment properties are carried at cost less any identified impairment losses. Costs comprise construction costs, borrowing costs capitalised, amortisation of leasehold land held for construction of investment properties. Subsequent to initial recognition, investment properties will be stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment properties using the straight-line method.

### 3. Significant Accounting Policies (*continued*)

#### Joint ventures

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities. In particular, joint venture arrangements which involve the establishment of a separate entity in which the Group and other venturers have joint control over the investment in and development, operation and management of toll roads and expressways and in which each venturer has an interest are referred to as infrastructure joint ventures.

The Group's infrastructure joint ventures are Sino-foreign co-operative joint ventures registered in the PRC in respect of which the partners' cash/profit sharing ratios and the share of net assets upon the expiration of the joint venture periods are predetermined in accordance with the joint venture agreements and may not be in proportion to their capital contribution ratios.

Where the Group's interest in the joint venture is such that it establishes joint control over the economic activity of the joint venture with other venturers, the Group's interests in the joint ventures are accounted for under equity method of accounting and are carried at cost plus its share of post-acquisition changes in the Group's share of the profit or loss and of change in equity of the jointly controlled entities, in accordance with the defined cash/profit sharing ratios less any identified impairment loss.

When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

### 3. Significant Accounting Policies (*continued*)

#### Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale (in which case it is accounted for under HKFRS 5 "Non-current Assets Held For Sale and Discontinued Operations") or when the investment is designated as at fair value through profit or loss upon initial recognition or is classified as held for trading (in which case it is accounted for under HKAS 39 "Financial instruments: recognition and measurement"). Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of loss of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

#### Impairment of tangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

#### Properties under development for sale

Properties under development for sale are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable selling expenses and the anticipated costs to completion.

Development cost of property comprises land costs, construction costs, borrowing costs capitalised according to the Group's accounting policy and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

### 3. Significant Accounting Policies (*continued*)

#### Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Net realisable value takes into account the price ultimately expected to be realised, less applicable selling expenses.

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

### 3. Significant Accounting Policies (*continued*)

#### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All the other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

#### Prepaid lease payments for land

The prepaid lease payments represent payment for land use rights which are initially recognised at cost and released to consolidated income statement over the lease term on a straight-line basis.

#### Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

#### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

### 3. Significant Accounting Policies (*continued*)

#### Taxation (*continued*)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

#### Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### *Financial assets*

The Group's financial assets are classified into loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### **Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

### 3. Significant Accounting Policies (*continued*)

#### Financial instruments (*continued*)

##### *Financial assets (continued)*

##### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including loans to joint ventures and related companies, long-term receivables, debtors, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment on financial assets below).

##### **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated or not classified as "financial assets at fair value through profit or loss" and as loans and receivables.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment on financial assets below).

##### **Impairment of financial assets**

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as debtors, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

### 3. Significant Accounting Policies (*continued*)

#### Financial instruments (*continued*)

##### *Financial assets (continued)*

##### **Impairment of financial assets** (*continued*)

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of debtors, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods.

##### *Financial liabilities and equity*

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.



### 3. Significant Accounting Policies (*continued*)

#### Financial instruments (*continued*)

##### *Financial liabilities and equity (continued)*

##### **Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

##### **Other financial liabilities**

Other financial liabilities (including creditors, bank and other borrowings) are subsequently measured at amortised cost using the effective interest method.

##### **Equity instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

##### *Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

##### *Derecognition*

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### 3. Significant Accounting Policies (*continued*)

#### Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

#### Share-based payment transactions

For share options granted to directors and employees of the Company, the fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

### 4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

#### Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## 4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty *(continued)*

### Amortisation of toll highway operation rights

Amortisation of toll highway operation rights of the Group's infrastructure joint venture is recognised to write off their cost on a units-of-usage basis whereby amortisation is provided based on the share of traffic volume for a particular year over projected total traffic volume throughout the operating years of the respective toll road. If it is considered appropriate, independent professional traffic studies will be obtained. These projections require the use of judgments and estimates.

### Land appreciation tax ("LAT")

Under the Provisional Regulations on LAT implemented upon the issuance of the Provisional Regulations of the PRC on 27 January 1995, all gains arising from transfer of real estate property in the PRC with effect from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including borrowing costs and all property development expenditures.

The provision of LAT is estimated and made according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development project.

### Estimated impairment of available-for-sale financial assets

For available-for-sale financial assets, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgment is required when determining whether a decline in fair value has been significant or prolonged.

In carrying out the impairment review by the Group, the fair values of the properties of the Tianjin Companies (as defined in note 22), including land, properties under development and completed properties held for sale, has been arrived at on the basis of a valuation carried out on that date by an independent firm of professional valuers not connected to the Group. According to the valuation of the properties provided by the valuer, the fair value of the properties of the Tianjin Companies is higher than the investment costs. In addition, the management of the Group has carried out due diligence works to verify the ownership of the properties and the contingent liabilities of the Tianjin Companies and no negative finding has been brought to the management's concern. As such, the directors are of the opinion that it is not necessary to make any impairment on the investment cost in the Tianjin Companies.

### Bank guarantee to the Tianjin Companies

As at 31 December 2007, the Group has granted bank guarantee to the Tianjin Companies. No provision has been made in the consolidated financial statements in respect of the full bank guarantee amount given to the Tianjin Companies, and details of the judgment of the directors of the Company are set out in the note 38.

## 5. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 29, and equity attributable to equity holders of the Company, comprising issued capital and reserves.

The management of the Group reviews the capital structure periodically. As a part of this review, the management of the Group assesses the annual budget prepared by the finance department which reviews the planned construction projects proposed by engineering department and prepares the annual budget taking into account of the provision of funding. Based on the proposed annual budget, the management of the Group considers the cost of capital and the risks associated with the capital. The management of the Group also balances its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The management of the Group monitors the utilisation of bank borrowings and ensures full compliance with loan covenants during the year and as at the balance sheet date.

## 6. Financial Instruments

### (a) Categories of financial instruments

	2007 HK\$'000	2006 HK\$'000
<b>Financial assets</b>		
Loans and receivables at amortised cost (including cash and cash equivalents)	3,210,335	2,351,825
Available-for-sale investments	592,821	—
<b>Financial liabilities</b>		
Liabilities at amortised cost	8,374,595	3,744,259

## 6. Financial Instruments *(continued)*

### (b) Financial risk management objectives and policies

The management of the Group has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group does not usually enter into or trade financial instruments, including derivative financial instruments, for hedging or speculative purpose.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures these risks.

#### (i) *Market risk*

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rate and interest rates.

#### **Foreign currency risk management**

Certain transactions of the Group are denominated in foreign currencies which are different from the functional currency of the Group and therefore the Group is exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
United States dollars	<b>185,682</b>	226,618	<b>5,907,877</b>	3,040,800
Hong Kong dollars	<b>99,775</b>	272,635	<b>129,350</b>	32,694

## 6. Financial Instruments (*continued*)

### (b) Financial risk management objectives and policies (*continued*)

#### (i) Market risk (*continued*)

##### Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in the Renminbi against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rate. A positive number below indicates an increase in profit where Renminbi strengthens against the relevant currency. For a 5% weakening of Renminbi against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	Profit or loss	
	2007	2006
	HK\$'000	HK\$'000
United States dollars	287,683	142,283
Hong Kong dollars	(95)	(13,571)

The Group's sensitivity to foreign currency has increased during the year ended 31 December 2007, mainly attributable to the larger outstanding bank and other borrowings denominated in United States dollars.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

##### Interest rate risk management

The Group has exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on pledged bank deposits, bank balances, loans to related companies and bank and other borrowings which carry at prevailing market interest rates.

The Group's fair value interest rate risk relates primarily to loans to joint ventures and bank and other borrowing. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

## 6. Financial Instruments (*continued*)

### (b) Financial risk management objectives and policies (*continued*)

#### (i) *Market risk (continued)*

##### **Interest rate sensitivity**

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rate.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2007 would decrease/increase by HK\$28,885,000 (2006: decrease/increase by HK\$13,789,000). This is mainly attributable to the Company's exposure to interest rates on its variable-rate loans to related companies and bank and other borrowings.

#### (ii) *Credit risk management*

As at 31 December 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from:

- The carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and
- The amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 38.

In order to minimise the credit risk, the management of the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each debtor at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-rating assigned by international credit-rating agencies or state-owned banks in the PRC.

## 6. Financial Instruments (*continued*)

### (b) Financial risk management objectives and policies (*continued*)

#### (ii) *Credit risk management (continued)*

Other than the long-term receivables as mentioned in note 21, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties having similar characteristics. Included in long-term receivables of HK\$391,336,000 are secured by the properties held by an independent third party, the directors of the Company considered that the credit risk exposure has been reduced accordingly.

For properties that are still under construction, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customers' deposit and sell the property to recover any amounts paid by the Group to the bank. In this regard, the management of the Group considers the Group's credit risk is significantly reduced.

#### (iii) *Liquidity risk management*

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants.

The Group relies on bank and other borrowings as a significant source of liquidity. As at 31 December 2007, the Group has available unutilised banking facilities of HK\$937,895,000 (2006: Nil).

Ultimate responsibility for liquidity risk management rests with the management of the Group which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate working capital and available banking facilities and continuously monitors the forecast and actual cash flows.



## 6. Financial Instruments (continued)

### (b) Financial risk management objectives and policies (continued)

#### (iii) Liquidity risk management (continued)

##### Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Weighted average effective interest rate %	6 months or less HK\$'000	6-12 months HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>2007</b>								
Creditors and accrued charges	—	1,429,025	11,840	210,012	—	—	1,650,877	1,650,877
Bank and other borrowings								
— fixed rate	7.22	371,369	392,007	415,203	2,129,227	1,712,619	5,020,425	3,830,220
— variable rate	6.69	199,949	99,757	615,134	2,736,238	—	3,651,078	2,893,498
		2,000,343	503,604	1,240,349	4,865,465	1,712,619	10,322,380	8,374,595

	Weighted average effective interest rate %	6 months or less HK\$'000	6-12 months HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>2006</b>								
Creditors and accrued charges	—	584,225	—	18,850	—	—	603,075	603,075
Bank and other borrowings								
— fixed rate	6.34	199,382	48,750	97,500	1,803,750	—	2,149,382	1,707,544
— variable rate	6.19	665,449	24,695	49,397	826,106	—	1,565,647	1,433,640
		1,449,056	73,445	165,747	2,629,856	—	4,318,104	3,744,259

## 6. Financial Instruments (continued)

### (c) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and
- the fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

Other than set out in note 29, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

## 7. Revenue

An analysis of the Group's revenue for the year, for both continuing and discontinued operations, is as follows:

	2007 HK\$'000	2006 HK\$'000
<b>Continuing operations</b>		
Minimum income undertakings	—	8,571
Sales of completed properties held for sale	2,407,770	505,501
	<b>2,407,770</b>	514,072
<b>Discontinued operation</b>		
Farming and trading of ginseng goods	—	38,167
	<b>2,407,770</b>	552,239
<b>Share of toll revenue of infrastructure joint ventures</b>	<b>1,281,524</b>	1,186,650
<b>Revenue of the Group and share of revenue of infrastructure joint ventures</b>	<b>3,689,294</b>	1,738,889

## 8. Segmental Information

The businesses based upon which the Group reports its primary segment information are as follows:

- Toll road — investment in, development, operation and management of toll roads, bridges and expressways
- Property development — development and sales of properties

The Group's turnover and profit for the year ended 31 December 2007 by business activities and geographical markets are as follows:

By business segments:

	Continuing operations				Discontinued operation	
	Property			Total	Ginseng	Consolidated
	Toll road	development	Unallocated			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>2007</b>						
<b>Revenue</b>	—	2,407,770	—	2,407,770	—	2,407,770
Segment result	(5,042)	438,028	—	432,986	—	432,986
Interest income	—	—	96,189	96,189	—	96,189
Corporate income	—	—	370,248	370,248	—	370,248
Corporate expenses	—	—	(179,175)	(179,175)	—	(179,175)
Share of results of joint ventures	574,835	2,272	—	577,107	—	577,107
Share of result of an associate	—	12,267	—	12,267	—	12,267
Finance costs	—	—	(100,670)	(100,670)	—	(100,670)
Profit before taxation				1,208,952	—	1,208,952
Income tax expense				(342,811)	—	(342,811)
Profit for the year				866,141	—	866,141
<b>Consolidated Balance Sheet</b>						
<b>Assets</b>						
Segment assets	195,644	13,512,406	—	13,708,050	—	13,708,050
Interests in joint ventures	5,152,386	17,707	—	5,170,093	—	5,170,093
Loans to joint ventures	—	81,196	—	81,196	—	81,196
Unallocated corporate assets	—	—	2,469,016	2,469,016	—	2,469,016
Total assets				21,428,355	—	21,428,355
<b>Liabilities</b>						
Segment liabilities	35,892	5,645,633	—	5,681,525	—	5,681,525
Unallocated corporate liabilities	—	—	7,122,887	7,122,887	—	7,122,887
Total liabilities				12,804,412	—	12,804,412
<b>Other information</b>						
Capital additions	276	135,489	1,401	137,166	—	137,166
Depreciation and amortisation	314	2,607	1,183	4,104	—	4,104
Share-based payments	—	—	66,783	66,783	—	66,783

## 8. Segmental Information (continued)

By business segments: (continued)

	Continuing operations			Total HK\$'000	Discontinued operation	
	Toll road HK\$'000	Property development HK\$'000	Unallocated HK\$'000		Ginseng HK\$'000	Consolidated HK\$'000
<b>2006</b>						
<b>Revenue</b>	8,571	505,501	—	514,072	38,167	552,239
Segment result	(7,598)	132,676	—	125,078	(5,239)	119,839
Discount on acquisition of a subsidiary/deemed acquisition of additional interest in a subsidiary	—	163,410	—	163,410	10,606	174,016
Interest income	—	—	38,234	38,234	8	38,242
Corporate income	—	—	88,061	88,061	—	88,061
Corporate expenses	—	—	(97,177)	(97,177)	—	(97,177)
Share of results of joint ventures	587,142	(298)	—	586,844	—	586,844
Finance costs	—	—	(121,927)	(121,927)	(2,045)	(123,972)
Profit before taxation				782,523	3,330	785,853
Income tax expense				(75,535)	(8,595)	(84,130)
Profit (loss) for the year				706,988	(5,265)	701,723
<b>Consolidated Balance Sheet</b>						
<b>Assets</b>						
Segment assets	184,889	4,470,188	—	4,655,077	—	4,655,077
Interests in joint ventures	5,073,408	—	—	5,073,408	—	5,073,408
Loans to joint ventures	—	13,408	—	13,408	—	13,408
Unallocated corporate assets	—	—	1,219,935	1,219,935	—	1,219,935
Total assets				10,961,828	—	10,961,828
<b>Liabilities</b>						
Segment liabilities	11,534	936,796	—	948,330	—	948,330
Unallocated corporate liabilities	—	—	3,235,930	3,235,930	—	3,235,930
Total liabilities				4,184,260	—	4,184,260
<b>Other information</b>						
Capital additions	134	2,852	355	3,341	1,437	4,778
Depreciation and amortisation	346	152	1,061	1,559	93	1,652
Share-based payments	—	—	34,408	34,408	—	34,408
Write-down of inventories	—	—	—	—	1,599	1,599

## 8. Segmental Information (continued)

By geographical segments:

	Continuing operations			Discontinued operation			Consolidated HK\$'000
	Hong Kong		Total HK\$'000	Hong Kong		Total HK\$'000	
	HK\$'000	PRC HK\$'000		Overseas* HK\$'000	HK\$'000		
<b>2007</b>							
<b>Revenue</b>	—	2,407,770	2,407,770	—	—	—	2,407,770
<b>Segment result</b>	—	432,986	432,986	—	—	—	432,986
<b>Carrying amount of segment assets</b>							
Segment assets	203,238	15,891,966	16,095,204	—	—	—	16,095,204
Interests in joint ventures	—	5,170,093	5,170,093	—	—	—	5,170,093
Loans to joint ventures	—	81,196	81,196	—	—	—	81,196
Total segment assets	203,238	21,143,255	21,346,493	—	—	—	21,346,493
<b>Other information</b>							
Capital additions	1,401	135,765	137,166	—	—	—	137,166
<b>2006</b>							
<b>Revenue</b>	—	514,072	514,072	31,469	6,698	38,167	552,239
<b>Segment result</b>	—	125,078	125,078	(230)	(5,009)	(5,239)	119,839
<b>Carrying amount of segment assets</b>							
Segment assets	443,185	5,422,251	5,865,436	—	—	—	5,865,436
Interests in joint ventures	—	5,073,408	5,073,408	—	—	—	5,073,408
Loans to joint ventures	—	13,408	13,408	—	—	—	13,408
Total segment assets	443,185	10,509,067	10,952,252	—	—	—	10,952,252
<b>Other information</b>							
Capital additions	355	2,986	3,341	—	1,437	1,437	4,778

\* Overseas segment mainly included Canada.

## 9. Share of Results of Joint Ventures

	2007 HK\$'000	2006 HK\$'000
<b>Continuing operations</b>		
Share of post-acquisition profits of infrastructure joint ventures before amortisation and taxation	931,084	894,988
Less: amortisation of toll highway operation rights	(201,756)	(250,618)
current tax	(70,093)	(49,728)
deferred taxation	(84,400)	(7,500)
	<b>574,835</b>	587,142
Share of post-acquisition profit (loss) of other joint ventures	2,272	(298)
	<b>577,107</b>	586,844

The current tax amount represents the share of PRC income tax attributable to the PRC infrastructure joint ventures.

Deferred tax has been provided for temporary differences between the carrying amount of toll highway operation right and the corresponding tax base used in the computation of taxable profits for the PRC infrastructure joint ventures. For the infrastructure joint ventures enjoying preferential rate of 15% or lower, the new tax rate is progressively increasing to 25% over five years as grandfathering provision. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled. The details of change in tax rate are mentioned in note 13.

## 10. Finance Costs

	2007 HK\$'000	2006 HK\$'000
<b>Continuing operations</b>		
Interest on:		
Borrowings wholly repayable within five years	311,430	136,610
Borrowings not wholly repayable within five years	73,851	—
Total borrowing costs	385,281	136,610
Other finance costs	29,649	11,644
	414,930	148,254
Less: amount capitalised in properties under development for sale	(314,260)	(26,327)
	100,670	121,927
<b>Discontinued operation</b>		
Interest on:		
Borrowings wholly repayable within five years	—	2,110
Less: amount capitalised	—	(65)
	—	2,045
	100,670	123,972

Borrowing costs capitalised during the year are calculated by applying an average capitalisation rate of 6.758% (2006: 6.25%) per annum to expenditure on qualifying assets.

## 11. Profit before Taxation

	Continuing operations		Discontinued operation		Consolidated	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Profit before taxation has been arrived at after charging:						
Depreciation of property, plant and equipment	5,824	2,332	—	5,094	5,824	7,426
Less: capitalised in inventories and ginseng crops	—	—	—	(5,001)	—	(5,001)
Less: capitalised in properties under development for sale	(1,720)	(773)	—	—	(1,720)	(773)
	4,104	1,559	—	93	4,104	1,652
Operating lease rentals in respect of leasehold land, premises and equipment	4,293	3,853	—	4,889	4,293	8,742
Less: capitalised in inventories and ginseng crops	—	—	—	(4,715)	—	(4,715)
Less: capitalised in properties under development for sale	(888)	(673)	—	—	(888)	(673)
	3,405	3,180	—	174	3,405	3,354
Auditors' remuneration	3,974	2,505	—	—	3,974	2,505
Loss on disposal of property, plant and equipment	251	17	—	—	251	17
Share-based payments	66,783	34,408	—	—	66,783	34,408
Write-down of inventories	—	—	—	1,599	—	1,599
Fair value on financial guarantee contracts	22,000	—	—	—	22,000	—
Cost of inventories recognised as an expense	1,741,789	336,578	—	37,796	1,741,789	374,374
Share of tax of an associate	21,742	—	—	—	21,742	—
Staff costs (excluding directors' emoluments)	125,355	77,370	—	16,028	125,355	93,398
Provident fund scheme contributions, net of forfeited contributions of HK\$335,000 (2006: HK\$86,000)	9,298	1,989	—	14	9,298	2,003
Less: capitalised in inventories and ginseng crops	—	—	—	(12,791)	—	(12,791)
Less: capitalised in properties under development for sale	(17,447)	(10,383)	—	—	(17,447)	(10,383)
Total staff costs (excluding directors' emoluments)	117,206	68,976	—	3,251	117,206	72,227



## 11. Profit before Taxation (continued)

	Continuing operations		Discontinued operation		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
and after crediting:						
Bank interest income	40,454	37,334	—	8	40,454	37,342
Imputed interest income on long-term receivables at the effective interest rate of 7.56% per annum	12,000	—	—	—	12,000	—
Amortisation of fair value on financial guarantee contracts	9,000	—	—	—	9,000	—
Gain on disposal of interest in an infrastructure joint venture (note 34)	11,130	5,140	—	—	11,130	5,140
Gain on disposal of property, plant and equipment	—	—	—	46	—	46
Realised gain on disposal of listed equity securities	—	1,464	—	—	—	1,464
Realised gain on derivative financial instruments	—	672	—	—	—	672
Net exchange gain included in other income	358,675	85,745	—	381	358,675	86,126

## 12. Directors' and Employees' Emoluments

### Directors' emoluments

	Directors' fees	Salaries and allowances	Performance related bonus	Retirement	2007 Total
				scheme contributions	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Executive Directors</b>					
Zen Wei Pao, William	25	6,202	—	12	6,239
Ko Yuk Bing	—	3,594	8,511	359	12,464
Chan Kam Hung	—	2,284	2,979	217	5,480
Fong Shiu Leung, Keter	—	1,805	1,702	180	3,687
Zen Wei Peu, Derek	—	2,870	—	12	2,882
<b>Non-executive Directors</b>					
Hu Aimin	180	—	—	—	180
Zhang Yijun	180	—	—	—	180
<b>Independent Non-executive Directors</b>					
Chan Hing Chiu, Vincent	300	—	—	—	300
Chow Shiu Kee, Stephen	300	—	—	—	300
Lau Sai Yung	300	—	—	—	300
	1,285	16,755	13,192	780	32,012

## 12. Directors' and Employees' Emoluments (continued)

### Directors' emoluments (continued)

	Directors' fees HK\$'000	Salaries and allowances HK\$'000	Performance related bonus HK\$'000	Retirement scheme contributions HK\$'000	2006 Total HK\$'000
<b>Executive Directors</b>					
Zen Wei Pao, William	20	3,256	—	12	3,288
Ko Yuk Bing	—	3,456	7,050	346	10,852
Chan Kam Hung	—	2,149	2,468	178	4,795
Fong Shiu Leung, Keter	—	1,707	1,410	171	3,288
Zen Wei Peu, Derek	—	956	—	12	968
<b>Non-executive Directors</b>					
Hu Aimin	165	—	—	—	165
Zhang Yijun	165	—	—	—	165
<b>Independent Non-executive Directors</b>					
Chan Hing Chiu, Vincent	265	—	—	—	265
Chow Shiu Kee, Stephen	265	—	—	—	265
Lau Sai Yung	265	—	—	—	265
	1,145	11,524	10,928	719	24,316

In addition to the above Directors' emoluments, certain share options were granted to the Directors and the details of share options held by individual Directors at 31 December 2007 are shown in the Directors' report.

All the five highest paid individuals in the Group for both years presented are Directors of the Company whose emoluments are included above.

### 13. Income Tax Expense

	2007 HK\$'000	2006 HK\$'000
<b>Continuing operations</b>		
Current tax		
PRC Enterprise income tax	150,727	51,579
PRC LAT	107,299	18,071
	<b>258,026</b>	69,650
Deferred taxation (note 30)		
Current tax	80,021	5,885
Attributable to a change in tax rate	4,764	—
	<b>84,785</b>	5,885
	<b>342,811</b>	75,535
<b>Discontinued operation</b>		
Deferred taxation	—	8,595
	<b>342,811</b>	84,130

No provision for Hong Kong Profits Tax has been made as there was no assessable profit derived from Hong Kong.

The PRC income tax of subsidiaries is calculated at prevailing PRC tax rates on the estimated profits for the year.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions. LAT for 2006 has been reclassified from cost of sales to income tax expense to conform with the current year's presentation. Accordingly, LAT payable for 2006 has been reclassified from other payable to income tax payable.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"), which is effective from 1 January 2008. According to the new CIT Law, both domestic and foreign invested enterprises will be subjected to a single income tax rate of 25%. The existing Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises and Provisional Regulations of the People's Republic of China on Enterprise Income Tax will be abolished simultaneously.

### 13. Income Tax Expense (continued)

Detailed measures of the new CIT Law, specific provisions concerning the applicable income tax rates, computation of taxable income, as well as specific preferential tax treatments and their transitional provisions for the periods from 2007 and onwards have been issued in December 2007. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

The income tax for the year can be reconciled to profit before taxation in the consolidated income statement as follows:

	2007 HK\$'000	2006 HK\$'000
Profit before taxation	<b>1,208,952</b>	785,853
Tax at the applicable income tax rate of 33% (2006: 33%) (Note)	<b>398,954</b>	259,331
LAT provision	<b>107,299</b>	18,071
Tax effect of LAT	<b>(35,409)</b>	(5,963)
Tax effect of expenses not deductible for tax purpose	<b>198,507</b>	97,998
Tax effect of income not taxable for tax purpose	<b>(151,990)</b>	(91,435)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	—	(214)
Tax effect of share of results of joint ventures	<b>(190,445)</b>	(193,658)
Tax effect of share of result of an associate	<b>(4,048)</b>	—
Tax effect of tax losses not recognised	<b>19,206</b>	—
Tax effect of utilisation of tax losses previously not recognised	<b>(4,027)</b>	—
Tax effect of change in tax rate	<b>4,764</b>	—
Income tax for the year	<b>342,811</b>	84,130
Effective tax rate for the year	<b>28.4%</b>	10.7%

Note: The domestic tax rate of major subsidiaries and joint ventures in the PRC is used for the reconciliation as it is where the operations of the Group are substantially based.

## 14. Dividends Paid

	2007 HK\$'000	2006 HK\$'000
2006 final dividend paid of HK\$0.26 (2005: HK\$0.26) per share	192,790	156,350
2007 interim dividend paid of HK\$0.24 (2006: HK\$0.22) per share	179,908	132,614
2006 special interim dividend	—	81,072
	<b>372,698</b>	370,036

A final dividend in respect of 2007 of HK\$0.28 per share amounting to a total of approximately HK\$211,000,000 is proposed by the Board. This dividend is subject to approval by shareholders at the forthcoming Annual General Meeting and has not been included as a liability in these consolidated financial statements. The amount will be accounted for as an appropriation of reserves in the year ending 31 December 2008.

The amount of the final dividend proposed has been calculated on the basis of 752,646,566 shares in issue as at 8 April 2008.

During the year ended 31 December 2006, the Company had distributed its entire interest in a former subsidiary by way of special interim dividend.

## 15. Earnings Per Share

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share attributable to the shareholders of the Company is based on the following data:

	2007 HK\$'000	2006 HK\$'000
Earnings for the purposes of basic and diluted earnings per share attributable to the shareholders of the Company	851,067	705,076

## 15. Earnings Per Share (continued)

From continuing and discontinued operations (continued)

	2007 Number of shares	2006 Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>736,404,000</b>	608,390,000
Effect of dilutive potential ordinary shares:		
Share options	<b>8,597,000</b>	8,349,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>745,001,000</b>	616,739,000

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to the shareholders of the Company is based on the following data:

	2007 HK\$'000	2006 HK\$'000
Earnings for the year attributable to the shareholders of the Company	<b>851,067</b>	705,076
Add: loss for the year from discontinued operation	—	1,912
Earnings for the purposes of basic earnings per share from continuing operations attributable to the shareholders of the Company	<b>851,067</b>	706,988

The denominators used are the same as those detailed above for basic and diluted earnings per share.

From discontinued operation

Basic loss per share for discontinued operation attributable to the shareholders of the Company is insignificant for both years.

## 16. Discount on Acquisition of a Subsidiary/Deemed Acquisition of Additional Interest in a Subsidiary

During the year ended 31 December 2006, discount on acquisition of HK\$163,410,000 arose on the Group's acquisition of Suzhou Junyu Property Limited ("Suzhou Junyu"), details of the transactions were disclosed in note 32. The amount was recognised in profit or loss.

During the year ended 31 December 2006, the Company converted 10,399,149 convertible preference shares of Chai-Na-Ta Corp. (the "Former Subsidiary" or "CNT") into ordinary shares of the Former Subsidiary, resulting in the increase of the Group's shareholding in the Former Subsidiary from 77.5% to 84.2%. The discount on deemed acquisition of additional interest of HK\$10,606,000 was recognised in profit and loss.

## 17. Property, Plant and Equipment

	Freehold land HK\$'000	Properties under development for investment properties HK\$'000 (Note)	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost</b>								
At 1 January 2006	5,081	—	13,074	3,781	10,067	153,745	8,588	194,336
Additions	—	—	137	—	1,571	1,151	1,919	4,778
Disposals	—	—	—	—	(256)	(265)	—	(521)
Disposal of subsidiaries	(5,312)	—	(12,776)	(502)	(3,349)	(161,619)	(3,579)	(187,137)
Acquisition of subsidiaries	—	—	—	—	949	—	1,223	2,172
Exchange adjustments	231	—	550	9	204	6,988	223	8,205
At 31 December 2006	—	—	985	3,288	9,186	—	8,374	21,833
Additions	—	76,072	—	1,253	3,319	—	5,245	85,889
Disposals	—	—	(486)	—	(445)	—	(775)	(1,706)
Acquisition of subsidiaries	—	—	—	—	5,503	—	9,138	14,641
Exchange adjustments	—	—	61	33	403	—	360	857
At 31 December 2007	—	76,072	560	4,574	17,966	—	22,342	121,514
<b>Depreciation</b>								
At 1 January 2006	—	—	2,453	3,307	7,324	127,374	3,914	144,372
Charge for the year	—	—	528	192	1,049	4,267	1,390	7,426
Eliminated on disposals	—	—	—	—	(147)	(247)	—	(394)
Disposal of subsidiaries	—	—	(2,749)	(499)	(3,021)	(137,244)	(2,000)	(145,513)
Exchange adjustments	—	—	105	4	146	5,850	113	6,218
At 31 December 2006	—	—	337	3,004	5,351	—	3,417	12,109
Charge for the year	—	—	21	632	2,433	—	2,738	5,824
Eliminated on disposals	—	—	(183)	—	(353)	—	(253)	(789)
Exchange adjustments	—	—	21	40	273	—	155	489
At 31 December 2007	—	—	196	3,676	7,704	—	6,057	17,633
<b>Carrying values</b>								
At 31 December 2007	—	76,072	364	898	10,262	—	16,285	103,881
At 31 December 2006	—	—	648	284	3,835	—	4,957	9,724

Note: Properties under development for investment properties are under construction and are located in the PRC and held under medium term lease. The investment properties are expected to earn rentals or hold for capital appreciation.

## 17. Property, Plant and Equipment (continued)

Items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Freehold land	Nil
Land and buildings	Over the term of the lease from 20 to 25 years
Leasehold improvements	Over the term of the lease or 3 years, whichever is shorter
Furniture, fixtures and equipment	10%–25%
Plant and machinery	5%–10%
Motor vehicles	12.5%–25%

The Group's land and buildings are situated in the PRC and are held under medium term leases.

The allocation of land and buildings elements cannot be made reliably, and the leasehold interests in land continue to be accounted for as property, plant and equipment.

## 18. Prepaid Lease Payments for Land

	2007 HK\$'000	2006 HK\$'000
Land in the PRC on medium-term lease	51,277	—
Analysed for reporting purposes as:		
Non-current asset	49,912	—
Current asset	1,365	—
	51,277	—



## 19. Interests in Joint Ventures

	2007 HK\$'000	2006 HK\$'000
Interests in infrastructure joint ventures		
Cost of investments	5,491,426	5,636,052
Share of post-acquisition undistributed profits and reserves	2,965,010	2,570,265
Reduction of cost of investments (Note)	(3,304,050)	(3,132,909)
	<b>5,152,386</b>	5,073,408
Interests in other joint ventures		
Cost of investments	16,124	1
Share of post-acquisition profit (loss)	1,583	(1)
	<b>17,707</b>	—
	<b>5,170,093</b>	5,073,408
Loans to other joint ventures	81,196	14,136
Less: loss allocated in excess of cost of investment	—	(728)
	<b>81,196</b>	13,408

Note: The infrastructure joint ventures distribute the cash surplus to the Group on a monthly basis as a return of total investment costs to the Group, the amount of monthly cash distribution varies and depends on the toll road performance and the amount of operating expenses and capital expenditure incurred by the joint ventures.

## 19. Interests in Joint Ventures (continued)

The loans to other joint ventures are unsecured. Included in the balance of HK\$66,316,000 (2006: nil) carried interest at 5.58% per annum and the remaining balance was interest-free and is denominated in United States dollars.

### Infrastructure joint ventures

All infrastructure joint ventures are co-operative joint ventures established and operating in the PRC, details of which at 31 December 2007 are as follows:

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Anhui Road Universe Hefei Highway Development Co., Ltd. 安徽路宇合肥公路開發有限公司	RMB133,530,000	50% <sup>#</sup>	Construction and management of Hefei-Liuan Highway, Hefei Section in Anhui, PRC
Anhui Road Universe Hehuai Highway Dayang Section Development Co., Ltd. 安徽省路宇合淮公路大楊段開發有限公司	RMB90,000,000	60% <sup>*#</sup>	Investment in and development, operation and management of National Highway 206 Hefei-Huainan Highway Dayang Section in Anhui, PRC
Anhui Road Universe Hehuai Highway Yangjin Section Development Co., Ltd. 安徽省路宇合淮公路楊金段開發有限公司	RMB80,000,000	60% <sup>*#</sup>	Investment in and development, operation and management of National Highway 206 Hefei-Huainan Highway Yangjin Section in Anhui, PRC
Anhui Road Universe Liuan Highway Development Co., Ltd. 安徽路宇六安公路開發有限公司	RMB92,400,000	50% <sup>#</sup>	Construction and management of Hefei-Liuan Highway, Liuan Section in Anhui, PRC
Bengbu Road King Huaihe Bridge Highway Development Co., Ltd. 蚌埠路勁淮河公路橋開發有限公司	RMB54,180,000	35% <sup>#</sup>	Investment in and development, operation and management of Provincial Highway 307 Bengbu Huaihe Bridge in Anhui, PRC
Bengbu Road King Huaimeng Highway Development Co., Ltd. 蚌埠路勁懷蒙公路開發有限公司	RMB39,690,000	35% <sup>#</sup>	Investment in and development, operation and management of Provincial Highway 307 Bengbu Huaiyuan-Mengcheng Highway in Anhui, PRC
Bengbu Road King Chaoyanglu Huaihe Highway Bridge Development Co., Ltd. 蚌埠路勁朝陽路淮河公路橋開發有限公司	RMB42,929,000	35% <sup>#</sup>	Investment in and construction, operation and management of Bengbu Chaoyanglu Huaihe Highway Bridge in Anhui, PRC

## 19. Interests in Joint Ventures (continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Guangxi Hengjing Highway Development Co., Ltd. 廣西恆勁公路開發有限公司	RMB81,520,000	70%*#	Investment in and development, operation and management of Yulin-Gongguan Highway, Yulin Section, in Guangxi Zhuang Autonomous Region, PRC
Guangxi Lutong Highway Development Co., Ltd. 廣西路通公路開發有限公司	RMB99,562,000	70%*#	Investment in and development, operation and management of Yulin City Ring Roads, in Guangxi Zhuang Autonomous Region, PRC
Handan Rongguang Highway Development Co., Ltd. 邯鄲榮光公路開發有限公司	RMB78,200,000	70%*#	Construction and management of National Highway 309, Handan-Feixiang Highway (Hanfei Section) in Hebei, PRC
Handan Xinguang Highway Development Co., Ltd. 邯鄲新光公路開發有限公司	RMB81,800,000	70%*#	Construction and management of National Highway 309, Feixiang-Guantao Highway (Feiguan Section) in Hebei, PRC
Hebei Baofa Expressway Co., Ltd 河北保發高速公路有限公司	RMB38,515,000	40%#	Investment in and operation and management of Hebei Baojin Expressway (Bazhou Dong) in Hebei, PRC
Hebei Baofeng Expressway Co., Ltd 河北保豐高速公路有限公司	RMB38,280,000	40%#	Investment in and operation and management of Hebei Baojin Expressway (Rong Cheng-Xiong Xian) in Hebei, PRC
Hebei Baohui Expressway Co., Ltd 河北保惠高速公路有限公司	RMB38,403,000	40%#	Investment in and operation and management of Hebei Baojin Expressway (Bazhou Zhong) in Hebei, PRC
Hebei Baojie Expressway Co., Ltd 河北保捷高速公路有限公司	RMB38,905,000	40%#	Investment in and operation and management of Hebei Baojin Expressway (Xiong-xian-Bazhou) in Hebei, PRC
Hebei Baojin Expressway Co., Ltd 河北保津高速公路有限公司	RMB38,737,000	40%#	Investment in and operation and management of Hebei Baojin Expressway (Xushui-Rongcheng) in Hebei, PRC

## 19. Interests in Joint Ventures (continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Hebei Baoli Expressway Co., Ltd 河北保利高速公路有限公司	RMB38,944,000	40% <sup>#</sup>	Investment in and operation and management of Hebei Baojin Expressway (Xiongxin East) in Hebei, PRC
Hebei Baoming Expressway Co., Ltd 河北保明高速公路有限公司	RMB36,012,000	40% <sup>#</sup>	Investment in and operation and management of Hebei Baojin Expressway (Bazhou-Tianjinjie) in Hebei, PRC
Hebei Baosheng Expressway Co., Ltd 河北保昇高速公路有限公司	RMB38,603,000	40% <sup>#</sup>	Investment in and operation and management of Hebei Baojin Expressway (Xiongxin West) in Hebei, PRC
Hebei Baoyi Expressway Co., Ltd 河北保怡高速公路有限公司	RMB38,630,000	40% <sup>#</sup>	Investment in and operation and management of Hebei Baojin Expressway (Rong Cheng) in Hebei, PRC
Hebei Baoyu Expressway Co., Ltd 河北保裕高速公路有限公司	RMB38,971,000	40% <sup>#</sup>	Investment in and operation and management of Hebei Baojin Expressway (Bazhou West) in Hebei, PRC
Hebei Tanghui Expressway Co., Ltd 河北唐惠高速公路有限公司	RMB129,296,000	45% <sup>#</sup>	Investment in and operation and management of Hebei Tangjin Expressway (Chenzhuang-Fengnan) in Hebei, PRC
Hebei Tangjin Expressway Co., Ltd 河北唐津高速公路有限公司	RMB112,635,000	45% <sup>#</sup>	Investment in and operation and management of Hebei Tangjin Expressway (Fengnan-Jijinjie) in Hebei, PRC
Hebei Tangrun Expressway Co., Ltd 河北唐潤高速公路有限公司	RMB77,636,000	45% <sup>#</sup>	Investment in and operation and management of Hebei Tangjin Expressway (Shuangmiao-Chenzhuang) in Hebei, PRC
Hunan Changyi (Baining) Expressway Co., Ltd. 湖南長益(白寧)高速公路有限公司	RMB97,012,000	43.17% <sup>#</sup>	Investment in and development, operation and management of Hunan Changsha-Yiyang Expressway (Baining Section) in Hunan, PRC
Hunan Changyi (Cangyi) Expressway Co., Ltd. 湖南長益(滄益)高速公路有限公司	RMB98,985,000	43.17% <sup>#</sup>	Investment in and development, operation and management of Hunan Changsha-Yiyang Expressway (Cangyi Section) in Hunan, PRC

## 19. Interests in Joint Ventures (continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Hunan Changyi Expressway Co., Ltd. 湖南長益高速公路有限公司	RMB98,554,000	43.17% <sup>#</sup>	Investment in and development, operation and management of Hunan Changsha-Yiyang Expressway (Changbai Section) in Hunan, PRC
Hunan Changyi (Hengchang) Expressway Co., Ltd. 湖南長益(衡滄)高速公路有限公司	RMB101,695,000	43.17% <sup>#</sup>	Investment in and development, operation and management of Hunan Changsha-Yiyang Expressway (Hengchang Section) in Hunan, PRC
Hunan Changyi (Ningheng) Expressway Co., Ltd. 湖南長益(寧衡)高速公路有限公司	RMB98,458,000	43.17% <sup>#</sup>	Investment in and development, operation and management of Hunan Changsha-Yiyang Expressway (Ningheng Section) in Hunan, PRC
Hunan Changyi (Zijiang No. 2 Bridge) Expressway Co., Ltd. 湖南長益(資江二橋)高速公路有限公司	RMB78,328,000	43.17% <sup>#</sup>	Investment in and development, operation and management of Hunan Changsha-Yiyang Expressway (Zijiang No. 2 Bridge) in Hunan, PRC
Liuan Road Universe Liuye Highway Development Co., Ltd. 六安路宇六葉公路開發有限公司	RMB97,800,000	50% <sup>#</sup>	Construction and management of Liuan-Yeji Highway (Western Section) in Anhui, PRC
Liuan Road Universe Pihe Bridge Development Co., Ltd. 六安路宇淝河大橋開發有限公司	RMB90,364,000	50% <sup>#</sup>	Construction and management of Pihe Bridge in Anhui, PRC
Luodingshi Luochong Highway Co., Ltd. 羅定市羅沖一級公路有限公司	RMB96,800,000	61% <sup>*#</sup>	Construction and management of National Highway 324 Luoding-Chonghua Highway in Guangdong, PRC
Pingdingshan Road King Xuchang-Nanyang Highway (Xiangcheng Section) Development Co., Ltd. 平頂山路勁許南公路(襄城段)開發有限公司	RMB73,400,000	50% <sup>#</sup>	Investment in and development, operation and management of National Highway 311 & Provincial Highway 103 Xuchang-Nanyang Highway, (Xiangcheng section) in Henan, PRC
Pingdingshan Road King Xuchang-Nanyang Highway (Yexian Section) Development Co., Ltd. 平頂山路勁許南公路(葉縣段)開發有限公司	RMB63,400,000	50% <sup>#</sup>	Investment in and development, operation and management of Provincial Highway 103 Xuchang-Nanyang Highway, (Yexian Section) in Henan, PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2007

## 19. Interests in Joint Ventures (continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Shanxi Lutong Dongguan Highway Co., Ltd. 山西路通東觀公路有限公司	RMB82,340,000	65% <sup>*#</sup>	Investment in and development, operation and management of National Highway 108 Yuci Dongchangshou-Qixian Dongguan Highway in Shanxi, PRC
Shanxi Lutong Taiyu Highway Co., Ltd. 山西路通太榆公路有限公司	RMB83,414,000	65% <sup>*#</sup>	Construction and management of National Highway 108 Taiyuan-Yuci Highway in Shanxi, PRC
Shanxi Lutong Yuci Highway Co., Ltd. 山西路通榆次公路有限公司	RMB66,412,000	65% <sup>*#</sup>	Construction and management of National Highway 108 Yuci City Bypass in Shanxi, PRC
Shenzhen Airport-Heao Expressway (Eastern Section) Co., Ltd. 深圳機荷高速公路東段有限公司	RMB440,000,000	45%	Construction and management of Shenzhen Airport-Heao Expressway (Eastern Section) in Shenzhen, PRC
Shijiazhuang Luhui Road & Bridge Development Co., Ltd. 石家莊路輝道橋開發有限公司	RMB88,000,000	60% <sup>*#</sup>	Construction and management of National Highway 307, Shijiazhuang-Gaocheng Highway in Hebei, PRC
Shijiazhuang Luxin Road & Bridge Development Co., Ltd. 石家莊路信道橋開發有限公司	RMB44,000,000	60% <sup>*#</sup>	Construction and management of National Highway 307, Gaocheng-Jinzhou Highway in Hebei, PRC
Suzhou Road King Shanghai-Suzhou Airport Road Development Co., Ltd. 蘇州路勁蘇滬機場路發展有限公司	RMB130,000,000	50%	Construction and management of Provincial Highway 343, Suzhou-Shanghai Airport Highway in Jiangsu, PRC

\* The Group exercises joint control over the financial and operating policies of these companies with other PRC joint venture partners in accordance with joint venture agreements, and accordingly, these companies have not been accounted for as subsidiaries.

# The profit/cash sharing ratios in these infrastructure joint ventures differ from the proportion of the registered capital held by the Group over the duration of the joint ventures. During the early stage of the joint ventures, the Group is usually entitled to higher profit/cash sharing ratios than the proportion of registered capital held by the Group as contained in the relevant joint venture agreements. Thereafter, until such time as specified in the joint venture agreements, the other venturers of the joint ventures may be entitled to profit/cash sharing ratios higher than their respective proportion of registered capital held by them over a specific year of time under the joint venture agreements. Thereafter, the profit sharing ratios of the Group may be the same as the proportion of the registered capital held by the Group or in accordance with a predetermined ratio stipulated in the joint venture agreements.

## 19. Interests in Joint Ventures (continued)

### Building construction joint venture

During 2005, the Group had entered into an agreement with a subsidiary of Build King Holdings Limited, a listed company in Hong Kong in which certain directors of the Company have beneficial interests, to establish a joint venture engaging in the business of property construction in the PRC, details of which at 31 December 2007 are as follows:

Name of property	Form of business structure	Place of incorporation	Principal place of business	Interest	
				indirectly held by the Company	Principal activity
常州利駿建築工程有限公司	Incorporated	PRC	PRC	60%	Building construction in the PRC

### Property development joint venture

Pursuant to the sale and purchase agreement and supplemental agreements entered in April and May 2007 ("Agreements"), a wholly-owned subsidiary of Sunco Property Holdings Company Limited ("Sunco Property") entered into Agreements with 上海順馳投資有限公司 ("上海順馳") for the acquisition of 31.5% equity interest in 上海順馳方城置業有限公司 ("Shanghai Fangcheng") at a cash consideration of HK\$16,123,000 (equivalent to RMB15,750,000). At the date of acquisition, Sunco Property was an associate of the Group. The Group exercises joint control over the financial and operating policies of Shanghai Fangcheng, and accordingly, Shanghai Fangcheng has been accounted for as a joint venture of the Group. The details of Shanghai Fangcheng at 31 December 2007 are as follows:

Name of property	Form of business structure	Place of incorporation	Principal place of business	Interest	
				indirectly held by the Company	Principal activity (Note)
Shanghai Fangcheng	Incorporated	PRC	PRC	31.5%	Property development

Note: The joint venture is held by a 88.46% owned subsidiary of the Company.

## 19. Interests in Joint Ventures (continued)

The summary of aggregate financial information of the joint ventures which is accounted for using equity method, based on the adjusted financial statements prepared under HKFRSs is as follows:

	2007 HK\$'000	2006 HK\$'000
Income	1,453,152	1,186,650
Expenses	(876,045)	(599,806)
Assets	7,373,152	6,907,433
Liabilities	(2,203,059)	(1,834,025)

## 20. Loans to Related Companies

The loans to related companies of HK\$54,700,000 (2006: HK\$54,700,000), in which HK\$31,472,000 (2006: HK\$31,472,000) were denominated in United States dollars and HK\$23,228,000 (2006: HK\$23,228,000) were denominated in Hong Kong dollars, represented the cash advances to former subsidiaries in which one of its shareholders is Wai Kee Holdings Limited, which has significant beneficial interest in the Company. The loans to related companies are unsecured, interest bearing at LIBOR/HIBOR plus 1.7% per annum and are wholly repayable in 2010.

## 21. Long-term Receivables

	2007 HK\$'000	2006 HK\$'000
Minimum income undertakings (note a)	14,743	—
Deferred consideration (note b)	27,053	31,484
Amount due from Tianjin Sunco Real Estate Company Limited ("Tianjin Sunco WOFE") (note c)	391,336	—
	433,132	31,484



## 21. Long-term Receivables (continued)

Notes:

- a. *Included in long-term receivables and debtors aged more than 90 days of the Group are the amounts of HK\$14,743,000 (2006: Nil) and HK\$970,000 (2006: HK\$51,213,000) as disclosed in note 25, respectively representing minimum income undertakings due from the PRC joint venture partners. Minimum income undertakings have been recognised in accordance with the terms set out in the relevant joint venture agreements and are settled according to the schedules agreed with the relevant PRC joint venture partners. The revised repayment schedule of minimum income undertakings was agreed with the PRC joint venture partners in 2007 and the amounts will be fully repaid in 2011.*
- b. *The balance of HK\$27,053,000 (2006: HK\$31,484,000) represented the deferred consideration arisen from disposal of an infrastructure joint venture to the PRC joint venture in April 2006 in accordance with the agreed repayment schedule of the deferred consideration. The amount due within one year amounting to HK\$15,564,000 (2006: HK\$35,183,000) (see note 25) has been included in other receivables of the Group. The amounts will be fully repaid in 2010.*
- c. *The balance represented the cash advance to Tianjin Sunco WOFE, a company controlled by Huge Rise Investments Limited ("Huge Rise"), an independent third party of the Group. Huge Rise has agreed that the whole balance will be fully repaid before 31 December 2009. Tianjin Sunco WOFE was previously controlled by Mr. Sun Hongbin ("Mr. Sun") and subsequently disposed of to Huge Rise in August 2007 and the liabilities of Tianjin Sunco WOFE and its subsidiaries have been assumed by Huge Rise. The amount is secured by the assets of Huge Rise to the extent of the outstanding amount. The directors considered that the credit risk of the amount due from the Huge Rise is limited as the assets consisted of land and other properties previously owned by Tianjin Sunco WOFE with their fair values far higher than the outstanding balance.*

## 22. Available-for-sale Investments

On 26 May 2007, 天津順馳濱海不動產投資管理有限公司, a wholly-owned subsidiary of Sunco Property, entered into a sale and purchase agreement with certain subsidiaries of Sunco Real Estate, being the vendor, for the acquisition of the entire equity interests in 天津順馳新地置業有限公司 and 天津順馳融信置地有限公司 (collectively referred to as the "Tianjin Companies") at a total cash consideration of RMB563,180,000 (equivalent to HK\$592,821,000). Sunco Real Estate was formerly controlled by Mr. Sun, the major shareholder of Sunco Property prior to the Group's acquisitions in January 2007 and Sunco Property was an associate of the Group as at the date the sale and purchase agreement was entered into.

As detailed in note 32, upon the completion of the acquisition of additional 39.46% interest in Sunco Property by the Group on 27 July 2007, Sunco Property became an indirect subsidiary of the Company and, in the absence of the circumstances described below, the Tianjin Companies would also have become indirect subsidiaries of the Company.

## 22. Available-for-sale Investments (*continued*)

The PRC legal counsel has confirmed that the legal procedures in respect of the acquisition of the Tianjin Companies have been completed and the acquisition is legally enforceable under the relevant laws in the PRC. However, the Group has not yet obtained effective control over the Tianjin Companies despite the fact that the board of directors of the Tianjin Companies was appointed by the Group as the former management of the Tianjin Companies have not yet allowed the representatives of the Group to access the office of the Tianjin Companies, and have not yet handed over the official seals, the books and records as well as other relevant documents of the Tianjin Companies. Without such access of official seals and books and records, the Group has not yet effectively obtained control of the Tianjin Companies.

The Group has implemented certain preventive measures to preserve the assets of the Tianjin Companies including, but not limited to, i) issuing a warning letter to the former management preventing them from taking any actions which will be detrimental to the Tianjin Companies; and ii) publishing a notice in a local newspaper in Tianjin to alert the public to take extra care when entering into any transactions with the Tianjin Companies.

As the Group has not yet obtained effective control or exercise significant influence over the operating and financing policies of the Tianjin Companies, the Tianjin Companies are not currently considered to be subsidiaries or associates of the Company and therefore they are accounted for as available-for-sale investments. Accordingly, the financial statements of the Tianjin Companies have not been consolidated into the Group's consolidated financial statements. The investments in the Tianjin Companies have been recorded at cost less impairment as at 31 December 2007 because the investments are unquoted equity shares whose range of reasonable fair value estimates is so significant that the directors are of the opinion that the fair values cannot be measured reliably. Based on the impairment review on the investments in the Tianjin Companies as detailed in note 4, in the opinion of the directors of the Company, no impairment on the investment cost in the Tianjin Companies is considered necessary.

The Group has commenced legal proceedings in the Tianjin district People's Court in October 2007 to enforce its rights and to assume effective control over the Tianjin Companies. The date of hearing has not been fixed at the date of this report. The directors, based on advices of the Group's PRC legal adviser, are of the firm belief that the court ruling will be favourable to the Group and accordingly, the Group can assume effective control over the Tianjin Companies in the foreseeable future. The Group will continue its best endeavour to pursue the lawsuit in order to assume effective control over the Tianjin Companies.

## 23. Inventory of Properties

	2007 HK\$'000	2006 HK\$'000
Completed properties held for sale	1,387,063	452,230
Properties under development for sale (Note)	8,992,400	2,444,729
	<b>10,379,463</b>	2,896,959

*Note: Included in the amount are properties under development for sale of HK\$4,685,213,000 (2006: HK\$682,910,000) expected to be completed and delivered to the customers within twelve months from the balance sheet date.*

## 24. Advances for Land Leases

As at 31 December 2007, a total prepayment of HK\$1,393,210,000 (2006: HK\$458,758,000) was made for the acquisitions of certain pieces of land in the PRC. Upon completion of the acquisition and delivery of relevant land title document to the Group, the prepaid amount will be transferred to the account of "Properties under development for sale".

## 25. Debtors, Deposits and Prepayments

	2007 HK\$'000	2006 HK\$'000
Aged analysis of debtors:		
Within 60 days	11,554	6,579
60 to 90 days	5,477	—
More than 90 days	1,064	51,213
	<b>18,095</b>	57,792
Deferred consideration on disposal of an infrastructure joint venture (notes 21 and 34)	15,564	35,183
Interest receivable	4,941	5,710
Other receivables (note a)	36,856	960,932
Prepayments of business tax and other taxes	191,430	138,980
Deposits and prepayments (note b)	502,878	77,822
	<b>769,764</b>	1,276,419

Other than the minimum income undertakings as mentioned in note 21, the debtors are mainly arisen from sales of properties. Consideration in respect of properties sold are paid in accordance with the terms of the related sales and purchase agreement, normally within 60 days from the agreement. Consideration under pre-sales contracts will be fully received prior to the delivery of the properties to the purchasers.

The Group has minimal trade receivable balances which are past due at the reporting date.

In determining the recoverability of trade debtors, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the balance sheet date. The concentration of credit risk is limited because the customer base is large and unrelated. Accordingly, the directors believe that there is no credit provision required as at balance sheet date.

Notes:

- a. At 31 December 2006, included in other receivables were cash advances of HK\$597,296,000 and HK\$363,636,000 to subsidiaries of Sunco Property and Sunco Real Estate, respectively. Included in the balance of HK\$802,153,000 carried interest at 12% per annum and the remaining balance was interest-free and was repayable on demand. The amount due from Sunco Real Estate has been fully repaid in 2007. During the year ended 31 December 2007, a further amount of HK\$573,171,000 has been advanced to Sunco Property and the loan to Sunco Property amounted to HK\$170,467,000 has been capitalised for the acquisition of 49% interest in Sunco Property in January 2007 and HK\$1,000,000,000 has been capitalised for the acquisition of additional 39.46% equity interest in Sunco Property in July 2007.

## 25. Debtors, Deposits and Prepayments (continued)

- b. At 31 December 2007, included in deposits and prepayments is an amount of HK\$95,166,000 (2006: nil) representing the tender deposits paid to the local government or its agents in several provinces for the tender of several pieces of land through public auctions. The tender deposits will be refunded if the Group failed to acquire the pieces of land during the tender. The public auction in relation to these tender deposits paid will be taken place within one year and the amounts should be classified as short-term deposits.

In November 2007, the Group and an independent third party ("Independent Party A") have entered into a cooperative agreement with another independent third party ("Independent Party B"), a state-owned enterprise located in Jinan province, pursuant to which the Group is responsible for carrying out development to render several pieces of land (the "Lands") suitable for commercial, office, tourism and public uses. Such land development works included but is not limited to the removal of the existing buildings situated on the Lands, the relocation of the existing residents, the provision of infrastructure systems including roads, drainage system, water pipes, gas and electricity supply and the construction of public facilities. A prepayment of HK\$357,474,000 has been paid by the Group to Independent Party B as part of the total cost to be incurred for the development. Pursuant to the cooperative agreement, Independent Party B is responsible for selling the land use right of the Lands through the public tenders or auctions which will be carried out in June 2008. If the Lands were to be sold to the Group at the said public tenders or auctions, the Group is responsible for the payment of the price at which the Lands will be sold at the public tenders or auctions and Independent Party B will reimburse to the Group the actual development costs incurred for the Lands and a development return at the rate of 10% of the total costs incurred by the Group. Pursuant to the cooperative agreement, the Group will be reimbursed for the actual costs incurred in carrying out the development and be entitled to the fixed return of 10% of the total costs incurred irrespective of whether the Group will obtain the land use right of the Lands in the future.

## 26. Pledged Deposits/Bank Balances and Cash

Included in pledged deposits were bank balances of HK\$231,583,000 (2006: HK\$24,018,000) pledged as security in favour of banks for mortgage facilities granted to the buyers of Group's properties and short-term credit facilities granted to the Group.

Bank balances carry interest at market rates which range from 0.72% to 5.0% (2006: 0.72% to 3.25%) per annum. The average effective interest rate of pledged deposits was 0.77% (2006: 0.72%) per annum.

The Group's bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	Hong Kong dollars HK\$'000	United States dollars HK\$'000
As at 31 December 2007	68,246	132,775
As at 31 December 2006	245,935	168,781

## 27. Share Capital

	2007 Number of shares	2006 Number of shares	2007 HK\$'000	2006 HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each	20,000,000,000	20,000,000,000	2,000,000	2,000,000
7.5% convertible preference shares ("CP shares") of HK\$0.1 each	518,380	518,380	52	52
Issued and fully paid:				
Ordinary shares				
At 1 January	690,076,566	590,896,566	69,008	59,090
Issue of shares upon exercise of share options	17,570,000	19,180,000	1,757	1,918
Placement of new shares	45,000,000	80,000,000	4,500	8,000
At 31 December	752,646,566	690,076,566	75,265	69,008

As a result of the exercise of the Company's share options during the year, 17,570,000 (2006: 19,180,000) ordinary shares were issued by the Company as detailed in note 28.

In March 2007, 45,000,000 ordinary shares of the Company were placed in the market to the subscribers independent of the Group at a price of HK\$12.20 per share.

In November and December 2006, 80,000,000 ordinary shares of the Company were placed in the market to the subscribers independent of the Group at a price of HK\$10.96 per share.

The proceeds from placement of shares of the Company were used for the property development business and working capital of the Group. All the new shares issued ranked pari passu in all respects with the existing shares.

## 28. Share Option Scheme

The share option scheme was adopted by the Company in 2003. The purpose of the share option scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage those participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The participants include any full-time employees, executives or officers and directors of the Company or any of its subsidiaries.

The total number of shares which may be issued under the share option scheme and any other schemes of the Company must not in aggregate exceed 10% (the "10% Limit") of the shares in issue as at the date of adoption of the share option scheme less the aggregate of exercised, cancelled and outstanding options. On 15 May 2007, renewal of the 10% share option scheme mandate limit was approved by the shareholders. Since then, a number of options were granted to eligible participants and the total number of shares available for issue under the share option scheme is 54,650,156 representing approximately 7.26% of the Company's issued share capital as at the date of this report. The 10% Limit may be refreshed with the approval of shareholders of the Company. The maximum number of shares that may be issued upon exercise of all outstanding options granted and are yet to be exercised under the share option scheme and any other schemes must not exceed 30% of the shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares in issue unless the same is approved by the shareholders.

The option exercisable period commences on the commencement date (the date upon which the options are granted and accepted) of such options and ends on the fifth anniversary of the commencement date. Each participant must pay HK\$1 as consideration for the grant of options within 28 days from the date of offer.

The exercise price shall be determined by the Board, being not less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of offer; (b) the average of the official closing prices of the shares stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of offer; and (c) the nominal value of the shares.

## 28. Share Option Scheme (continued)

The share option scheme shall be valid and effective for a period of 10 years commencing on the adoption date, i.e. 12 May 2003.

During the year, 19,500,000 (2006: 19,340,000) share options were granted under the share option scheme to directors and employees for an aggregate consideration of HK\$118 (2006: HK\$104). The estimated fair values of the options granted during the year were HK\$66,783,000 (2006: HK\$34,408,000). The fair values for the years ended 31 December 2007 and 2006 were calculated using Binominal pricing model and Black-Scholes pricing model respectively. The inputs into the model were as follows:

	2007	2006
Share price at date of grant	<b>HK\$15.50</b>	HK\$11.61
Exercise price	<b>HK\$14.85</b>	HK\$11.66
Expected volatility	<b>27.91%</b>	25.74%
Expected life	<b>5 years</b>	2.5 years
Risk-free rate	<b>3.186%</b>	3.61%
Expected dividend yield	<b>3.23%</b>	4.03%

The expected volatility was determined by using the historical volatility of the Company's share price over the previous year.

The Group recognised these fair values as expense for the years ended 31 December 2007 and 2006.



## 28. Share Option Scheme (continued)

The following tables disclose details of the Company's share options held by directors and employees and movements in such holdings during the year.

2007

Date of grant	Exercisable period	Exercise price HK\$	Balance at 1.1.2007	Granted during the year	Exercised during the year	Lapsed during the year	Balance at 31.12.2007
<b>Directors</b>							
17 October 2003	17 October 2003 to 16 October 2008	5.15	750,000	—	(750,000)	—	—
26 August 2004	26 August 2004 to 25 August 2009	5.70	5,600,000	—	(5,460,000)	—	140,000
14 December 2005	14 December 2005 to 13 December 2010	5.80	8,750,000	—	(6,050,000)	—	2,700,000
20 December 2006	20 December 2006 to 19 December 2011	11.66	10,550,000	—	(500,000)	—	10,050,000
6 November 2007	6 November 2007 to 5 November 2012	14.85	—	10,300,000	—	—	10,300,000
			<b>25,650,000</b>	<b>10,300,000</b>	<b>(12,760,000)</b>	<b>—</b>	<b>23,190,000</b>
<b>Employees</b>							
17 October 2003	17 October 2003 to 16 October 2008	5.15	460,000	—	(325,000)	—	135,000
26 August 2004	26 August 2004 to 25 August 2009	5.70	490,000	—	(100,000)	—	390,000
14 December 2005	14 December 2005 to 13 December 2010	5.80	1,470,000	—	(1,360,000)	—	110,000
20 December 2006	20 December 2006 to 19 December 2011	11.66	8,790,000	—	(3,025,000)	(35,000)	5,730,000
6 November 2007	6 November 2007 to 5 November 2012	14.85	—	9,200,000	—	(40,000)	9,160,000
			<b>11,210,000</b>	<b>9,200,000</b>	<b>(4,810,000)</b>	<b>(75,000)</b>	<b>15,525,000</b>
			<b>36,860,000</b>	<b>19,500,000</b>	<b>(17,570,000)</b>	<b>(75,000)</b>	<b>38,715,000</b>

## 28. Share Option Scheme (continued)

2006

Date of grant	Exercisable period	Exercise price HK\$	Balance at 1.1.2006	Granted during the year	Exercised during the year	Lapsed during the year	Balance at 31.12.2006
<b>Directors</b>							
17 October 2003	17 October 2003 to 16 October 2008	5.15	6,300,000	—	(5,550,000)	—	750,000
26 August 2004	26 August 2004 to 25 August 2009	5.70	9,350,000	—	(3,750,000)	—	5,600,000
14 December 2005	14 December 2005 to 13 December 2010	5.80	10,550,000	—	(1,800,000)	—	8,750,000
20 December 2006	20 December 2006 to 19 December 2011	11.66	—	10,550,000	—	—	10,550,000
			26,200,000	10,550,000	(11,100,000)	—	25,650,000
<b>Employees</b>							
17 October 2003	17 October 2003 to 16 October 2008	5.15	2,010,000	—	(1,550,000)	—	460,000
26 August 2004	26 August 2004 to 25 August 2009	5.70	3,600,000	—	(3,110,000)	—	490,000
14 December 2005	14 December 2005 to 13 December 2010	5.80	4,910,000	—	(3,420,000)	(20,000)	1,470,000
20 December 2006	20 December 2006 to 19 December 2011	11.66	—	8,790,000	—	—	8,790,000
			10,520,000	8,790,000	(8,080,000)	(20,000)	11,210,000
			36,720,000	19,340,000	(19,180,000)	(20,000)	36,860,000

The weighted average closing price of the Company's shares immediately before the date on which share options were exercised during the year is HK\$14.20 (2006: HK\$9.49).

## 29. Bank and Other Borrowings

	2007 HK\$'000	2006 HK\$'000
Senior notes (note (i))	2,634,176	—
Guaranteed notes (note (ii))	1,536,075	1,559,029
Bank loans (note (iii))	2,553,467	1,582,155
	<b>6,723,718</b>	3,141,184

The maturity of the above loans is as follows:

	2007 HK\$'000	2006 HK\$'000
Unsecured borrowings repayable:		
Within one year	447,368	1,582,155
More than two years but not exceeding five years	2,665,580	1,559,029
More than five years	1,504,671	—
	<b>4,617,619</b>	3,141,184
Secured borrowings repayable:		
Within one year	161,579	—
More than one year but not exceeding two years	601,788	—
More than two years but not exceeding five years	1,342,732	—
	<b>2,106,099</b>	—
Total borrowings	<b>6,723,718</b>	3,141,184
Less: Amount due within one year shown under current liabilities	<b>(608,947)</b>	(1,582,155)
Amount due over one year shown under non-current liabilities	<b>6,114,771</b>	1,559,029

Notes:

- (i) The senior notes, which are listed on the stock exchange in Singapore, with carrying amount of HK\$1,504,671,000 bear interest at a fixed rate of 7.625% per annum which will mature in May 2014. The senior notes with carrying amount of HK\$1,129,505,000 bear interest at a floating rate of three month LIBOR plus 2.25% per annum which will mature in May 2012. The fair value of the senior notes based on the quoted bid price at 31 December 2007 was HK\$2,476,800,000.
- (ii) The guaranteed notes, which are listed on the stock exchange in Singapore, bear interest at a fixed rate of 6.25% per annum and will mature in July 2011. The fair value of the guaranteed notes based on the quoted bid price at 31 December 2007 was HK\$1,351,680,000 (2006: HK\$1,489,082,000).

## 29. Bank and Other Borrowings (continued)

- (iii) Bank loans with carrying amount of HK\$789,474,000 (2006: HK\$148,515,000) bear interest at a fixed rate of 6.89% to 8.96% per annum. Interest rates on the remaining bank loans, which were carried at variable interest rates, range from 4.98% to 7.60% per annum.

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	Hong Kong dollars HK\$'000	United States dollars HK\$'000
As at 31 December 2007	100,000	5,834,245
As at 31 December 2006	—	2,993,640

## 30. Deferred Taxation

The following are the major deferred taxation liabilities (assets) recognised and movements thereon during the current and prior year:

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Fair value adjustment on property under development HK\$'000	Inventory and ginseng crops HK\$'000	Other HK\$'000 (Note)	Total HK\$'000
At 1 January 2006	(1,380)	(3,049)	—	(7,814)	—	(12,243)
(Credit) charge for the year	(333)	877	—	8,051	5,885	14,480
Acquisition of a subsidiary	—	(65,347)	55,771	—	—	(9,576)
Disposal of subsidiaries	1,780	2,298	—	—	—	4,078
Exchange adjustments	(67)	(126)	—	(237)	—	(430)
At 31 December 2006	—	(65,347)	55,771	—	5,885	(3,691)
Attributable to a change in tax rate	—	15,934	(9,743)	—	(1,427)	4,764
Charge for the year	—	15,340	—	—	64,681	80,021
Acquisition of subsidiaries	—	(93,037)	—	—	—	(93,037)
Exchange adjustments	—	(2,101)	1,321	—	16	(764)
At 31 December 2007	—	(129,211)	47,349	—	69,155	(12,707)

Note: Deferred tax liabilities is recognised on temporary differences between the carrying amounts and the tax base of property under development for sale, arising from the capitalisation of certain interest expenses in property under development for sale in consolidation level.

### 30. Deferred Taxation (continued)

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2007 HK\$'000	2006 HK\$'000
Deferred tax assets	<b>(81,862)</b>	(9,576)
Deferred tax liabilities	<b>69,155</b>	5,885
	<b>(12,707)</b>	(3,691)

At 31 December 2007, the Group has estimated unused tax losses of HK\$597,214,000 (2006: HK\$198,021,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK\$516,844,000 (2006: HK\$198,021,000) of such losses. No deferred tax asset has been recognised in respect of the remaining losses of HK\$80,370,000 (2006: nil) due to the unpredictability of future taxable profit streams. Included in unrecognised tax losses is an amount of HK\$80,370,000 (2006: Nil) that will expire in 2012.

### 31. Creditors and Accrued Charges

	2007 HK\$'000	2006 HK\$'000
Aged analysis of creditors:		
Within 60 days	<b>39,293</b>	1,744
60 to 90 days	<b>2,208</b>	235
More than 90 days	<b>11,840</b>	18,839
	<b>53,341</b>	20,818
Interest payable	<b>74,160</b>	58,124
Accrued construction costs	<b>1,149,023</b>	342,619
Accrued taxes	<b>48,231</b>	120,955
Other accrued charges	<b>339,122</b>	60,559
	<b>1,663,877</b>	603,075

## 32. Acquisition of a Subsidiary

Pursuant to subscription agreement dated 17 October 2006, the aggregate consideration paid for the subscription of 49% enlarged issued share capital of Sunco Property (the "Sunco Property Subscription") of HK\$446,208,000 was satisfied by the Group by way of i) cash of HK\$275,741,000; ii) capitalisation of loans to Sunco Property of HK\$170,467,000. The Sunco Property Subscription has been accounted for as purchase of assets as the underlying assets acquired are the property development projects in the PRC which are in their early development stage. The Sunco Property Subscription was completed on 11 January 2007, and 49% equity interest in Sunco Property was held by the Company and Sunco Property was classified as an associate of the Group starting from 11 January 2007. In July 2007, the Group has further acquired and subscribed 39.46% equity interest in Sunco Property. The total consideration paid for such acquisition was HK\$1,276 million. The consideration was satisfied by the Group by way of i) cash of HK\$276,000,000 paid to certain shareholders of Sunco Property; (ii) capitalisation of loans to Sunco Property of HK\$1,000,000,000. The details of the transaction were set out in the circular of the Company dated 30 June 2007. The transaction was accounted for as purchase of assets, and it was completed on 20 July 2007. Thereafter, 88.46% equity interest in Sunco Property was held by the Company and Sunco Property becomes a subsidiary of the Company.

## 32. Acquisition of a Subsidiary (continued)

The Group has acquired and assumed the following assets and liabilities, respectively, through acquisition of Sunco Property.

	HK\$'000
Net assets acquired:	
Property, plant and equipment	14,641
Available-for-sale investments	592,821
Interest in a joint venture	16,123
Deferred tax assets	93,037
Properties under development for sale	5,080,040
Completed properties held for sale	1,281,348
Advance for land leases	203,460
Debtors, deposits and prepayments	2,437,898
Amounts due from related companies	379,336
Prepaid income tax	190,407
Pledged deposits	150,027
Bank balances and cash	590,151
Creditors and accrued charges	(3,948,222)
Amounts due to related companies	(1,233,725)
Bank borrowings	(402,484)
Deposits from pre-sale of properties	(3,504,183)
Income tax payable	(80,017)
	<b>1,860,658</b>
Minority interests	<b>(136,266)</b>
	<b>1,724,392</b>
Net cash outflow arising on acquisition:	
Cash consideration paid	1,276,000
Bank balances and cash acquired	(590,151)
	<b>685,849</b>
Satisfied by:	
Transferred from interest in an associate	448,392
Cash consideration	1,276,000
	<b>1,724,392</b>

## 32. Acquisition of a Subsidiary (continued)

Pursuant to an acquisition agreement dated 1 November 2006, the Group acquired the entire registered capital of Suzhou Junyu and shareholder loan, for an aggregate consideration of RMB370,000,000 (equivalent to HK\$366,337,000) and undertook the obligation for the continuing development of the Phoenix City project. The transaction was completed on 28 December 2006. Details of the transaction were set out in the circular of the Company dated 5 December 2006.

A discount on acquisition arising as a result of the acquisition had been identified. The directors had reassessed measurement of Suzhou Junyu's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the acquisition. After the reassessment, the directors identified that the fair value increase was mainly due to the prepaid lease element being included in the properties under development for sale in respect of properties other than low-rise buildings. As the fair value of the prepaid lease at the date of acquisition exceeded the book value of the prepaid lease, a discount on acquisition of HK\$163,410,000 had been recognised in the profit or loss. The amount of discount on acquisition was significant because Suzhou Junyu was in financial difficulty at the time of negotiation of the acquisition transaction.

The grantor of the land, might either impose penalty charge on the outstanding land premium for the land acquired by Suzhou Junyu which was overdue for six months or might repossess the land. Based on the memorandum dated 22 August 2006, the grantor had agreed to waive the interest and penalty charge if Suzhou Junyu fulfilled certain requirements as set out in the memorandum. The directors considered that the conditions precedent to the waiver of the penalty could be fulfilled, the likelihood of the imposition of the interest and penalty charges was remote and therefore, no accrual had been made in the Group's consolidated financial statements for the year ended 31 December 2006. During the year ended 31 December 2007, Suzhou Junyu has completed all requirements as set out in the memorandum.



## 32. Acquisition of a Subsidiary (continued)

The net assets acquired in the transaction, and the discount on acquisition arising, are as follows:

	Acquiree's carrying amount before combination HK\$'000	Fair value adjustments HK\$'000	2006 Fair value HK\$'000
Net assets acquired:			
Property, plant and equipment	2,172	—	2,172
Properties under development for sale (note a)	1,155,790	137,033	1,292,823
Completed properties held for sale (note a)	281,974	—	281,974
Debtors, deposits and prepayments	256,932	—	256,932
Advances for land leases	165,307	—	165,307
Deferred taxation (note b)	65,347	(55,771)	9,576
Pledged deposits	23,167	—	23,167
Bank balances and cash	39,838	—	39,838
Creditors and accrued charges	(1,274,414)	—	(1,274,414)
Deposits from pre-sale of properties	(267,628)	—	(267,628)
			529,747
Discount on acquisition			(163,410)
Total consideration satisfied by cash			366,337
Net cash outflow arising on acquisition:			
Cash consideration paid			(366,337)
Bank balances and cash acquired			39,838
			(326,499)

Note a: Included in properties under development for sale and completed properties held for sale are properties pre-sold but not yet delivered to customers, which are stated at net realisable value of approximately HK\$134 million and HK\$107 million respectively. The directors considered that there is no net realisable value problem on the remaining portion of completed properties held for sale.

Note b: An analysis of the net deferred tax assets is as follows:

	HK\$'000
Deferred tax assets in respect of tax losses recognised	65,347
Deferred tax liabilities in respect of the temporary differences arising on fair value adjustment on properties under development	(55,771)
	9,576

The profit contribution of Suzhou Junyu to the Group for the period between the date of acquisition and 31 December 2006 was insignificant.

### 33. Disposal of Subsidiaries

In September 2006, the Company has distributed its entire interest in CNT by way of a special interim dividend. At the date of disposal, the Company held 84.2% of the issued share capital of CNT. CNT was engaged in farming and trading of North American ginseng products. Such operation had been discontinued upon the disposal of CNT. The net assets of CNT at the date of disposal were as follows:

	2006 HK\$'000
Net assets disposed of	
Property, plant and equipment	41,624
Deferred tax assets	4,078
Inventories and ginseng crops	181,503
Debtors, deposits and prepayments	450
Bank balances and cash	1,885
Bank borrowings	(33,720)
Amounts due to related companies	(47,278)
Creditors and accrued charges	(3,616)
	144,926
Minority interests	(22,969)
Exchange gain realised	(40,885)
Set-off against the retained profits of the Company	81,072
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	(1,885)

During the year ended 31 December 2006, the disposed subsidiaries contributed to the Group's operating cash inflow of HK\$16,646,000, investing cash inflow of HK\$7,078,000 and financing cash outflow of HK\$24,025,000.

### 34. Disposals of Interests in Infrastructure Joint Ventures

On 11 June 2007, the Group has entered into three sale and purchase agreements to dispose of 25% equity interests in three infrastructure joint ventures, namely Bengbu Road King Chaoyanglu Huaihe Highway Bridge Development Co., Ltd, Bengbu Road King Huaihe Bridge Highway Development Co., Ltd. and Bengbu Road King Huaimeng Highway Development Co., Ltd., to the respective PRC joint venture partners at an aggregate consideration of HK\$128,000,000. The gain on disposal of the three infrastructure joint ventures was recognised in profit and loss.

The Group's disposal of its interest in the infrastructure joint ventures during the year ended 31 December 2007 had the following effects:

	2007 HK\$'000
Cost of investments	147,971
Share of post-acquisition undistributed profits	59,957
Reduction of cost of investments	(84,070)
Translation reserve released	(7,838)
Net assets disposed of	116,020
Expenses in connection with the disposal	850
Gain on disposal	11,130
Total consideration	128,000
Satisfied by:	
Cash consideration	128,000
Cash inflow arising on disposal:	
Cash consideration	128,000

During the year ended 31 December 2007, the disposed infrastructure joint ventures contributed to the Group's increase in profit after taxation of HK\$1,652,000, increase in operating cash inflow of HK\$3,406,000 and increase in investing cash inflow of HK\$3,701,000.

On 7 April 2006, Road Well Investment Ltd ("Road Well"), a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with the PRC joint venture partner to dispose of 35% interest in an infrastructure joint venture to the PRC joint venture partner at a consideration of HK\$69,445,000. Accordingly, the Group's interest in an infrastructure joint venture was reduced from 60% to 25%. On 12 April 2006, the Group entered into a sale and purchase agreement with an independent third party to dispose of its remaining 25% interest in Road Well at a consideration of HK\$49,603,000. The gain on disposal of the infrastructure joint venture has been recognised in the profit or loss.

### 34. Disposals of Interests in Infrastructure Joint Ventures (continued)

The Group's disposal of its interest in an infrastructure joint venture during the year ended 31 December 2006 had the following effects:

	2006 HK\$'000
Cost of investment	132,462
Share of post-acquisition undistributed profits	54,197
Reduction of cost of investment	(77,917)
<hr/>	
Net assets disposed of	108,742
Expenses in connection with the disposal	5,166
Gain on disposal	5,140
<hr/>	
Total consideration	119,048
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Satisfied by:	
Cash consideration	52,381
Deferred consideration due within one year	35,183
Deferred consideration due after one year	31,484
<hr/>	
	119,048
<hr/>	
Cash inflow arising on disposal:	
Cash consideration	52,381
<hr/>	

During the year ended 31 December 2006, the disposed infrastructure joint venture did not have significant contributions to the Group's revenue, profit before taxation and operating, investing and financing cash flows.

### 35. Retirement Benefit Plans

For the operations in Hong Kong, the Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying employees including directors in Hong Kong. The assets of the Scheme are held separately from those of the Group in funds under the control of the independent trustee. Both the Group and the employees contribute a fixed percent to the Scheme based on their monthly salary in accordance with government regulations. The scheme contributions represent contributions payable to the fund by the Group at rates specified in the rules of the Scheme. Where there are employees who leave the Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Group. There were no forfeited contributions available to reduce future contributions at the balance sheet date.

For the operations in the PRC, the employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government. The subsidiaries are required to contribute a fixed percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement scheme is to make the specified contributions.

### 36. Operating Lease Commitments

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2007 HK\$'000	2006 HK\$'000
Within one year	15,767	4,484
In the second to fifth year inclusive	21,272	1,900
Over five years	171,159	—
	<b>208,198</b>	6,384

The commitments represent rentals payable by the Group for its offices, hotel operation and staff quarters with the lease periods ranging from one to twenty years.

In November 2007, the Group entered into a lease agreement with an independent third party to lease a building for terms of twenty years for its coming hotel operation. Monthly rental was fixed and recognised over the terms of the leases.

## 37. Capital Commitments

At the balance sheet date, the Group had capital commitments in respect of investment costs to be injected into infrastructure joint ventures after the fifth year amounted to HK\$38,505,000 (2006: HK\$36,241,000).

In addition, the Group will further invest HK\$437,145,000 to develop a shopping mall in Changzhou for investment purpose.

## 38. Contingent Liabilities

At 31 December 2007, the Group provided guarantees of HK\$3,264,795,000 (2006: HK\$401,500,000) to banks in favour of its customers in respect of the mortgage loans provided by the banks to such customers for purchase of the Group's developed properties. These guarantees provided by the Group to the banks would be released upon receiving the building ownership certificate of the respective property by the banks from the customers as a pledge for security to the mortgage loan granted. The directors considered that the fair value of such guarantees on initial recognition was insignificant.

At 31 December 2007, the Group provided guarantees in favour of banks to provide credit facilities to the Tianjin Companies, of which the Group is in the process of seeking to obtain effective control as described in note 22, amounting to HK\$315,789,000. The bank loans are pledged by the properties including land and properties under development for sale held by the Tianjin Companies. The fair value of the financial guarantees at the date of inception and at 31 December 2007 was HK\$22,000,000 and the amortisation of the fair value of the financial guarantees amounting to HK\$9,000,000 has been credited to income statement and the balance of HK\$13,000,000 has been included in other accrued charges as set out in note 31.

## 39. Litigation

Other than set out in note 22, the Group and Huge Rise have filed a writ of summons against Sunco China Holdings Limited and Sunco Management Holdings Limited (both of which are owned by Mr. Sun), and Mr. Sun, the former major shareholder of Sunco Property, to claim for the loss and damage related to the payment of certain construction costs, tax expenses and penalty in relation to violation of certain development regulations in PRC, which were undisclosed by Mr. Sun before the date of acquisition of the subsidiaries. Such relevant unrecorded liabilities have been recorded in the books of subsidiaries held by Sunco Property as at the date of acquisition by the Group as disclosed in note 31.

## 40. Pledge of Assets

At the balance sheet date, other than the pledged deposits as disclosed in note 26, the Group's inventory of properties of HK\$1,357,231,000 (2006: Nil) were pledged and the shares of certain of the Company's subsidiaries were pledged to secure the banking facilities granted to the Group.

## 41. Related Party Transactions

Other than set out in other notes to the consolidated financial statements, the Group had significant transactions with the following related parties during the year, details of which are as follows:

Related parties	Nature	2007 HK\$'000	2006 HK\$'000
Infrastructure joint ventures	Dividend received	474,504	222,131
Infrastructure joint ventures	Other income	—	161
Property construction joint venture	Construction cost paid	233,391	33,339
PRC joint venture partners	Minimum income undertaking received and receivable	—	8,571
Sunco Property	Interest income	27,456	—
Related companies (Note)	Interest income	28,279	900

Note: Loan interest income of HK\$3,766,000 was received from subsidiaries of Wai Kee Holdings Limited which has significant beneficial interest in the Company. Loan interest income of HK\$24,513,000 was received from Sunco Real Estate and the loan to Sunco Real Estate has been fully repaid in 2007. Sunco Real Estate was controlled by Mr. Sun, the beneficial owner of Sunco Property.

## Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2007 HK\$'000	2006 HK\$'000
Short-term employment benefits	58,571	33,730
Post-employment benefits	2,077	1,503
Share-based payments	41,552	22,328
	<b>102,200</b>	57,561

The remuneration of directors and key executives is determined by the performance of individuals and market trends.

## 42. Principal Subsidiaries

Details of the Company's principal subsidiaries at 31 December 2007 are as follows:

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid ordinary share capital/paid registered capital	Proportion of nominal value of issued ordinary shares capital/registered capital held by the Company		Principal activities
				Directly %	Indirectly %	
Changzhou Great Gallop Properties Development Limited*	PRC	PRC	US\$30,145,300	—	100	Development and sale of properties
Changzhou Great Superior Properties Developments Limited*	PRC	PRC	RMB123,500,000	—	100	Development and sale of properties
Guangzhou Junyue Real Estate Limited*	PRC	PRC	RMB188,000,000	—	100	Development and sale of properties
Guangzhou Junya Real Estate Limited*	PRC	PRC	RMB60,220,000	—	100	Development and sale of properties
Road King (China) Infrastructure Limited	British Virgin Islands ("BVI")	PRC	HK\$1,300,000,000	100	—	Investment holding
Road King Infrastructure Finance (2004) Limited	BVI	#	US\$1	100	—	Provision of financial services
Road King Infrastructure Finance (2007) Limited	BVI	#	US\$1	100	—	Provision of financial services
RKI Finance Limited	BVI	#	US\$1	100	—	Provision of financial services
Road King Infrastructure Management Limited	Hong Kong	Hong Kong	HK\$2	—	100	Provision of management services
RK Properties Holdings Limited	BVI	#	US\$1	—	100	Investment holding
Suzhou Junyu Property Limited	PRC	PRC	RMB680,000,000	—	100	Development and sale of properties
Sunco Property Holdings Company Limited	BVI	#	US\$250	—	88.46	Investment holding
天津順馳濱海置地有限公司	PRC	PRC	RMB600,000,000	—	88.46	Property development and investment holding
天津順馳濱海不動產投資管理有限公司	PRC	PRC	RMB760,000,000	—	88.46	Investment holding
鄭州客屬房地產有限公司	PRC	PRC	RMB235,000,000	—	88.46	Property development and investment holding
北京順馳置地豐潤房地產開發有限公司	PRC	PRC	RMB40,000,000	—	88.46	Property development
河南順馳地產有限公司	PRC	PRC	RMB55,000,000	—	88.46	Property development
洛陽順馳房地產開發有限公司	PRC	PRC	RMB110,000,000	—	88.46	Property development
山東順馳融盛置地有限公司	PRC	PRC	RMB10,000,000	—	88.46	Property development



## 42. Principal Subsidiaries (continued)

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid ordinary share capital/paid registered capital	Proportion of nominal value of issued ordinary shares capital/registered capital held by the Company		Principal activities
				Directly %	Indirectly %	
蘇州工業園區順馳置地有限公司	PRC	PRC	RMB250,000,000	—	88.46	Property development
武漢能達實業發展有限公司	PRC	PRC	RMB40,000,000	—	88.46	Property development
濟南順成房地產開發有限公司	PRC	PRC	RMB20,000,000	—	88.46	Property development
天津順馳新地置業有限公司	PRC	PRC	RMB100,000,000	—	88.46	Property development
天津順馳融信置地有限公司	PRC	PRC	RMB50,000,000	—	88.46	Property development
北京順馳置地達興房地產開發有限公司	PRC	PRC	RMB40,000,000	—	88.46	Property development
順馳置地(北京)房地產開發有限公司	PRC	PRC	RMB160,000,000	—	88.46	Property development and investment holding
河北順馳房地產開發有限公司	PRC	PRC	RMB50,000,000	—	88.46	Property development and investment holding

# The subsidiaries are either investment holding or provision of financial services companies only and do not have any operations.

\* The subsidiaries are wholly foreign owned enterprises.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affect the results of the year or constituted a substantial portion of the net asset of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year except for Road King Infrastructure Finance (2004) Limited and Road King Infrastructure Finance (2007) Limited, which have issued HK\$1,536 million of guaranteed notes and HK\$2,634 million of senior notes, respectively.

## 43. Total Assets less Current Liabilities/Net Current Assets

The Group's total assets less current liabilities at 31 December 2007 amounted to HK\$14,807,869,000 (2006: HK\$8,342,482,000). The Group's net current assets at 31 December 2007 amounted to HK\$8,240,272,000 (2006: HK\$3,150,182,000).

## FINANCIAL SUMMARY

### Results

	For the Years Ended 31 December				
	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000
Revenue	<b>2,407,770</b>	552,239	78,250	48,299	119,344
Profit before taxation	<b>1,208,952</b>	785,853	388,452	357,282	334,160
Taxation	<b>(342,811)</b>	(84,130)	27,649	8,117	(7,389)
Profit for the year	<b>866,141</b>	701,723	416,101	365,399	326,771
Attributable to:					
Shareholders of the Company	<b>851,067</b>	705,076	428,300	368,803	322,665
Minority interests	<b>15,074</b>	(3,353)	(12,199)	(3,404)	4,106
	<b>866,141</b>	701,723	416,101	365,399	326,771

### Assets and Liabilities

	As at 31 December				
	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000
Total assets	<b>21,428,355</b>	10,961,828	7,340,774	7,004,215	5,855,166
Total liabilities	<b>(12,804,412)</b>	(4,184,260)	(2,074,281)	(1,990,324)	(1,080,879)
	<b>8,623,943</b>	6,777,568	5,266,493	5,013,891	4,774,287
Attributable to:					
Shareholders of the Company	<b>8,472,416</b>	6,777,568	5,231,278	4,968,113	4,729,000
Minority interests	<b>151,527</b>	—	35,215	45,778	45,287
	<b>8,623,943</b>	6,777,568	5,266,493	5,013,891	4,774,287

# MAJOR PROJECTS INFORMATION

As at 31 December 2007

## Toll Road Business

Project	Location	Route	Project description	Length k.m.	Equity interest %
T1. Baojin Expressway	Hebei Province	Baoding-Tianjin	— Expressway — 4-lane	105	40
T2. Tangjin Expressway	Hebei Province	Tangshan-Tianjin	— Expressway — 4/6-lane	58	45
T3. Shijin Highway	Hebei Province	Shijiazhuang-Jinzhou	— National Highway 307 — Class I/II Highway — 2/4-lane	40	60
T4. Hanguan Highway	Hebei Province	Handan-Guantao	— National Highway 309 — Class I Highway — 4-lane	79	70
T5. Bengbu Huaimeng Highway	Anhui Province	Bengbu Huaiyuan-Mengcheng	— Provincial Highway 307 — Super Class II Highway — 4-lane	59	35
T6. Hehuai Highway	Anhui Province	Hefei-Huainan	— National Highway 206 — Super Class II Highway — 2-lane	90	60
T7. Heye Highway	Anhui Province	Hefei-Yeji	— National Highway 312 — Class I Highway — 4/6-lane	130	50
T8. Bengbu Huaihe Bridge Highway	Anhui Province	Bengbu Huaihe	— Provincial Highway 307 — Super Class II Highway and cable-stayed bridge — 4-lane	21	35
T9. Chaoyanglu Huaihe Bridge	Anhui Province	Bengbu Huaihe	— National Highway 206 — Continuous rigid frame structure — 4-lane	2	35
T10. Jihe Expressway, East Section	Guangdong Province	Shenzhen Airport-Heao	— Expressway — 6-lane	23	45
T11. Luochong Highway	Guangdong Province	Luoding-Chonghua	— National Highway 324 — Class I Highway — 4/6-lane	35	61
T12. Changyi Expressway Including Changyi Old Road	Hunan Province	Changsha-Yiyang	— Expressway — 4-lane	76	43
T13. Taiyu Highway	Shanxi Province	Taiyuan-Yuci	— Super Class I Highway — 4/6-lane	17	65
T14. Yuci City Bypass	Shanxi Province	Yuci	— National Highway 108 — Class I Highway — 4-lane	17	65
T15. Dongguan Highway	Shanxi Province	Yuci Dongchangshou-Qixian Dongguan	— National Highway 108 — Class I Highway — 4-lane	38	65
T16. Airport Highway	Jiangsu Province	Suzhou-Shanghai Hongqiao Airport	— Provincial Highway 343 — Super Class II Highway — 4-lane	53	50
T17. Yulin City Ring Road	Guangxi Zhuang Autonomous Region	Yulin	— Class I/II Highway — 4/6-lane	27	70
T18. Yugong Highway	Guangxi Zhuang Autonomous Region	Yulin-Gongguan	— Class I/II Highway — 2/4-lane	39	70
T19. Xunan Highway	Henan Province	Xuchang-Nanyang	— National Highway 311 and Provincial Highway 103 — Class I Highway — 4-lane	80	50

## MAJOR PROJECTS INFORMATION (CONTINUED)

As at 31 December 2007

### Property Business

Project	Location	Target Completion	Stage of completion (Note 1)	Nature	Land area Thousands sq. m.	Attributable Floor area Thousands sq. m.	Approximate	
							Attributable interest %	
P1.	Jianguomen Project	Beijing	2009	M	Residential & Commercial	11	31	100.0
P2.	Blues International Apartments	Beijing	2008	S	Residential & Commercial	73	193	88.5
P3.	Forest Creek	Beijing	2004 to 2008	R/F/S/C	Residential	361	44	88.5
P4.	Songs & Sea	Beijing	2005 to 2009	P/F/S/C	Residential & Commercial	285	226	88.5
P5.	Shang Jun Garden	Shanghai	2011	M	Residential	133	209	100.0
P6.	The River Side	Shanghai	2008 to 2010	M/R/F/S	Residential & Commercial	315	60	27.8
P7.	Parkrise	Guangzhou	2007	C	Residential & Commercial	13	6	100.0
P8.	Parkvista Phase I	Guangzhou	2007	C	Residential & Commercial	7	31	100.0
P9.	Parkvista Phase II	Guangzhou	2009	F	Residential & Commercial	7	64	100.0
P10.	Sun Town (Note 2)	Tianjin	N.A.	N.A.	Residential & Commercial	820	634	88.5
P11.	Mountain My Life (Note 2)	Tianjin	N.A.	N.A.	Residential & Commercial	327	236	88.5
P12.	Phoenix City	Suzhou	2005 to 2011	M/S/C	Residential & Commercial	860	1,382	100.0
P13.	The Heaven by Lakeside	Suzhou	2006 to 2008	S/C	Residential & Commercial	164	90	88.5
P14.	Royal City	Changzhou	2008 to 2013	M/P/S	Residential & Commercial	487	936	100.0
P15.	Vista Panorama	Changzhou	2009 to 2011	M/F/S	Residential & Commercial	127	402	100.0
P16.	Grand Metropolis	Changzhou	2008 to 2009	F/S	Commercial	67	120	100.0
P17.	Blues County	Shijiazhuang	2009	P/F/S/C	Residential	91	139	88.5
P18.	Unusual Landscape	Qingdao	2006 to 2012	P/S/S/C	Residential & Commercial	249	258	88.5
P19.	Shuncheng	Jinan	2009 to 2011	R/P	Residential & Commercial	192	230	88.5
P20.	Zhengzhou 1st street	Zhengzhou	2005 to 2007	C	Residential & Commercial	236	3	88.5
P21.	Central Special Zone	Zhengzhou	2007 to 2012	P/F/S/C	Residential & Commercial	219	321	88.5
P22.	International No. 1	Zhengzhou	2008	S	Commercial	4	43	88.5
P23.	Luoyang 1st Street	Luoyang	2005 to 2008	S/C	Residential & Commercial	130	62	88.5
P24.	Sunco Town	Luoyang	2006 to 2011	M/P/S/C	Residential & Commercial	111	205	88.5
P25.	The Mansion	Luoyang	2006 to 2010	F/S/C	Residential & Commercial	76	125	88.5
P26.	Palen Villas	Wuhan	2006 to 2009	F/C	Residential & Commercial	172	62	88.5

#### Notes:

- "M" denotes "Master planning";  
 "R" denotes "Relocation";  
 "P" denotes "Planning and design";  
 "F" denotes "Foundation";  
 "S" denotes "Superstructure";  
 "C" denotes "Completed"; and  
 "N.A." denotes "Not Applicable".
- As detailed in the sub-paragraph headed "Litigations in the PRC" under the section headed "Management Discussion and Analysis", the Group has not been able to access the properties of the two projects in Tianjin since their acquisitions in 2007. The information of the two Tianjin projects stated herein is based on the best knowledge of and information available to the Directors as of 30 June 2007.

# GLOSSARY

## General Terms

“AADT”	Annual average daily traffic
“BVI”	British Virgin Islands
“Company” or “Road King”	Road King Infrastructure Limited, a company incorporated in Bermuda with limited liability
“GDP”	Gross domestic product
“GFA”	Gross Floor Area
“Group”	The Company and its subsidiaries
“Infrastructure Joint Ventures”	The sino-foreign co-operative joint ventures registered in the PRC which develop or construct or operate and manage the toll road projects in which the Group has an interest
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Sun”	Mr. Sun Hongbin, the owner of Sunco China and Sunco Management
“PRC” or “China”	The People’s Republic of China
“SFO”	Securities and Futures Ordinance
“Share(s)”	Share(s) HK\$0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	A company in which the Company directly or indirectly controls more than 50% of the voting rights or issued share capital or otherwise controls the composition of a majority of the board of directors or, in the case of a co-operative joint venture, such joint venture as to which the Company can control the composition of the board of directors
“Sunco China”	Sunco China Holdings Limited, a company incorporated in the Cayman Islands with limited liability and a minority shareholder of Sunco Property
“Sunco Management”	Sunco Management Holdings Limited, a company incorporated in BVI with limited liability and a minority shareholder of Sunco Property

## GLOSSARY (CONTINUED)

“Sunco Property”	Sunco Property Holdings Company Limited, a company incorporated in BVI with limited liability and an approximately 88.5%-owned subsidiary of the Company
“Sunco Real Estate”	Sunco Real Estate Investment Limited, a company incorporated in BVI with limited liability and an independent third party
“Suzhou Junyu”	蘇州雋御地產有限公司 (formerly known as 蘇州順馳地產有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“United States” or “US”	The United States of America

## Financial Terms

“Earnings per share” or “EPS”	$\frac{\text{Profit attributable to shareholders}}{\text{Weighted average number of shares in issue during the year}}$
“EBITDA”	Earnings before interest, tax, depreciation and amortisation
“Gearing Ratio”	$\frac{\text{Total borrowings}}{\text{Shareholders' funds}}$
“Interest Coverage”	$\frac{\text{EBITDA}}{\text{The aggregate of interest and financing costs}}$
“Total Borrowings”	The aggregate of long-term and short-term portion of total borrowings

## Project Names

### Toll Road Projects

#### Anhui Province

“Bengbu Huaihe Bridge Highway”	Provincial Highway 307 Bengbu Huaihe Bridge Highway
“Bengbu Huaimeng Highway”	Provincial Highway 307 Bengbu Huaiyuan-Mengcheng Highway
“Chaoyanglu Huaihe Bridge”	Bengbu Chaoyanglu Huaihe Highway Bridge
“Hehuai Highway”	National Highway 206 Hefei-Huainan Highway
“Heye Highway”	Hefei-Yeji Highway

#### Guangdong Province

“Guangsan Expressway”	Foshan Guangzhou-Sanshui Expressway
“Jihe Expressway”	Shenzhen Airport-Heao Expressway, Eastern Section
“Luochong Highway”	National Highway 324 Luoding-Chonghua Highway

#### Guangxi Zhuang Autonomous Region

“Yugong Highway”	Yulin-Gongguan Highway, Yulin Section
“Yulin City Ring Roads”	Yulin City Ring Roads

#### Hebei Province

“Baojin Expressway”	Baoding-Tianjin Expressway
“Hanguan Highway”	National Highway 309 Handan-Guantao Highway
“Shijin Highway”	National Highway 307 Shijiazhuang-Jinzhou Highway
“Tangjin Expressway”	Tangshan-Tianjin Expressway

#### Henan Province

“Xunan Highway”	National Highway 311 and Provincial Highway 103 Xuchang-Nanyang Highway
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#### Hunan Province

“Changyi Expressway”	Changsha-Yiyang Expressway
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#### Jiangsu Province

“Airport Highway”	Provincial Highway 343 Suzhou-Shanghai Airport Highway
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#### Shanxi Province

“Dongguan Highway”	National Highway 108 Yuci Dongchangshou-Qixian Dongguan Highway
“Taiyu Highway”	Taiyuan-Yuci Highway
“Yuci City Bypass”	National Highway 108 Yuci City Bypass

## Property Projects

“Blues County”	The project located at Tangu East Street, Yuhua District, Shijiazhuang City, Hebei Province, the PRC
“Blues International Apartments”	The project located at No. 117 Caihuying West Street, Fengtai District, Beijing City, the PRC
“Central Special Zone”	The project located at Junction of Zhongyang Da Road and Taihang Road, Zhengdong New District, Zhengzhou City, Henan Province, the PRC
“Forest Creek”	The project located at Baishan Town, Changping District, Beijing City, the PRC
“Grand Metropolis”	The project located at No. 33 Hua Yuan Street, Wujin District, Changzhou City, Jiangsu Province, the PRC
“The Heaven by Lakeside”	The project located at South of Zhongyuan Road, Suzhou Industrial Park, Suzhou City, Jiangsu Province, the PRC
“International No. 1”	The project located at Junction of Waihuan Road and The Third City Centre Axis, Zhengdong New District, Zhengzhou City, Henan Province, the PRC
“Jianguomen Project”	The project located at Courtyard No. 13, Waijiaobu Street, Dongcheng District, Beijing City, the PRC
“Luoyang 1st Street”	The project located at Junction of Tiyu Da Road and Gucheng South Road, Luoyang New District, Luoyang City, Henan Province, the PRC
“Mountain My Life”	The project located at Chengquan Town, Ji County, Tianjin City, the PRC
“Palen Villas”	The project located at Northeast of Jinyin Lake Ecological Tourist Area and West of Huanhu Road, Dongxihu District, Wuhan City, Hubei Province, the PRC
“Parkrise”	The project located at No. 157, Tianfu Road, Tianhe District, Guangzhou City, Guangdong Province, the PRC
“Parkvista Phase I”	The project located at Lot no. G4-1, Zhujiang New City, Tianhe District, Guangzhou City, Guangdong Province, the PRC



## GLOSSARY (CONTINUED)

“Parkvista Phase II”	The project located at Lot no. G4-2, Zhujiang New City, Tianhe District, Guangzhou City, Guangdong Province, the PRC
“Phoenix City”	The project located at Junction of Susheng Road and Xinghua Road, Suzhou Industrial Park, Suzhou City, Jiangsu Province, the PRC
“Royal City”	The project located at No. 88, Yan Zheng Dong Road, Wujin District, Changzhou City, Jiangsu Province, the PRC
“Shang Jun Garden”	The project located at Baoxiang Road, Nanxiang Town, Jiading District, Shanghai City, the PRC
“Shuncheng”	The project located at Weishier Road, Huaiyin District, Jinan City, Shandong Province, the PRC
“Songs & Sea”	The project located at Huangcun Town, Daxing District, Beijing City, the PRC
“Sun Town”	The project located at Junction of Weiguo Road and Helan Road, Hedong District, Tianjin City, the PRC
“Sunco Town”	The project located at East of Nanchang Road, Jianxi District, Luoyang City, Henan Province, the PRC
“The Mansion”	The project located at Junction of Tiyu Da Road and Wenhua East Road, Luoyang New District, Luoyang City, Henan Province, the PRC
“The River Side”	The project located at Waigang Town, Jiading District, Shanghai City, the PRC
“Unusual Landscape”	The project located at South of Shengfu Village, Yinghai Town, Jiaozhou, Qingdao City, Shandong Province, the PRC
“Vista Panorama”	The project located at Lot no. 2005035, Southeast Corner of Nantian Park, Hutang Town, Wujin District, Changzhou City, Jiangsu Province, the PRC
“Zhengzhou 1st Street”	The project located at North of Nongye East Road, Zhengdong New District, Zhengzhou City, Henan Province, the PRC

## CORPORATE INFORMATION

### Executive Directors

Zen Wei Pao, William (*Chairman*)  
Ko Yuk Bing (*Managing Director & CEO*)  
Chan Kam Hung (*Chief Operating Officer*)  
Fong Shiu Leung, Keter (*Finance Director*)  
Zen Wei Peu, Derek

### Non-executive Directors

Hu Aimin  
Zhang Yijun

### Independent Non-executive Directors

Chan Hing Chiu, Vincent  
Chow Shiu Kee, Stephen  
Lau Sai Yung

### Audit Committee

Lau Sai Yung (*Chairman*)  
Chan Hing Chiu, Vincent  
Chow Shiu Kee, Stephen

### Remuneration Committee

Chan Hing Chiu, Vincent (*Chairman*)  
Zen Wei Pao, William  
Chow Shiu Kee, Stephen  
Lau Sai Yung

### Company Secretary and Qualified Accountant

Fong Shiu Leung, Keter

### Auditors

Deloitte Touche Tohmatsu

### Solicitors

Richards Butler in association with  
Reed Smith LLP  
Sidley Austin  
Conyers, Dill & Pearman

### Principal Bankers

CITIC Ka Wah Bank Limited  
China Construction Bank Corporation  
Industrial and Commercial Bank of  
China (Asia) Limited  
The Bank of East Asia, Limited

### Principal Share Registrar and Transfer Office

Butterfield Fund Services (Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke, HM 08, Bermuda

### Hong Kong Branch Share Registrar and Transfer Office

Tricor Secretaries Limited  
26/F, Tesbury Centre  
28 Queen's Road East  
Hong Kong

### Registered Office

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### Principal Place of Business

Suite 501, 5th Floor  
Tower 6, The Gateway  
9 Canton Road  
Tsimshatsui  
Kowloon  
Hong Kong

### Internet Address

<http://www.roadking.com.hk>

### Share Listing

The Company's shares are listed on The Stock Exchange of Hong Kong Limited

### Stock Codes

The Stock Exchange of Hong Kong Limited — 1098  
Reuters — 1098.HK  
Bloomberg — 1098 HK

### Investor Relations

Contact Person: Sy Kin Lun, Arien  
Telephone: (852) 2957 6800  
Facsimile: (852) 2375 2477  
E-mail address: [rki@roadking.com.hk](mailto:rki@roadking.com.hk)