



Road King Infrastructure Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 1098)



Corporate Profile

Road King Infrastructure Limited is a leading listed company in Hong Kong with its core business in the investment, development, operation and management of toll roads and property projects in the PRC. Road King has invested in a toll road portfolio of over HK\$5 billion, comprising 18 toll road and bridge projects spanning 1,000 kilometres in eight provinces of China. Road King has commenced the property development business in the PRC since 2004. Projects are located in nine provinces and municipalities, with total gross floor area of 5.6 million sqm.





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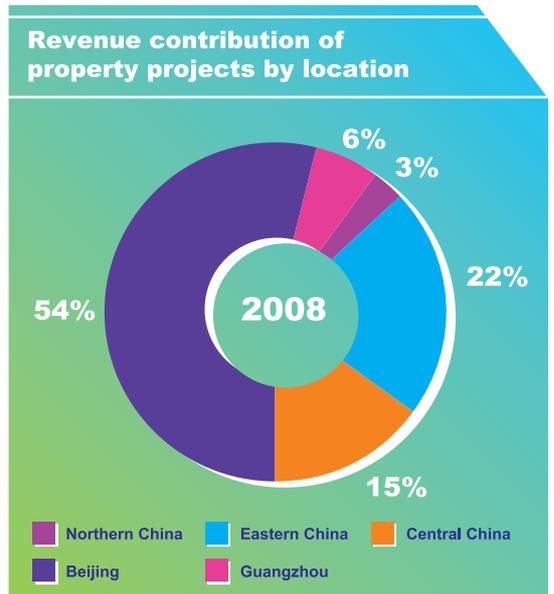
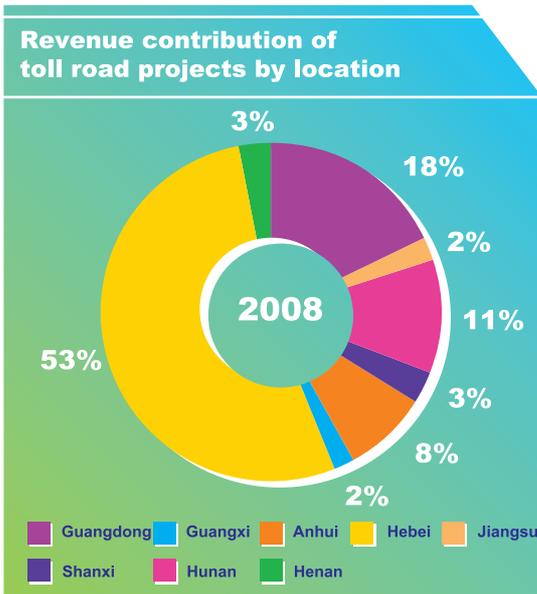
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Financial Highlights

(HK\$' million)	For the years ended 31 December				
	2008	2007	2006	2005	2004
Group's share of toll revenue	1,699	1,282	1,187	1,187	993
Revenue from property development	4,631	2,408	506	—	—
Cash received from toll roads	1,083	767	885	864	687
Cash received from property development	2,568	2,598	555	66	—
Revenue	4,631	2,408	552	78	48
Profit before tax	1,043	1,209	786	388	357
Profit attributable to shareholders	656	851	705	428	369
Basic earnings per share (HK\$)	0.87	1.16	1.16	0.73	0.63
Dividend per share (HK\$)	0.25	0.52	0.48*	0.43	0.34
Bank balances and cash (including pledged bank deposits)	960	2,091	1,137	421	1,569
Total assets	20,909	21,428	10,962	7,341	7,004
Total liabilities	11,376	12,804	4,184	2,074	1,990
Shareholders' funds	9,369	8,472	6,778	5,231	4,968
Net book value per share (HK\$)	12.9	11.5	9.8	8.9	8.5
Gearing ratio (%)	76	79	46	37	38
Interest coverage (x)	9.7	16.4	9.9	7.1	6.9
Land bank attributable to the Group (million sqm)	5.6	6.1	2.9	1.6	0.2

* excluding special interim dividend

Financial Highlights (continued)



Corporate Structure



ROAD KING INFRASTRUCTURE LIMITED

TOLL ROAD BUSINESS

HEBEI

Road Rise Investments Limited

- Baoding-Tianjin Expressway

Road Bond Investments Limited

Road Base Investments Limited

Ontex Investments Limited

- Tangshan-Tianjin Expressway

Road Sincere Investments Limited

Road Fly Investments Limited

- National Highway 307
Shijiazhuang-Jinzhou Highway

Road Honour Investments Limited

Road Sun Investments Limited

- National Highway 309
Handan-Guantao Highway

GUANGXI

Tonston Investments Limited

- Yulin City Ring Roads

Signrite Investments Limited

- Yulin-Gongguan Highway
(Yulin Section)

ANHUI

Kohyu Investments Limited

- Provincial Highway 307 Bengbu
Huaihe Bridge Highway

Kamshan Investments Limited

- Provincial Highway 307 Bengbu
Huaiyuan-Mengcheng Highway

Road Keen Investments Limited

Road Success Investments Limited

- National Highway 206
Hefei-Huainan Highway

Road Harvest Investments Limited

- Bengbu Chaoyanglu Huaihe
Highway Bridge

Road Giant Investments Limited

Road Mass Investments Limited

Road Team Investments Limited

Road Union Investments Limited

- Hefei-Yeji Highway

GUANGDONG

Intersafe Investments Limited

- Shenzhen Airport-Heao
Expressway (Eastern Section)

HUNAN

Road Famous Investments Limited

Road Grand Investments Limited

Road Express Investments Limited

Road Link Investments Limited

Road Crown Investments Limited

Road Glorious Investments Limited

- Changsha-Yiyang Expressway

JIANGSU

Anwell Investment Limited

- Provincial Highway 343
Suzhou-Shanghai Airport
Highway

SHANXI

Pondtai Investments Limited

- National Highway 108 Yuci
Dongchangshou-Qixian
Dongguan Highway

Road Fortune Investments Limited

- Taiyuan-Yuci Highway

Road Gain Investments Limited

- National Highway 108 Yuci
City Bypass

HENAN

Lackson Investments Limited

Longdistance Investments Limited

- 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

- Shine June Garden

Shanghai Sunco Fangcheng Property Company Limited

- The Riverside

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
- First International

Luoyang Sunco Real Estate Development Company Limited

- Luoyang 1st Street
- Sunco Town
- World & City

SHANDONG

Shandong Sunco Rongsheng Land Company Limited

- Unusual Landscape

Jinan Shuncheng Real Estate Development Company Limited

- Royal Panorama

HEBEI

Hebei Sunco Property Development Company Limited

- Blue 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,

2008 was a challenging year to the Group. With the global financial crisis and economic downturn, the PRC economy has registered certain major adjustments, which have a definite impact on the environment of the Group's property development business. Nonetheless, the Group managed to achieve an overall satisfactory result.

The Group's profit attributable to shareholders for 2008 was HK\$656 million. The Board recommended a final dividend of HK\$0.20 per share. Together with the interim dividend of HK\$0.05 per share, the total dividend for 2008 is HK\$0.25 per share.

The toll road business had a solid year in 2008 with cash received increased 41% from HK\$767 million in 2007 to HK\$1,083 million in 2008. Property sales of the Group increased from HK\$2,408 million in 2007 to HK\$4,631 million in 2008 as 2008 was the first year to consolidate the full year results of the Sunco Property Group. The Group's landbank as of 31 December 2008 was 5.6 million sqm.

The credit crunch, which began in mid-2007, deepened in 2008, causing world-wide crisis in financial systems and various industries. The PRC Government had implemented various measures in late 2008 to ease the impact on the PRC economy, including lowering interest rate and launching a RMB4 trillion stimulus plan. The Board believes that these measures will help to stabilise the PRC economy which will in turn facilitate the Group's business development in the long term.

Chairman's Statement (continued)

In 2009, the Group will continue to focus on the toll road business and if opportunities arise, divest part of the Group's Class I/II highway portfolio. In respect of the property business, the Group will strive to maximise the value of the existing portfolio in a prudent and innovative manner, consolidate its market position in major cities and strengthen its financial position.

On behalf of the Board, I would like to express gratitude to all business partners, customers and shareholders, and thank all employees for their dedication and contributions.

Zen Wei Pao, William
Chairman

Hong Kong, 2 April 2009

Chief Executive Officer's Report



KO Yuk Bing
Chief Executive Officer

Dear Shareholders,

Results for 2008

The Group's profit attributable to shareholders for 2008 was HK\$656 million or HK\$0.87 per share. The Group's property business had a difficult year in light of the prevailing market conditions. Nevertheless, the Group's toll road business remained robust and continued to act as a stable profit centre in 2008.

Toll Road Business

Total traffic volume of the Group's toll road projects in 2008 was 124 million vehicles. Total toll revenue was RMB2,545 million, representing an increase of 10%, as compared to that in 2007. Cash generated from the toll road business amounted to HK\$1,083 million.

The annual toll revenue of the Group's expressways in 2008 exceeded that in 2007 by 29%. Total revenue generated from the expressway projects represented 79% of that of the Group's toll road projects.

In 2008, the Group disposed of its interest in Luochong Highway in the Guangdong Province. Such disposal is in line with the Group's strategy to consolidate its existing Class I/II highway portfolio.

Property Business

The Group's revenue in property development increased from HK\$2,408 million in 2007 to HK\$4,631 million in 2008 due to the consolidation of the full year results of the Sunco Property Group. Total contracted sales and pre-sales of properties in 2008 was 338,000 sqm in aggregate.

Chief Executive Officer's Report (continued)

2008 was a difficult year to property developers in the PRC. According to the Ministry of Housing and Urban-Rural Development of the PRC, total sales of the property development industry in 2008 are expected to drop more than 20% from 2007. Given the unfavourable market sentiments, the Group's property business recorded a loss in 2008. To cater for the adverse changes in the market, the Group with its prudent and pragmatic business approach abruptly adjusted the magnitude and speed of construction, and promptly stopped all new investment in early 2008. The Group also took the opportunity to implement measures to enhance the skills of the management team, strengthen the management control and execution systems, and improve the quality of products and services. All these measures would help to strengthen the fundamentals of the property development team in preparation for the future.

The legal process in relation to the disputes with Sunco China, Sunco Management and Mr. Sun is still ongoing. As the relevant legal procedures are complicated, the progress is slower than expected. However, the Group believes that resolutions can be reached in 2009.

Prospects

The strong performance of toll road business in 2008 helped to alleviate the impact of the downturn of PRC property market on the Group's results, proving again the complementary characteristic of the two businesses. Such characteristic enables the Group to have stable growth in difficult times and to pick up rapidly when the economic surges.

In 2009, it is expected that the Group's toll road business will continue to grow in line with the economic development of their respective regional area, contributing stable cash and profit to the Group. However, the Group's profit will be affected by the decline of the contributions from the two expressway projects in the Hebei Province as their cash distribution ratios will be reduced in accordance with the joint venture agreements. While continuing to seek for new investment in expressway projects, the Group will continue to divest the Group's Class I/II highway projects to maximise the value of the existing toll road portfolio.

In respect of the property business, the Group will adhere strictly to stringent construction and sale plans, continue to perfect the skills of the management team, refine the management flow and control systems and enhance the quality of products in 2009. The Group will also seek for new opportunities under suitable circumstances.

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

Chief Executive Officer

Hong Kong, 2 April 2009

Management Discussion and Analysis

Beijing



Songs & Sea



Forest Creek

Tianjin



Sun Town



Mountain My Life

Jiangsu



Phoenix City



Royal City

Shanghai



Shine June Garden



The Riverside

Hebei



Blue County



Palen Villas

Hubei

Shangdong



Royal Panorama



Unusual Landscape

Henan



Central Special Zone



Sunco Town

Guangdong



Parkrise



Parkvista



Toll Road Projects **T**
Property Projects **P**

NEW LEVELS OF RELIABILITY



Management Discussion and Analysis (continued)

TOLL ROAD BUSINESS

Traffic Volume and Revenue

		2008	Growth in	2008	Growth in
	Projects	2008	2008	Annual Toll	2008
		AADT	%	Revenue	%
				RMB' million	
	Hebei Province				
T1	Baojin Expressway	23,918	17	612	59
T2	Tangjin Expressway	30,849	8	670	43
T3	Shijin Highway	11,531	-11	42	-20
T4	Hanguan Highway	5,205	-51	28	-60
	Anhui Province				
T5	Bengbu Huaimeng Highway	8,114	9	17	12
T6	Hehuai Highway	9,888	-40	47	-40
T7	Heye Highway	24,244	-35	89	-58
T8	Bengbu Huaihe Bridge Highway	14,316	18	38	20
T9	Chaoyanglu Huaihe Bridge	8,843	14	15	-1
	Guangdong Province				
T10	Jihe Expressway	92,267	4	449	7
T11	Luochong Highway*	19,249	N.A.	33	N.A.
	Hunan Province				
T12	Changyi Expressway	28,841	1	286	-1
	Shanxi Province				
T13	Taiyu Highway	8,942	-40	16	-43
T14	Yuci City Bypass	10,324	5	21	2
T15	Dongguan Highway	6,807	-19	28	-8
	Jiangsu Province				
T16	Airport Highway	7,209	6	48	25
	Guangxi Zhuang Autonomous Region				
T17&T18	Yulin City Ring Road and Yugong Highway	17,216	-2	42	-1
	Henan Province				
T19	Xunan Highway	10,209	-8	64	-3

* The Group's interest in Luochong Highway was disposed in July 2008. The above toll revenue only represents the revenue from January to July 2008.

Management Discussion and Analysis (continued)

Review of Projects in 2008

Hebei Province

Hebei Province connects two of the most prosperous cities of the PRC - Beijing and Tianjin. It is also a key province in the Bohai Economic Region. The 2008 Beijing Olympic Games enhanced the regional and infrastructure development of the province. In 2008, Hebei Province achieved a GDP amounted to RMB1,618.9 billion, representing a growth of 10% over the previous year. Capital investment increased 29% over the previous year to RMB887.1 billion.

The total length of expressways in Hebei Province reached 3,234 km by the end of 2008. In 2009, in response to the Central Government policy to enhance investment and stimulate domestic consumption demand, the provincial government will invest a further RMB53.1 billion in transportation infrastructure, representing 28% more than the actual amount invested in 2008, and of which RMB32.2 billion would be assigned onto construction of new expressways.

Tangjin Expressway links up Tianjin with the northern and north-eastern provinces of the PRC. It also serves as the eastern outer ring corridor of Tangshan City. In 2008, the project continued its prominent performance, with a growth of 43% in toll revenue. Reasons for the strong growth include the rapid development of the Bohai Economic Region and the implementation of weight-based tolling policy in 2008. As Tangshan Port region is a prioritised region for economic development, particularly led by Caofeidian Town, the project will continue to have a bright prospect.

Baojin Expressway is an east-west corridor linking Tianjin and other cities of the south-east Hebei Province. It also serves as the main route for freight export to container ports in Tianjin and the Bohai region. With the rapid economic development in the Hebei Province, coupled with the success in striving to be the main truck diversion route during the 2008 Olympic Games and the positive impact of the weight-based tolling policy, Baojin Expressway showed a surge of more than 59% in 2008 toll revenue. In 2009, due to the impact of global financial turmoil to the economy, the amount of freight movement is expected to reduce. Baojin Expressway's short-term performance is facing increased pressure. In the long run, the western extension of Baojin Expressway to Shanxi Province, together with the great potential of economic growth of Tianjin and Bohai region, serve as the main driving force in further growth of revenue in this project.

The Group will recoup all of its investments in the two expressway projects in 2009 and the joint venture partners of these two projects will enjoy preferential cash distribution for the next few years to pay back their own investments in accordance with the joint venture agreements. Contributions from these two expressway projects to the Group will therefore decline and the performance of the toll road division will be tarnished to a certain extent.

Maintenance works of Shihuang Expressway were completed in 2008 and thus a proportion of trucks was diverted from Shijin Highway. This explained a reduction in the toll revenue of project in 2008. The future performance of the project is expected to be stable.

Hanguan Highway is a major route in the eastbound coal transportation route from Shanxi Province. Due to a series of coal mine accidents in Shanxi Province which led to the decrease of coal production and transportation, traffic along this project declined significantly. In addition, this project had experienced a significant diversion of traffic since late 2007 when Qinghong Expressway commenced its operation. All the impacts from above were already reflected in this year performance and were within the Group's expectation.

Management Discussion and Analysis (continued)

Anhui Province

Anhui Province is adjacent to Shanghai, Nanjing and the Yangtze River Delta Economic Region and serves as a transportation hub between the western provinces and the eastern coastal provinces. In 2008, the GDP of Anhui Province was RMB887.4 billion, representing a growth of 13% over the previous year. This was the fifth consecutive year with double digits growth. Foreign trade in the province also showed rapid expansion. The total amount of import and export trades increased 28% to RMB20.4 billion. The rapid economic growth had also brought an increase in use of road transportation.

Traffic of Hehuai and Heye Highways were both affected by the completion of parallel He-Huai-Fu and He-Liu-Ye Expressways respectively and thus reduced the toll revenue of these two projects. The Group has already implemented measures to ease the impact such as to strengthen the governance to unregulated vehicles and implement the levy of penalties on overloaded local trucks with monthly tickets.

Toll revenue from the Bengbu Huaihe Bridge Highway and the Bengbu Huaimeng Highway increased steadily in 2008 due to the continued development of Bengbu city while the total revenue from Chaoyanglu Huaihe Bridge remained fairly stable.

Guangdong Province

The economy of Guangdong Province continued to develop rapidly in 2008, with GDP of RMB3,569.7 billion representing an increase of 10% over the previous year. The income of the provincial government increased 9% to RMB847.0 billion.

During 2008, the total amount of import and export value was around US\$683.3 billion, a historical high record, representing an increase of 8% over the previous year. The import and export trades therein accounted for US\$279.2 billion and US\$404.1 billion respectively, representing an increase of 5% and 9% over the previous year.

In 2008, Guangdong Government had made substantial investments in transportation infrastructure and completed major expressways construction amounting to RMB26.5 billion, representing a 30% increase over the previous year. The total length of expressways was about 3,822 km by the end of 2008.

With the impact of global financial turmoil to the economy in 2008, Jihe Expressway project managed to maintain a steady growth of 7% in revenue over the previous year. Following the government policy to boost the economy and stimulate domestic demand against the impact of the financial turmoil, together with the development of mature transportation network in Shenzhen and a number of logistics centres completed along Jihe Expressway, the project is expected to maintain a steady growth in 2009.

In 2008, the Group entered into an agreement with joint venture partner of Luochong Highway in relation to the disposal of the Group's interest in the highway. The disposal was in line with the Group's strategy to divest part of the Class I/II highway portfolio.

Management Discussion and Analysis (continued)

Hunan Province

The economic performance of Hunan Province was satisfactory in 2008, with GDP of RMB1,115.7 billion representing an increase of 13% over the previous year and GDP per capita increased 13% to RMB17,521. Income of the provincial government increased 17% to RMB130.9 billion.

In 2008, turnover in freight transport increased 5% to 208.3 billion ton per km; freight transport by highway increased 9% to 920 million tons; turnover in passenger transport increased 5% to 129.3 billion passenger per km; passenger transport by highway increased 2% to 1.19 billion passengers in Hunan Province. Steady growth in passenger and freight volume by highway stimulated market demand for the development and usage of transportation infrastructure. In 2008, Hunan province invested RMB19.4 billion in expressway construction. There were 236 km of newly constructed expressways, which raised the total length of expressways of the province to 2,001 km by the end of 2008.

The revenue of Changyi Expressway project in 2008 maintained at similar level as the previous year due to the freezing snowstorm in the beginning of the year and the opening of Jinzhou Corridor which is parallel to Changyi Expressway. Following the opening of neighboring Changji Expressway, together with the positive sign from the economic and tourism development in Hunan Province, the project is expected to maintain the growth momentum in 2009.

Shanxi Province

In 2008, the GDP of Shanxi Province and the income of provincial government were RMB693.8 billion and RMB151.8 billion respectively, representing an increase of 22% and 27% over the previous year. The growth of Shanxi economy was a result of the tremendous efforts exerted by the provincial government to attract foreign investments in the past years. In 2008, foreign direct investment contract value in Shanxi Province increased 21% to US\$2.7 billion. Growth in the provincial economy boosted the rapid development of local transportation network to meet the increasing demands.

Traffic and toll revenue of Taiyu and Dongguan Highways decreased in 2008 due to the impact of global economic crisis, downturn of coal market and traffic diversion by newly completed expressways and highways nearby. These two projects have already strengthened the control of privileged vehicles to improve the performance. Toll revenue of Yuci City Bypass was maintained at similar level as the previous year. It is expected that the toll revenue of the three projects in Shanxi Province will continue to be stable in 2009.

Jiangsu Province

The development of Jiangsu Province still ranked amongst the highest growth provinces of the PRC, with over RMB3,000 billion of GDP in 2008, representing a growth of 13% to the previous year. Disposable income of urban resident per capita and the gross income of rural resident per capita increased by 14% and 12% respectively to RMB18,680 and RMB7,357. With further impetus provided by investment and consumption, a total amount of RMB1,500 billion of completed capital investment was achieved in 2008, representing an increase of 23% over the previous year. Transportation development is continuing and the total length of expressways is expected to reach 4,000 km by 2010.

Due to the maintenance and repair works of the Shanghai A30 Expressway and the Shanghai-Nanjing Expressway, traffic was diverted to the Airport Highway, resulting in an increase of 25% in revenue over the previous year. In 2009, toll revenue is expected to resume its normal level.

Management Discussion and Analysis (continued)

Guangxi Zhuang Autonomous Region

Guangxi Zhuang Autonomous Region 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 Zhuang Autonomous Region continued its rapid growth in 2008.

In 2008, GDP of the region reached RMB700 billion, with significant growth in foreign trade amounted to US\$13 billion. The total length of expressways of the region amounted to 2,181 km by the end of 2008.

In 2008, even with the factor of traffic diversion by highways nearby, Yugong Highway and Yulin City Ring Roads continued to tighten the control of bypassing and privileged vehicles. These controls benefited Yugong Highway and Yulin City Ring Roads and helped to maintain the toll revenue at similar level as the previous year. Project revenue is expected to maintain stable in 2009. In accordance with the framework agreement signed in 2007, the Group expects to dispose of its interest in Yugong Highway and certain assets of Yulin City Ring Roads in 2009.

Henan Province

Henan Province maintained a fast economic growth in 2008, with GDP amounting to RMB1,820 billion, a 12% growth over the previous year. Capital investment increased by 30% to RMB1,040 billion.

With regard to infrastructure construction, the total length of expressways exceeded 4,800km, which surpassed other provinces in the country. Under the provincial government plan, the total length will exceed 5,100km by 2010, connecting 95% of cities and towns within 30-minute drive. There will be 13 corridors connecting other provinces, forming a comprehensive transportation hub in the central region of the PRC.

In 2008, toll revenue of Xunan Highway was maintained at similar level as the previous year. Major factors that affected its performance include stricter control of overloaded trucks by the Authority and maintenance works being carried out on part of the road. Performance of Xunan Highway in 2009 is expected to be stable.

HOME OF THE NEXT GENERATION



Management Discussion and Analysis (continued)

PROPERTY BUSINESS

Sales

For the year ended 31 December 2008, a total GFA of 682,000 sqm was delivered, comprising:

Location	Total GFA delivered sqm	Residential GFA sqm	Commercial & others GFA sqm
Northern China	33,000	33,000	—
Eastern China	200,000	200,000	—
Central China	160,000	154,000	6,000
Beijing	266,000	260,000	6,000
Guangzhou	23,000	6,000	17,000

The Group had contracted sales of 338,000 sqm in 2008. Set out below is an analysis of the average selling prices in 2008:

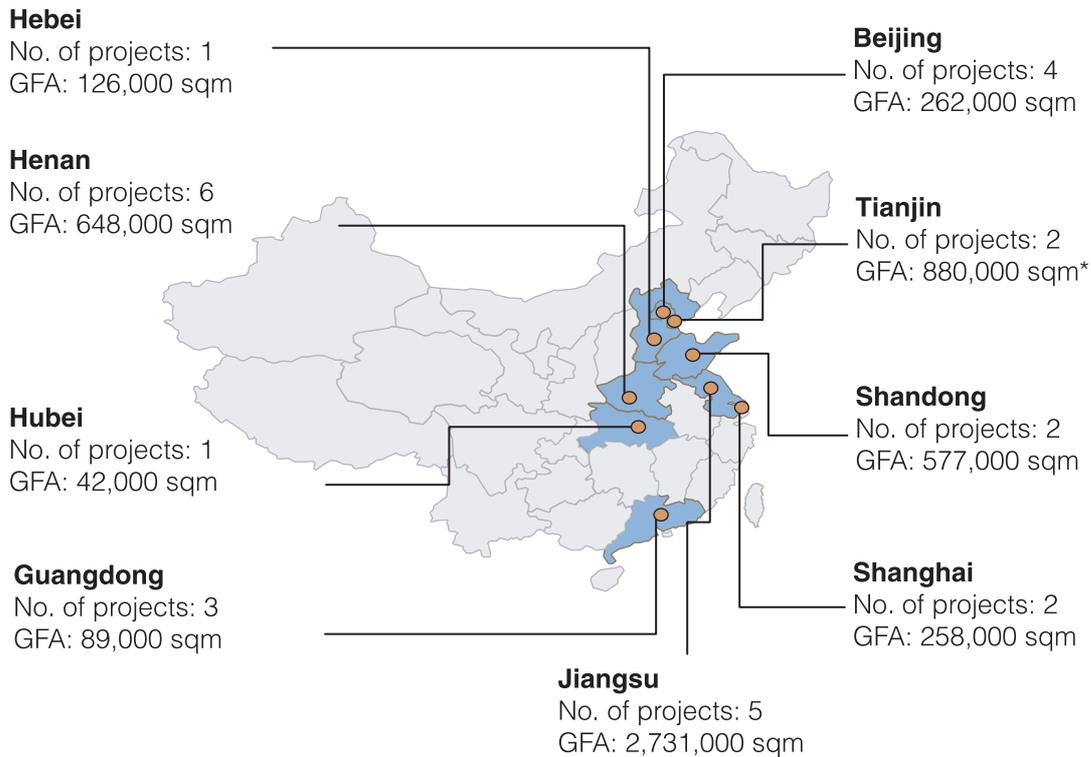
Location	Total GFA contracted sqm	Average Selling price RMB/sqm
Northern China	23,000	4,300
Eastern China	161,000	5,400
Central China	94,000	4,500
Beijing	35,000	10,600
Guangzhou	25,000	14,000

Management Discussion and Analysis (continued)

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 2008, the Group's landbank amounted to 5.6 million sqm of GFA located in nine provinces and municipalities.

The diagram below sets out the locations and attributable area of the major projects as at 31 December 2008:



* As detailed in the paragraph headed "Disputes in connection with Sunco Property" below, the Group has not been able to access the properties of two unconsolidated subsidiaries in Tianjin since their acquisitions in 2007. The total GFA of the two Tianjin projects of 880,000 sqm as stated herein is based on the best knowledge of and information available to the Directors as of 30 June 2007.

Management Discussion and Analysis (continued)

Review of Major Projects in 2008

Beijing City

Blues International Apartments

Blues International Apartments is a large-scale residential and commercial development project located in the Fengtai District of Beijing, occupying a site area of 73,000 sqm. It has planned residential and commercial areas of 211,000 sqm and 7,000 sqm, respectively. Majority of this project has been completed and delivered. Total sales recognised in 2008 were HK\$2,158 million and total contractual sales were HK\$87 million in the same period.

Songs & Sea

Songs & Sea is a nine-phase large-scale residential and commercial development project located at the Northern Area in Daxing District of Beijing, occupying a site area of 285,000 sqm. It has planned residential and commercial areas of 410,000 sqm and 13,000 sqm, respectively, of which a total of 195,000 sqm was attributable to the Group as of 31 December 2008. Majority of Phases 1 to 3 of this project have been completed and delivered. Total sales recognised in 2008 were HK\$332 million and total contractual sales were HK\$191 million in the same period. 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 2011.

Guangzhou City

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 I and II each occupying a site area of 7,000 sqm.

Planned residential and commercial areas were 56,000 sqm and 6,000 sqm, respectively for Phase I. Total sales recognised in 2008 were HK\$217 million and total contractual sales were HK\$321 million in the same period. As of 31 December 2008, there were 19,000 sqm attributable to the Group.

Phase II, which comprises five high-rise residential buildings of 546 units, is located next to Phase I and they are connected via a shopping mall. The planned residential and commercial areas of Phase II are 53,000 sqm and 6,000 sqm, respectively. Completion of Phase II is targeted to be late 2009.

Management Discussion and Analysis (continued)

Suzhou City

Phoenix City

Phoenix City is a three-phase residential and commercial project located at the East of Suzhou Industrial Park and occupies a site area of 860,000 sqm.

Phoenix City has planned residential and commercial areas of 1.5 million sqm and 74,000 sqm, respectively, of which a total of 1.3 million sqm was attributable to the Group as of 31 December 2008. Phase 1 of this project has already been completed and the pre-sales of which were started in 2004. Total sales recognised in 2008 were HK\$421 million and total contractual sales were HK\$267 million in the same period. Construction of remaining two phases is expected to be completed by 2013.

Changzhou City

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

Royal City occupies a site area of 487,000 sqm. Royal City has planned residential and commercial GFA of 825,000 sqm and 9,000 sqm, respectively, of which a total of 817,000 sqm was attributable to the Group as of 31 December 2008. Total sales recognised in 2008 were HK\$594 million and total pre-sales were HK\$212 million in the same period. The whole project is expected to be completed in 2015.

Vista Panorama is a high-rise residential and commercial development occupying a site area of 127,000 sqm. The project has planned residential and commercial GFA of 386,000 sqm and 16,000 sqm, respectively. Pre-sales of Phase 1 started in late 2007 and construction of Phase 1 is expected to be completed in 2009. Total pre-sales were HK\$279 million in 2008. The whole project is expected to be completed in 2014.

Grand Metropolis occupies a site area of 67,000 sqm. It has a planned commercial GFA of 120,000 sqm. This project is intended to be kept as an investment property leasing out the commercial space. Phase 1, which has been leased to RT-MART, a major supermarket chain, has started generating rental income in the second half of 2008. Construction of Phase 2 is expected to be completed in 2011.

Management Discussion and Analysis (continued)

Disputes in Connection with Sunco Property

Litigations in the PRC

The Group has not yet secured effective control of the two Tianjin Companies. The civil litigation proceedings initiated by the Group against the former senior management team of the Tianjin Companies, which have been suspended by the Tianjin Nankai District People's Court since early 2008 on the basis that unspecified facts relating to proceedings which may overlap with unspecified matters under investigation by Tianjin authorities, have yet to be reactivated. The Group has, in the meantime, solicited the support of the Tianjin Municipal Government in facilitating resolution of the disputes. In January 2009, the Company received a notice advising that an investigation on a criminal accusation by Tianjin authorities was officially dismissed. Based on the advice of the Group's PRC legal counsel, it is highly probable that the Group will be able to lift the suspension of the legal proceedings, which will result in the effective continuation of the Group's legal proceedings to assume the effective control over the Tianjin Companies. The Board considers this to be a positive development that may assist the Group in securing full control of the two Tianjin Companies.

Litigations in Hong Kong

The Group commenced in October 2007 litigation proceedings against Sunco China, Sunco Management and Mr. Sun. The proceedings are now at the stage of discovery and preparation of witness statements and the Company is taking legal advice with regards to the information that has been received. The Group will continue to pursue its claims in a manner that is in the interests of the Company and its shareholders as a whole.

Management Discussion and Analysis (continued)

FINANCIAL REVIEW

Consolidated Income Statement

The table below extracts major consolidated income statement items of the Group for each of the two years end 31 December 2007 and 2008:

	For the year ended 31 December	
	2008 HK\$'million	2007 HK\$'million
Revenue	<u>4,631</u>	<u>2,408</u>
Gross profit	520	666
Interest income	20	96
Other income	373	421
Selling expenses	(113)	(92)
Operating expenses	(510)	(371)
Share of results of joint ventures	910	577
Share of results of an associate	—	12
Finance costs	<u>(157)</u>	<u>(100)</u>
Profit before taxation	1,043	1,209
Income tax expenses	<u>(367)</u>	<u>(343)</u>
Profit after taxation	676	866
Minority Interests	<u>(20)</u>	<u>(15)</u>
Profit after taxation and minority interests	<u>656</u>	<u>851</u>

Management Discussion and Analysis (continued)

Revenue

The increase of the revenue from HK\$2,408 million in 2007 to HK\$4,631 million in 2008 was mainly attributable to the impact of consolidating the full year results of the acquired properties business (i.e. the former Sunco Property Group) in 2008.

Gross Profit

The reduction of gross profit from HK\$666 million in 2007 to HK\$520 million in 2008 was mainly due to the delivery of low margin properties and below-market priced properties inherited from the acquired properties business that were pre-sold prior to being acquired by the Group in mid-2007.

Interest income

The decrease of interest income was mainly due to the reduction of the average bank balances since the second half of 2007. In addition, the balance in 2007 included interest income of HK\$25 million and HK\$27 million for the loans to Sunco Real Estate and Sunco Property respectively prior to consolidating the results of the acquired properties business.

Other income

Other income mainly comprised the exchange gain generated during the year resulting from the appreciation of Renminbi in 2008.

Operating Expenses

The increase of operating expenses to HK\$510 million in 2008, representing an increase of 37%, was mainly attributable to the impact of consolidating the full year results of the acquired properties business in 2008. As benefited from the synergy and the tight cost control, the Group's operating expenses per sqm of properties delivered was reduced by 14% in 2008.

Finance Costs

The surge of the finance costs was mainly incurred for a short term loan in Hong Kong and project loans in the PRC. These loans were utilised to finance the property development operations.

Income Tax Expenses

Taxation included the profit tax, Land Appreciation Tax and withholding tax. The increase of taxation is mainly attributable to the provision of withholding tax of HK\$46 million on the undistributed earnings of infrastructure joint ventures for the year of 2008.

Management Discussion and Analysis (continued)

Consolidated Balance Sheet

The table below summarises the major items of the consolidated balance sheet of the Group as at 31 December 2007 and 2008.

	As at 31 December	
	2008 HK\$'million	2007 HK\$'million
Non-current assets		
— Interests in joint ventures	5,290	5,170
— Other non-current assets	1,539	1,398
	<u>6,829</u>	<u>6,568</u>
Current assets		
— Inventory of properties	12,029	10,379
— Prepayment for land leases	108	1,393
— Bank balances and cash (including pledged bank deposits)	960	2,091
— Other current assets	983	997
	<u>14,080</u>	<u>14,860</u>
Current Liabilities		
— Deposits from pre-sale of properties	(2,096)	(4,128)
— Bank and other borrowings - due within one year	(1,425)	(609)
— Other current liabilities	(1,969)	(1,883)
	<u>(5,490)</u>	<u>(6,620)</u>
Non-current liabilities	<u>(5,885)</u>	<u>(6,184)</u>
Total equity	<u>9,534</u>	<u>8,624</u>

Interests in Joint Ventures

Interests in joint ventures mainly represent the Group's interests in the joint venture relating to our toll road business. In 2008, the Group disposed of Luochong Highway, a Class I Highway located in Guangdong, at the consideration of RMB55.8 million.

Management Discussion and Analysis (continued)

Other Non-current Assets

The other non-current assets comprised mainly the long term receivables and the carrying value of two of the unconsolidated subsidiaries in Tianjin. Details of which are set out in notes 22 and 23 of the financial statements. The increase of the other non-current assets was mainly due to completion of the construction of Phase 1 of Grand Metropolis, an investment property located in Changzhou. The relevant amount was reclassified from current assets to non-current assets.

Inventory of Properties/Prepayment for Land Leases

The balance of prepayment for land leases in 2007 mainly consisted of the land premium paid for the Phoenix City project. The relevant land use right certificates were obtained in 2008 and hence, the relevant amount was reclassified to the inventory of properties.

Bank Balances and Cash (including pledged bank deposits)

The drop in cash in 2008 was mainly due to the payment of land premium of RMB1,058 million in connection with the Phoenix City project.

Deposits from Pre-sales of Properties

The decrease of deposits from pre-sales of properties as at 31 December 2008 was mainly due to the drop in property pre-sales as a result of the downfall of the PRC property market causing properties delivered to exceed properties pre-sold. During the year under review, total contracted sales were 338,000 sqm in GFA.

Bank and Other Borrowings

The increase in bank and other borrowings was mainly due to the drawn down of a short term financing of HK\$387 million and several project loans towards the end of 2008.

Liquidity and Financial Resources

As at 31 December 2008, shareholders' funds increased to HK\$9,369 million (31 December 2007: HK\$8,472 million). The increase was mainly attributable to the profit generated during the year. Net assets per share increased to HK\$12.9 (31 December 2007: HK\$11.5).

As at 31 December 2008, the Group's total assets were HK\$20,909 million (31 December 2007: HK\$21,428 million) and bank balances and cash (including pledged bank deposits) were HK\$960 million (31 December 2007: HK\$2,091 million), of which 83.9% were denominated in Renminbi, 3.6% were denominated in US dollars and the remaining 12.5% were denominated in HK dollars.

Management Discussion and Analysis (continued)

Financing Activities

To finance the development of certain property projects, the Group had effectively drawn down several project loans in the PRC amounting to RMB306 million in aggregate and a short term loan of HK\$387 million in Hong Kong in 2008.

Debt and Gearing

The gearing ratio of the Group improved slightly from 79% at the end of 2007 to 76% as at 31 December 2008. Interest coverage was 9.7 times (2007: 16.4 times).

As at 31 December 2008, the Group's total borrowings were HK\$7,163 million (2007: HK\$6,724 million). The maturity profile of the Group's total borrowings is set out as follows:

	As at 31 December	
	2008 HK\$'million	2007 HK\$'million
Repayable:		
Within one year	1,425	609
After one year but within two years	648	602
After two years but within five years	3,559	4,008
After five years	1,531	1,505
Total borrowings	<u>7,163</u>	<u>6,724</u>

The Group's borrowings were largely 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 liquidity risk, financing cost and exchange rate risk.

Charges on Assets

As at 31 December 2008, bank balances of HK\$164 million (31 December 2007: HK\$232 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 HK\$2,074 million (31 December 2007: HK\$1,357 million) and the shares of certain subsidiaries were pledged as securities for certain loan facilities.

Exposure on Foreign Exchange Fluctuations

The Group's borrowings were mainly denominated in US dollars but its cashflow was generated from projects whose earnings were denominated principally in Renminbi. As a result, the appreciation of Renminbi had contributed a net exchange gain of HK\$335 million to the Group's 2008 results. Save for the aforesaid, the Group had no significant exposure to foreign exchange fluctuation.

Management Discussion and Analysis (continued)

Exposure on Interest Rate

Following the global financial turmoil, the interest rates of both the Renminbi and the US dollars were lowered significantly in 2008 in order to support the weakened economy. The one-year interest rate for Renminbi borrowings fell from 747 basis points as at 1 January 2008 to 531 basis points as at 31 December 2008 while the London Interbank Offered Rate dropped from 419 basis points to 200 basis points during the same period.

Since the Group's borrowings are mainly denominated in Renminbi and US dollars, interest payments have been benefited from the interest rate reduction. The Group has not entered into any hedging arrangement. The Directors consider that the monetary policies implemented by the PRC and the US Governments will continue to have a major impact on the Group's results and operation.

Contingent Liabilities

As at 31 December 2008, the Group provided guarantees of RMB2,755 million and RMB300 million in favour of its customers for their purchases of the Group's properties and a financial institution for securing credit facilities of two unconsolidated subsidiaries, 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 the banks for the mortgage loans granted. The credit facilities for the two unconsolidated subsidiaries are also secured by the pledge of their properties, which include land and properties under development for sale.

Employees

Excluding the staff of joint ventures, the Group had 1,105 employees as at 31 December 2008. Expenditure on staff (excluding Directors' emoluments and amounts capitalised) amounted to HK\$151 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. No share option was issued in 2008.

Prospects

In 2009, the Group's toll road division will continue to maximise the value of its existing portfolio, and if opportunities arise divest Class I/II highway projects. It is expected that the Group's toll road projects will continue to grow in line with the economic development of their respective area, thus contributing cash and profit to the Group. However, as a result of the standardisation of the PRC profit tax rate and the expiry of the tax holidays of certain expressway projects, the effective profit tax rate of the toll road division will increase in 2009. In addition, the Group will recoup all of its investments in the two expressway projects in Hebei Province within 2009 and the joint venture partners of these two projects will enjoy preferential cash distribution for the next few years to pay back their own investments in accordance with the joint venture agreements. Contributions from these two expressway projects to the Group will therefore decline and the performance of the toll road division will be tarnished to a certain extent.

The PRC Government has reversed the austerity regime and put forward various measures to support the property market. However, it is still an uphill battle and the Group expects that 2009 will continue to be a challenging year as the economy is struggling against the global financial crunch. The Group will therefore focus on maximising the value from the existing portfolio and consolidate its market position in major cities. The Group will also try to maintain an admirable cash position to guard against any prolongation of the crisis.

In respect of new opportunities, the Group will continue to identify and harbour potential projects, and nurture relevant relationships. Actions will only be taken after due consideration of the returns, cash flows and funding requirements.

Directors and Senior Management

Executive Directors

Mr. Zen Wei Pao, William

(aged 61, 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, United Kingdom. He is also an individual founder member and a fellow of the 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 53, Deputy Chairman, 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 of the Institution of Civil Engineers, United Kingdom, the Institution of Structural Engineers, United Kingdom and The Hong Kong Institution of Engineers. He has extensive experience in infrastructure development in Hong Kong and the PRC, and has over 19 years of experience in business development and operation in the PRC.

Mr. Chan Kam Hung

(aged 50, 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 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 46, 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 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 56)

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 (“Build King”). 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, United Kingdom and a fellow of The Institute of Quarrying, United Kingdom. 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.

Directors and Senior Management (continued)

Non-executive Directors

Mr. Hu Aimin

(aged 60)

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 ("Shum Yip") and Shenzhen Investment Limited ("Shenzhen Investment"), the latter of which is a company listed on the main board of the Stock Exchange. He is also a Non-executive Director of Ping An Insurance (Group) Company of China, Ltd. and Coastal Greenland Limited, both of which are companies listed on the main board of the Stock Exchange. 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 People's Government, Deputy Secretary-general of the Shenzhen Municipal Committee, a standing member of District Committee and Head of the Organisation Department 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 54)

Mr. Zhang has been appointed as a Non-executive Director of the Company since December 2004. He is the President of Shenzhen Investment and Shum Yip. He is also a Non-executive Director of Coastal Greenland Limited. He graduated from South China Normal University in the PRC in 1983. He holds an EMBA from Shanghai Jiao Tong University, and is currently a senior economist. He studied corporate management and real estate management in Japan. Mr. Zhang was previously the Chairman and Chief Executive of Shenzhen Construction and Investment Holdings Company Limited and the Commissioner of Bureau of Supervision of the Shenzhen Municipal Government. He has over 20 years of experience in investment and corporate management and over 10 years of property development experience.

Independent Non-executive Directors

Mr. Chow Shiu Kee, Stephen

(aged 60)

Mr. Chow joined the Company as an Independent Non-executive Director of the Company in April 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 61)

Mr. Lau joined the Company as an Independent Non-executive Director of the Company 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 organisations. 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 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.

Directors and Senior Management (continued)

Dr. Chow Ming Kuen, Joseph

(aged 67)

Dr. Chow, OBE, JP, has been appointed as an Independent Non-executive Director of the Company since April 2008. He is a professional civil and structural engineer. He is also a fellow of The Hong Kong Institution of Engineers, the Institution of Civil Engineers and the Institution of Structural Engineers. He is the Chairman of Joseph Chow and Partners Limited, a professional consulting engineers firm. Dr. Chow is the Chairman of the Hong Kong Construction Workers Registration Authority and served as President of The Hong Kong Institution of Engineers from 2001 to 2002 and Chairman of the Hong Kong Engineers' Registration Board from 1996 to 1998. Dr. Chow is a Hon Senior Superintendent of the Hong Kong Auxiliary Police Force. He served in many public services including Chairman of the Hong Kong Examinations and Assessment Authority, Deputy Council Chairman of Hong Kong Polytechnic University, a member of Hospital Authority, Hong Kong Housing Authority and Hong Kong University Court. He is also the Independent Non-executive Chairman of PYI Corporation Limited, an Independent Non-executive Director of Chevalier International Holdings Limited and Build King and a Non-executive Director of Wheelock Properties Limited, the shares of these four companies are listed on the main board of the Stock Exchange.

Mr. Choy Kwok Hung, Patrick

(aged 66)

Mr. Choy has been appointed as an Independent Non-executive Director of the Company since May 2008. He is the Chairman and Executive Director of China Financial Leasing Group Limited ("China Financial"), the Founder and Chairman of Global Strategy Group Limited, a Trustee and Board member of Majulah Connection Limited, an Independent Non-executive Director of Evergro Properties Limited ("Evergro") and Solomon Systech (International) Limited ("Solomon"). The shares of China Financial and Solomon are listed on the main board of the Stock Exchange and the shares of Evergro are listed on the main board of Singapore Exchange Limited. Mr. Choy is a member of the National Committee of the Chinese People's Political Consultative Conference.

Senior Management

Ms. Chuk Wing Suet, Josephine

(aged 37)

Ms. Chuk, joined the Group in 1994, 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 15 years of experience in business investment, operation, development and promotion in Hong Kong and the PRC.

Mr. Yu Kam Fat, James

(aged 53)

Mr. Yu, joined the Group in 1998, is the Deputy Chief Operating Officer of the Toll Road Division. He holds a Master and a Bachelor of Science degree in Civil Engineering. He is a Chartered Engineer, a member of The Association of Professional Engineers of Ontario, Canada, the Institution of Civil Engineers, United Kingdom, the Institution of Structural Engineers, United Kingdom and the Institution of Highway and Transportation, United Kingdom and a fellow of The Hong Kong Institution of Engineers. He is also a Registered Structural Engineers, Hong Kong and a Registered Professional Engineer, Hong Kong. He has over 29 years of experience in civil engineering and project management.

Directors and Senior Management (continued)

Mr. Wang Hao

(aged 38)

Mr. Wang, joined the Group in 2007, is the Deputy Chief Executive Officer of the Property Division and is responsible for property development projects in Beijing and Hebei Region. He holds a Master of Structural Engineering degree and a Bachelor of Structural Engineering degree. Mr. Wang has over 12 years of experience in engineering, corporate management and credit control. He was the Chief Financial Officer and the Chief Executive Officer of the Sunco Property group.

Ms. Tian Aijun

(aged 40)

Ms. Tian, joined the Group in 2007, is the Director in charge and Chief Operating Officer of Central China Region and Shandong 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. She was the responsible person for the regional and the group operation and management and was involved in the corporate management and project operation management.

Mr. Zen Chung Hei, Hayley

(aged 34)

Mr. Zen, joined the Group in 2006, 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 13 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. Leung Chin Wan

(aged 54)

Mr. Leung, joined the Group in 1997, is the Engineering and Cost Controller of the Property Division. He holds a Master of Science degree in Engineering. He is a member of The Hong Kong Institution of Engineers. He has over 30 years of experience in civil engineering with more than 20 years of experience in the PRC project management.

Mr. Chan Sai Kuen, Daniel

(aged 51)

Mr. Chan, joined the Group in 1994, is the General Manager of the Toll Road Division. He holds a Bachelor of Business Administration degree in Accounting and has over 27 years of experience in accounting and project management.

Mr. Lee Tak Fai, Kennedy

(aged 43)

Mr. Lee, joined the Group in 2007, is the Financial Controller of the Group. He has 18 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 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 from the University of Hong Kong and is a fellow of both the Association of Chartered Certified Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants.

Directors' Report

The Directors present therewith the annual report and the audited financial statements of the Group for the year ended 31 December 2008.

Principal Activities

The Company is 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 property development projects in the PRC. Details of the Group's 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 individuals 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 suppliers were less than 30% of total construction payments.

Results and Appropriations

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 55 of this annual report.

An interim dividend of HK\$0.05 per share amounting to HK\$38 million was paid to the shareholders in October 2008.

The Directors recommend the payment of a final dividend of HK\$0.20 per share to the shareholders on the register of members on 21 May 2009 amounting to HK\$148 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 15 June 2009.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 18 May 2009 to Thursday, 21 May 2009, both days inclusive, during which period no transfer of shares will be registered for the purpose of determining entitlement to the proposed final dividend.

In order to qualify for the proposed 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 Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on Friday, 15 May 2009.

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 28 and 29 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 58 of this annual report.

Directors' Report (continued)

Distributable Reserves of the Company

The Company's reserves available for distribution to shareholders as at 31 December 2008 were as follows:

	2008	2007
	HK\$'000	HK\$'000
Contributed surplus	1,348,042	1,348,042
Retained profits	475,751	215,173
	<u>1,823,793</u>	<u>1,563,215</u>

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus 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 16 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 30 to the consolidated financial statements.

Retirement Benefit Plans

Particulars of the 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 126 of this annual report.

Directors' Report (continued)

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 (*Deputy Chairman, 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 (retired on 26 May 2008)

Chow Shiu Kee, Stephen

Lau Sai Yung

Chow Ming Kuen, Joseph (appointed on 15 April 2008)

Choy Kwok Hung, Patrick (appointed on 27 May 2008)

In accordance with Bye-law 87 of the Company's Bye-laws, Messrs. Zen Wei Pao, William, Ko Yuk Bing, Zen Wei Peu, Derek and Chow Shiu Kee, Stephen shall retire by rotation at the forthcoming annual general meeting. All the retiring Directors, being eligible, shall offer themselves for re-election.

In addition, Mr. Choy Kwok Hung, Patrick who was appointed as an Independent Non-executive Director by the Board with effect from 27 May 2008 will hold office only until the forthcoming annual general meeting pursuant to Bye-law 86(2). He has informed the Company that he will not offer himself for re-election.

Mr. Ko Yuk Bing entered into service agreements with the Group for a term of three years commencing from 1 May 2008, which are terminable by notice in writing of not more than six months. On termination of the service contracts or if the service contracts are not renewed on expiry, Mr. Ko Yuk Bing will be entitled up to 12 months' salary on his last working day with the Group.

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

Directors' Report (continued)

Directors' Interests in Contracts of Significance

Save as disclosed under the paragraph headed "Connected Transaction" below, there were 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 2008 pursuant to Rule 8.10 of the Listing Rules:

Name of Director	Name of entity	Description of principal activities	Nature of interest of the Director in the entity
Hu Aimin	Shenzhen Investment Limited and its subsidiaries	Property development, investment and management	Director
Zhang Yijun	Shenzhen Investment Limited and its subsidiaries	Property development, investment and management	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.

Directors' Report (continued)

Disclosure of Interests

Directors' Interests and Short Positions

As at 31 December 2008, 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 (the "Model Code") 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)	—	0.81
Ko Yuk Bing	Personal	410,000 (note 1)	—	0.06
		5,100,000 (note 2)	—	0.69
Chan Kam Hung	Personal	1,000,000 (note 1)	—	0.14
		3,400,000 (note 2)	—	0.46
Fong Shiu Leung, Keter	Personal	380,000 (note 1)	—	0.05
		3,700,000 (note 2)	—	0.50
Zen Wei Peu, Derek	Personal	6,756,000 (note 1)	—	0.91
		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
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 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 29 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 31.12.2008	Weighted average closing price (note 6)
		Balance at 1.1.2008	Granted during the year	Exercised during the year	Lapsed/cancelled during the year		
Directors							
Zen Wei Pao, William	Note 3	1,000,000	—	—	—	1,000,000	—
	Note 4	2,500,000	—	—	—	2,500,000	—
	Note 5	2,500,000	—	—	—	2,500,000	—
Ko Yuk Bing	Note 3	500,000	—	—	—	500,000	—
	Note 4	2,300,000	—	—	—	2,300,000	—
	Note 5	2,300,000	—	—	—	2,300,000	—
Chan Kam Hung	Note 4	1,800,000	—	—	—	1,800,000	—
	Note 5	1,600,000	—	—	—	1,600,000	—
Fong Shiu Leung, Keter	Note 3	700,000	—	—	—	700,000	—
	Note 4	1,400,000	—	—	—	1,400,000	—
	Note 5	1,600,000	—	—	—	1,600,000	—
Zen Wei Peu, Derek	Note 4	800,000	—	—	—	800,000	—
	Note 5	1,500,000	—	—	—	1,500,000	—
Hu Amin	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 4	250,000	—	—	250,000	—	—
	Note 5	100,000	—	—	100,000	—	—
Chow Shiu Kee, Stephen	Note 2	140,000	—	—	—	140,000	—
	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	—
		<u>23,190,000</u>	<u>—</u>	<u>—</u>	<u>350,000</u>	<u>22,840,000</u>	

Directors' Report (continued)

Name	Issue	Number of Share options				Balance at 31.12.2008	Weighted average closing price (note 6)
		Balance at 1.1.2008	Granted during the year	Exercised during the year	Lapsed/cancelled during the year		
Others							
Employees	Note 1	135,000	—	30,000	105,000	—	9.48
	Note 2	390,000	—	—	—	390,000	—
	Note 3	110,000	—	10,000	—	100,000	9.60
	Note 4	5,730,000	—	—	1,538,000	4,192,000	—
	Note 5	9,160,000	—	—	1,800,000	7,360,000	—
		<u>15,525,000</u>	<u>—</u>	<u>40,000</u>	<u>3,443,000</u>	<u>12,042,000</u>	
Grand total		<u>38,715,000</u>	<u>—</u>	<u>40,000</u>	<u>3,793,000</u>	<u>34,882,000</u>	

Notes:

- 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.
 - 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.
 - 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.
 - 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.
 - 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.
 - This represents the weighted average closing price of the Company's Shares immediately before the date on which the share options were exercised.
- * Mr. Chan Hing Chiu, Vincent retired in the annual general meeting held on 26 May 2008. The Board approved to extend the exercisable period of his share options for 6 months from the date he retired. Mr. Chan did not exercise his share options during the extension period.

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 or 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.

Directors' Report (continued)

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 2008, the interests or short positions of every person, other than a Director of the Company, in the Shares and underlying Shares 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 (%) <i>(note 13)</i>
		Long position <i>(note 1)</i>	Short position	
Wai Kee Holdings Limited <i>(note 2)</i>	Corporate	286,317,428	—	38.75
Wai Kee (Zens) Holding Limited <i>(note 3)</i>	Corporate	286,317,428	—	38.75
Groove Trading Limited <i>(note 4)</i>	Personal/Beneficiary	65,918,000	—	8.92
Wai Kee China Investments (BVI) Company Limited <i>(note 4)</i>	Corporate	217,399,428	—	29.42
Wai Kee China Investments Company Limited <i>(note 5)</i>	Corporate	217,399,428	—	29.42
ZWP Investments Limited <i>(note 6)</i>	Personal/Beneficiary	217,399,428	—	29.42
深業集團有限公司 <i>(note 7)</i>	Corporate	202,334,142	—	27.38
Shum Yip Holdings Company Limited <i>(note 8)</i>	Corporate	202,334,142	—	27.38
Shenzhen Investment Limited <i>(note 9)</i>	Corporate	202,334,142	—	27.38
Hover Limited <i>(note 10)</i>	Personal/Beneficiary	202,334,142	—	27.38
Cheah Cheng Hye <i>(note 11)</i>	Founder of discretionary trust	57,654,852	—	7.80
Hang Seng Bank Trustee International Limited <i>(note 11)</i>	Trustee	57,654,852	—	7.80
Cheah Company Limited <i>(note 11)</i>	Corporate	57,654,852	—	7.80
Cheah Capital Management Limited <i>(note 11)</i>	Corporate	57,654,852	—	7.80
Value Partners Group Limited <i>(note 11)</i>	Corporate	57,654,852	—	7.80
Value Partners Limited <i>(note 11)</i>	Investment manager	57,654,852	—	7.80
To Hau Yin <i>(note 12)</i>	Spouse	57,654,852	—	7.80

Directors' Report (continued)

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 ("Wai Kee") 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 ("Build King"), Top Tactic Holdings Limited, Amazing Reward Group Limited, Leader Construction Company Limited and Leader Civil Engineering Corporation Limited, which beneficially held 3,000,000 Shares.
3. Wai Kee (Zens) Holding Limited is a direct wholly-owned subsidiary of Wai Kee.
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.
7. 深業集團有限公司 is deemed to be interested in the Shares through its 100% interest in Shum Yip Holdings Company Limited.
8. Shum Yip Holdings Company Limited is deemed to be interested in the Shares through its 47.42% interest in Shenzhen Investment Limited.
9. Shenzhen Investment Limited is deemed to be interested in the Shares through its interests in its wholly-owned subsidiary, Hover Limited.
10. Hover Limited is a direct wholly-owned subsidiary of Shenzhen Investment Limited.
11. 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.
12. To Hau Yin is the spouse of Cheah Cheng Hye and is deemed to be interested in the interest held by Cheah Cheng Hye.
13. The percentage was calculated based on 738,926,566 Shares in issue as at 31 December 2008.

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 as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Directors' Report (continued)

Purchase, Sale or Redemption of the Company's Listed Securities

During the year, the Company repurchased a total of 13,760,000 Shares on the Stock Exchange at an aggregate consideration of HK\$43,756,690. Details of the repurchase are as follows:

Month of repurchase	Total number of Shares repurchased	Price per Share		Aggregate consideration HK\$
		Highest	Lowest	
		HK\$	HK\$	
August 2008	626,000	6.16	5.85	3,745,430
September 2008	2,862,000	6.28	4.26	15,549,850
October 2008	8,454,000	4.30	1.65	20,310,050
November 2008	1,818,000	2.60	1.96	4,151,360
	<u>13,760,000</u>			<u>43,756,690</u>

All of the Shares repurchased were cancelled.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Donations

During the year, donations made by the Group were HK\$ 4,877,936.

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, 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 merit, qualification 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 the Directors and eligible employees, details of the scheme is set out in note 29 to the consolidated financial statements.

Directors' Report (continued)

Connected Transaction

On 3 November 2008, an agreement (the "Agreement") was entered into between RK Investment (Changzhou) Limited ("RK Investment"), an indirect wholly-owned subsidiary of the Company, and Innocity International Limited ("Innocity"), an indirect wholly-owned subsidiary of Build King and an associate of Wai Kee, whereby RK Investment agreed to purchase 40% of the issued share capital of Value Ahead Limited ("Value Ahead") and the shareholders' loan from Innocity at an aggregate consideration of HK\$9,424,584. The transaction was completed on 24 November 2008 and Value Ahead became a wholly-owned subsidiary of the Company.

The transaction enables the Group to consolidate its interests in Value Ahead, which provides considerably greater flexibility to the Group in deploying its construction/property development related resources in the PRC, which would not otherwise be available had Build King group continued to hold its interest in Value Ahead.

As Innocity was an associate of Wai Kee, a controlling shareholder of the Company, which owned approximately 60.8% of Build King and approximately 38.47% of the Company on the date of the Agreement, the transaction constituted a connected transaction for the Company under Rule 14A.13(1)(a) of the Listing Rules but was exempt from independent shareholders' approval pursuant to Rule 14A.32 of the Listing Rules.

Continuing Disclosure of the Listing Rules

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

1. Pursuant to Rule 13.16 of the Listing Rules:

- (a) The Group has altogether 41 infrastructure joint ventures and one property joint venture. All these companies 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 the bank facilities utilised by the joint ventures.
- (c) The total amount of loans to the joint ventures were HK\$3.31 billion which exceeds 8 % of the Group's adjusted total assets of HK\$20.76 billion (being the Group's total assets as at 31 December 2008 adjusted for the dividend proposed for the year ended 31 December 2008 by the Company) as at 31 December 2008. The loans are 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, borrowings, and internal resources of the Group.

2. Pursuant to Rule 13.18 of the Listing Rules:

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

Directors' Report (continued)

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 2008, is as follows:

	As at 31 December 2008 HK\$'000
Balance sheet	
Property, plant and equipment	10,712,680
Current assets	1,513,595
Current liabilities	<u>(1,190,351)</u>
Net current assets	323,244
Amounts due to joint venture partners	<u>(789,172)</u>
Net assets	<u><u>10,246,752</u></u>
	For the year ended 31 December 2008 HK\$'000
Income statement	
Total income	<u>3,122,281</u>
Total expenses	<u><u>(1,519,656)</u></u>

Directors' Report (continued)

(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
Infrastructure Joint Ventures			
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	—
Bengbu Road King Chaoyanglu Huaihe Highway Bridge Development Co., Ltd.	35%	36,299	—
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	22,100
Guangxi Lutong Highway Development Co., Ltd.	70%	81,800	19,006
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	—
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	—
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	—
Property Development Joint Venture			
上海順馳方城置業有限公司*	31.50%	70,787	—
		3,308,576	41,106

* The joint venture is held by a 89.46%-owned subsidiary of the Company.

Directors' Report (continued)

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.

Auditor

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

On behalf of the Board

Zen Wei Pao, William

Chairman

Hong Kong, 2 April 2009

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 2008, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules except for the deviation from Code Provision A.4.1 which is explained below.

The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the Code.

Board of Directors

The principal responsibilities of the Board are to set out 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.

The Board currently comprises 11 Directors including five Executive Directors, two Non-executive Directors and four Independent Non-executive Directors whose biographical details are set out in the "Directors and Senior Management" section of this annual report.

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 2008 are set out below:

Number of Attendance/Number of Meetings held

	Board meeting	Audit Committee meeting	Remuneration Committee meeting
Number of meetings held	5	2	3
Executive Directors			
Zen Wei Pao, William	4/5	—	1/3
Ko Yuk Bing	5/5	—	—
Chan Kam Hung	5/5	—	—
Fong Shiu Leung, Keter	5/5	—	—
Zen Wei Peu, Derek	5/5	—	—
Non-executive Directors			
Hu Aimin	2/5	—	—
Zhang Yijun	4/5	—	—
Independent Non-executive Directors			
Chan Hing Chiu, Vincent (retired on 26 May 2008)	2/2	1/1	2/2
Chow Shiu Kee, Stephen	4/5	2/2	3/3
Lau Sai Yung	5/5	2/2	3/3
Chow Ming Kuen, Joseph (appointed on 15 April 2008)	3/3	1/1	2/2
Choy Kwok Hung, Patrick (appointed on 27 May 2008)	3/3	—	1/1

Corporate Governance Report (continued)

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. 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 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 them to be independent in accordance with the Listing Rules.

Nomination of Directors

The Company does not have a 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.

During the year, the Board approved the appointment of Dr. Chow Ming Kuen, Joseph and Mr. Choy Kwok Hung, Patrick as Independent Non-executive Directors with effect from 15 April 2008 and 27 May 2008, respectively.

Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer are separate and 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.

Corporate Governance Report (continued)

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 five members, namely, Mr. Chow Shiu Kee, Stephen (Chairman of the Remuneration Committee), Mr. Zen Wei Pao, William, Mr. Lau Sai Yung, Dr. Chow Ming Kuen, Joseph and Mr. Choy Kwok Hung, Patrick. Mr. Chow Shiu Kee, Stephen was appointed as the Chairman of the Remuneration Committee by the Board following the retirement of Mr. Chan Hing Chiu, Vincent on 26 May 2008 and Dr. Chow Ming Kuen, Joseph and Mr. Choy Kwok Hung, Patrick were appointed as Remuneration Committee members with effect from 15 April 2008 and 21 August 2008, respectively.

The main responsibilities of the Remuneration Committee are to support and advise the Board regarding the Group'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 and compensation arrangements.

In 2008, the Remuneration Committee reviewed and approved the remuneration and bonus packages of Executive Directors (excluding the Chairman of the Board) and senior management, the employment contracts of new senior staff and the compensation arrangements to Hong Kong and the PRC senior departure staff. It also reviewed and approved 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 four members, namely, Mr. Lau Sai Yung (Chairman of the Audit Committee), Mr. Chow Shiu Kee, Stephen, Dr. Chow Ming Kuen, Joseph and Mr. Choy Kwok Hung, Patrick, all of whom are Independent Non-executive Directors. Mr. Chan Hing Chiu, Vincent ceased to act as a member of the Audit Committee upon his retirement on 26 May 2008 and Dr. Chow Ming Kuen, Joseph and Mr. Choy Kwok Hung, Patrick were appointed as Audit Committee members with effect from 15 April 2008 and 21 August 2008, respectively.

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.

In 2008, the Audit Committee reviewed the financial statements prior to recommending them to the Board for approval, approved the terms of engagement of external auditors and reviewed the effectiveness of Group's internal control system.

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

Corporate Governance Report (continued)

Management Committee

Apart from the two Board Committees, the Board has delegated responsibility to the Management Committee which was established on 1 February 2009 and took over the management roles of executive management as set out in the paragraph headed "Board Committees" above, for managing daily affairs of the Group and implementing the Board's decisions and policies. The Management Committee comprises five members, namely, Mr. Ko Yuk Bing, Mr. Chan Kam Hung, Mr. Fong Shiu Leung, Keter, Ms. Chuk Wing Suet, Josephine and Mr. Yu Kam Fat, James. The Management Committee is required by its terms of reference to report to the Board in relation to their major decisions, findings or recommendations, and in certain specific or major situations, to seek the Board's approval before taking any action.

Internal Control

The Board has the 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.

Reviews were conducted by internal audit department to evaluate the effectiveness of the Group's internal control system and recommendations were made. To preserve the independence of the internal audit function, the head of internal audit department reports functionally to the Audit Committee. On a quarterly basis, the internal audit department summarises the major audit findings during the course of audits and the recommendations made and reports to the Audit Committee.

The Board has, through the Audit Committee, reviewed the effectiveness of the Group's internal control systems of the Company and its subsidiaries for the year ended 31 December 2008.

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 Auditor's Remuneration and Reporting Responsibilities

During 2008, the Company engaged Messrs. Deloitte Touche Tohmatsu to perform audit and non-audit services. The Company paid to the external auditor HK\$5,327,000 as audit services fee and HK\$181,000 as non-audit services fee.

The statement of the Company's external auditor, Messrs. Deloitte Touche Tohmatsu regarding their reporting responsibilities is set out in the Independent Auditor's Report on pages 53 to 54.

Corporate Governance Report (continued)

Directors' Securities Transaction

The Company has adopted the 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 2008.

Communication with Shareholders

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

The Board is committed to providing 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 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.

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 55 to 125, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, consolidated statement of changes in equity and 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 of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") 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 Companies Act of Bermuda, 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.

Independent Auditor's Report (continued)

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 2008 and of the Group's profit and cash flows for the year then ended in accordance with HKFRSs 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 23 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 23, 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. However, the legal proceedings against the former management of the Tianjin Companies are temporarily suspended on the basis that unspecified facts which relate to those proceedings may overlap with unspecified matters under investigation by Tianjin authorities. In January 2009, the Company received a notice from Tianjin authorities advising that their investigation was completed. Based on the advice of the Group's legal counsel in the People's Republic of China ("PRC"), it is highly probable that the Group could lift the suspension of the legal proceedings, which will result in the effective continuation of the Group's legal proceedings against the former management of the Tianjin Companies. The Directors, based on advice of the Group's PRC legal counsel, are of the firm belief that the court ruling will be favourable to the Group and accordingly, the Group will be able to assume effective control over the Tianjin Companies in the foreseeable future. Based on the impairment review on the investments in the Tianjin Companies, as mentioned in note 23, in the opinion of the Directors of the Company, no impairment on the investment cost in the Tianjin Companies is considered necessary. However, as the timing of re-opening of the court hearing and 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\$632,787,000 as at 31 December 2008; and
- the bank seeking payment from the Group in relation to credit facilities to the Tianjin Companies amounting to HK\$337,079,000 as at 31 December 2008 which have been guaranteed by the Group as described in note 38, in the event that the Tianjin Companies are not in a position to repay and the properties pledged by the Tianjin Companies are insufficient to cover the credit facilities by the maturity dates in June 2009.

Other than the fair value of the guarantees amounting to HK\$22,000,000 as at the date the guarantee were initially given and HK\$20,337,000 as at the date the credit facilities were renewed in July 2008, 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
2 April 2009

Consolidated Income Statement

For the year ended 31 December 2008

	NOTES	2008 HK\$'000	2007 HK\$'000
Revenue	7	4,630,672	2,407,770
Cost of sales		(4,110,060)	(1,741,789)
Gross profit		520,612	665,981
Interest income		19,972	96,189
Other income		373,008	420,886
Selling expenses		(112,784)	(91,506)
Operating expenses		(510,385)	(371,302)
Share of results of joint ventures	9	909,759	577,107
Share of results of an associate		—	12,267
Finance costs	10	(156,855)	(100,670)
Profit before taxation	11	1,043,327	1,208,952
Income tax expenses	13	(366,693)	(342,811)
Profit for the year		676,634	866,141
Attributable to:			
Shareholders of the Company		656,429	851,067
Minority interests		20,205	15,074
		676,634	866,141
Dividends paid	14	248,286	372,698
Earnings per share	15		
- Basic		HK\$0.87	HK\$1.16
- Diluted		HK\$0.87	HK\$1.14

Consolidated Balance Sheet

At 31 December 2008

	NOTES	2008 HK\$'000	2007 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	57,346	103,881
Prepaid lease payments for land	17	33,293	49,912
Investment properties	18	143,851	—
Interests in joint ventures	19	5,289,683	5,170,093
Loans to joint ventures	20	—	81,196
Loans to related companies	21	54,700	54,700
Deferred tax assets	31	40,700	81,862
Long-term receivables	22	576,359	433,132
Available-for-sale investments	23	632,787	592,821
		<u>6,828,719</u>	<u>6,567,597</u>
Current assets			
Inventory of properties	24	12,029,250	10,379,463
Prepayment for land leases	25	107,865	1,393,210
Prepaid lease payments for land	17	938	1,365
Loan to a joint venture	20	70,787	—
Debtors, deposits and prepayments	26	686,063	769,764
Prepaid income tax		225,699	226,432
Pledged bank deposits	27	163,723	231,583
Bank balances and cash	27	796,098	1,858,941
		<u>14,080,423</u>	<u>14,860,758</u>
Total assets		<u><u>20,909,142</u></u>	<u><u>21,428,355</u></u>
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	28	73,893	75,265
Reserves		9,295,568	8,397,151
		<u>9,369,461</u>	<u>8,472,416</u>
Minority interests		<u>164,141</u>	<u>151,527</u>
Total equity		<u>9,533,602</u>	<u>8,623,943</u>
Non-current liabilities			
Bank and other borrowings - due after one year	30	5,737,728	6,114,771
Deferred tax liabilities	31	147,998	69,155
		<u>5,885,726</u>	<u>6,183,926</u>

Consolidated Balance Sheet (continued)

At 31 December 2008

	NOTES	2008 HK\$'000	2007 HK\$'000
Current liabilities			
Creditors and accrued charges	32	1,756,811	1,663,877
Deposits from pre-sale of properties		2,095,694	4,127,823
Income tax payable		212,424	219,839
Bank and other borrowings - due within one year	30	1,424,885	608,947
		<u>5,489,814</u>	<u>6,620,486</u>
Total equity and liabilities		<u>20,909,142</u>	<u>21,428,355</u>

The consolidated financial statements on pages 55 to 125 were approved and authorised for issue by the Board of Directors on 2 April 2009 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 2008

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 2007	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
Released upon disposal of infrastructure joint ventures	—	—	(7,838)	—	—	—	—	(7,838)	—	(7,838)
Profit for the year	—	—	—	—	—	—	851,067	851,067	15,074	866,141
Total recognised income and expense for the year	—	—	489,756	—	—	—	851,067	1,340,823	15,261	1,356,084
Sub-total	69,008	2,522,627	747,478	1,260,000	36,795	—	3,482,483	8,118,391	15,261	8,133,652
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
Expenses 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
Exchange differences arising on translation to presentation currency recognised directly in equity	—	—	547,742	—	—	—	—	547,742	9,388	557,130
Released upon disposal of an infrastructure joint venture	—	—	(15,296)	—	—	—	—	(15,296)	—	(15,296)
Profit for the year	—	—	—	—	—	—	656,429	656,429	20,205	676,634
Total recognised income and expense for the year	—	—	532,446	—	—	—	656,429	1,188,875	29,593	1,218,468
Sub-total	75,265	3,184,312	1,279,924	1,260,000	95,514	10,867	3,755,409	9,661,291	181,120	9,842,411
Issue of ordinary shares upon exercise of share options	4	209	—	—	—	—	—	213	—	213
Transfer upon exercise of share options	—	2	—	—	(2)	—	—	—	—	—
Forfeiture of share options	—	—	—	—	(9,721)	—	9,721	—	—	—
Shares repurchased and cancelled	(1,376)	(42,381)	—	—	—	—	—	(43,757)	—	(43,757)
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	—	(16,979)	(16,979)
Dividends	—	—	—	—	—	—	(248,286)	(248,286)	—	(248,286)
Appropriation	—	—	—	—	—	22,078	(22,078)	—	—	—
Balance at 31 December 2008	73,893	3,142,142	1,279,924	1,260,000	85,791	32,945	3,494,766	9,369,461	164,141	9,533,602

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 laws of the People's Republic of China (the "PRC") applicable to the Company's PRC subsidiaries.

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	NOTES	2008 HK\$'000	2007 HK\$'000
Operating activities			
Profit before taxation		1,043,327	1,208,952
Adjustments for:			
Depreciation of property, plant and equipment		13,958	4,104
Interest income		(19,972)	(96,189)
Finance costs		156,855	100,670
Share-based payments		—	66,783
Gain on disposal of interests in infrastructure joint ventures	34	(10,272)	(11,130)
Share of results of joint ventures		(909,759)	(577,107)
Share of results of an associate		—	(12,267)
Loss on disposal of property, plant and equipment, net		1,017	251
Operating cash flows before movements in working capital		275,154	684,067
Decrease in debtors, deposits and prepayments		80,731	1,941,473
(Increase) decrease in completed properties held for sale		(94,334)	309,948
Decrease (increase) in properties under development for sale		1,651,149	(997,246)
Increase (decrease) in creditors and accrued charges		113,963	(2,937,647)
(Decrease) increase in deposits from pre-sale of properties		(2,310,409)	240,146
Payment for land leases		(1,197,439)	(730,992)
Cash used in operations		(1,481,185)	(1,490,251)
Income tax paid		(249,578)	(204,851)
Net cash used in operating activities		(1,730,763)	(1,695,102)
Investing activities			
Dividends received from infrastructure joint ventures		410,898	474,504
Returns on investments from infrastructure joint ventures		671,647	255,211
Decrease (increase) in pledged bank deposits		67,860	(57,538)
Proceeds on disposal of interests in infrastructure joint ventures	34	62,697	128,000
Interest received		24,660	96,958
Proceeds on disposal of property, plant and equipment		2,168	666
Increase in long-term receivables		(114,027)	(12,000)
Purchases of property, plant and equipment		(86,360)	(85,889)
Acquisition of additional interest in a subsidiary		(16,979)	—
Net cash outflow from acquisition of subsidiaries	33	(7,847)	(685,849)
Acquisition of an associate	33	—	(275,741)
Repayment from a related company		—	363,636
Repayment of deferred consideration arising from disposal of an infrastructure joint venture		—	31,067
Capital contributions to infrastructure joint ventures		—	(8,911)
Loans to associates		—	(806,896)
Loan to a joint venture		—	(66,316)
Additions to prepaid lease payments for land		—	(51,277)
Net cash from (used in) investing activities		1,014,717	(700,375)

Consolidated Cash Flow Statement (continued)

For the year ended 31 December 2008

	2008 HK\$'000	2007 HK\$'000
Financing activities		
New borrowings raised	2,103,839	4,826,117
Issue of ordinary shares	213	670,308
Repayment of borrowings	(1,821,737)	(1,623,113)
Interest paid	(448,839)	(393,328)
Dividends paid	(248,286)	(372,698)
Repurchase of ordinary shares	(43,757)	—
Expenses incurred in connection with the issue of shares	—	(10,368)
	<hr/>	<hr/>
Net cash (used in) from financing activities	(458,567)	3,096,918
	<hr/>	<hr/>
Net (decrease) increase in cash and cash equivalents	(1,174,613)	701,441
	<hr/>	<hr/>
Cash and cash equivalents at beginning of the year	1,858,941	1,113,374
	<hr/>	<hr/>
Effect of foreign exchange rate changes	111,770	44,126
	<hr/>	<hr/>
Cash and cash equivalents at end of the year, represented by bank balances and cash	796,098	1,858,941
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

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 through the infrastructure joint ventures 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, the following amendments and new interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) - Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) - Int 12	Service Concession Arrangements
HK(IFRIC) - Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The Directors have made an assessment on the impact of the new HKFRSs, especially the HK(IFRIC) – Int 12 "Service Concession Arrangements". Upon the adoption of HK(IFRIC) – Int 12, the service concession rights held by the Group's infrastructure joint ventures are no longer recognised as property, plant and equipment and are recorded as intangible assets. There is no change in the method of amortisation of concession intangible assets as stated in the accounting policy in note 3 before and after the adoption of HK(IFRIC) – Int 12. As these joint ventures are accounted for by the Group on an equity accounting basis, the Directors concluded that the adoption of these new HKFRSs had no material effects on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment was required.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

2. Application of New and Revised Hong Kong Financial Reporting Standards (Continued)

The Group has not early applied the new and revised standards, amendments and interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 23 (Revised)	Borrowing Costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKAS 39 (Amendment)	Eligible Hedged Items ³
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ²
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ²
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments ²
HKFRS 8	Operating Segments ²
HK(IFRIC) - Int 9 & HKAS 39 (Amendments)	Embedded Derivatives ⁴
HK(IFRIC) - Int 13	Customer Loyalty Programmes ⁵
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate ²
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation ⁶
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners ³
HK(IFRIC) - Int 18	Transfers of Assets from Customers ⁷

¹ Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 January 2009

³ Effective for annual periods beginning on or after 1 July 2009

⁴ Effective for annual periods ending on or after 30 June 2009

⁵ Effective for annual periods beginning on or after 1 July 2008

⁶ Effective for annual periods beginning on or after 1 October 2008

⁷ Effective for transfers on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

The application of the amendment to HKAS 40 "Investment Property" arising from improvements to HKFRSs may affect the accounting for property under construction or development for future use as an investment property of the Group. The amendment to HKAS 40 brings such property within the scope of HKAS 40 which, therefore, shall be accounted for under the fair value model in accordance with the Group's accounting policy. Such property is currently accounted for at cost less impairment in accordance with HKAS 16 "Property, Plant and Equipment". The amendment is to be applied prospectively and is effective for the Group's financial year beginning on or after 1 January 2009.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

2. Application of New and Revised Hong Kong Financial Reporting Standards (Continued)

HK(IFRIC) - Int 15 clarifies the timing of revenue recognition in relation to real estate sales, which will be effective for annual periods beginning on or after 1 January 2009. The Directors have made assessment on the potential impact of this interpretation and concluded that no material effect on the results or financial position of the Group will be affected.

The Directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis except for investment properties 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 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.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

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 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.

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.

Sale of properties

Income from sale of properties is recognised upon the relevant properties have been completed and delivered to the purchasers pursuant to the sales agreement. Deposits received from sale of properties are recorded as "Deposits from pre-sale of properties" under current liabilities.

Property rentals

Rentals receivable under operating leases are recognised and credited to the consolidated income statement on a straight line basis over the relevant lease term.

Contingent rental income (representing income over and above base rent) such as turnover rent, is recognised according to the terms of the lease agreements when the amount can be reliably measured, in the accounting period in which they are earned.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

3. Significant Accounting Policies (Continued)

Revenue recognition (Continued)

Others

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

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.

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.

Prepaid lease payments for land

The prepaid lease payments represent payment for land use rights, other than those included in the properties under development for sale, which are initially recognised at cost and released to consolidated income statement over the lease term on a straight line basis.

Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gain or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. 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 asset) is included in the consolidated income statement in the year in which the item is derecognised.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

3. Significant Accounting Policies (Continued)

Properties under development for investment properties

Property that is being constructed or developed for future use as an investment property is classified as property under development and carried at cost less recognised impairment loss until construction or development is complete, at which time it is reclassified to and subsequently accounted for as investment property carried at fair value. Any difference between fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

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 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 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 net assets of the jointly controlled entities 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.

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.

Toll road operation right of joint ventures

The concession intangible assets, which are the toll road operation rights of the Group's infrastructure joint ventures, are amortised to write off their cost, over their expected useful lives or the remaining concession period, whichever is shorter, commencing from the date of commencement of operation of the underlying toll roads using an amortisation method which reflects the pattern in which the intangible asset's future economic benefits are expected to be consumed.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

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.

The cost of properties under development for sale comprises land costs, construction costs, borrowing costs capitalised according to the Group's accounting policy and directly attributable expenses incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

3. Significant Accounting Policies (Continued)

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 re-translated 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 re-translated.

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).

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.

The Group as lessor

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

Contingent rental income (representing income over and above base rent) such as turnover rent, is recognised according to the terms of the lease agreements when the amount can be reliably measured, in the accounting period in which they are earned.

The Group as lessee

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

3. Significant Accounting Policies (Continued)

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.

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 profit 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

3. Significant Accounting Policies (Continued)

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.

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.

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 and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss 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 loss on financial assets below).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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;
- 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.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

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.

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".

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

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. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

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.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

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.

Amortisation of toll road operation rights

Amortisation of toll road 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.

Estimated impairment of available-for-sale financial assets

For available-for-sale financial assets, they are stated at cost less impairment and the deterioration in the financial position of the Tianjin Companies (as defined in note 23) and the decline in market values of the properties held by the Tianjin Companies are considered to be objective evidence of impairment. Judgment is required when determining whether it is necessary to make any impairment on the investment cost in the Tianjin Companies.

In carrying out the impairment review by the Group, the fair values of the properties held by the Tianjin Companies, including land, properties under development and completed properties held for sale, have 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.

In addition, as mentioned in note 23, the management of the Group has carried out sufficient due diligence works to verify the ownership of the properties and the actual and contingent liabilities of the Tianjin Companies. In 2006, the PRC government had reinforced the compliance of regulation on idle land confiscation which was issued by the Ministry of Land Resources of the PRC on 26 April 1999. Certain land currently held by the Tianjin Companies may be potentially classified as idle land. The management of the Group has assessed the issue, and based on the legal advice, as long as the Group can resume the project development of Tianjin Companies shortly, the idle land confiscation and potential penalty charge will not be materialised.

Against these backgrounds, the Directors are of the opinion that it is not necessary to make any impairment on the investment cost in the Tianjin Companies.

Bank guarantees to the Tianjin Companies

As at 31 December 2008, the Group has given bank guarantees to the Tianjin Companies. No provision has been made in the consolidated financial statements in respect of the full bank guarantees amount given to the Tianjin Companies, and details of the judgment of the Directors of the Company are set out in note 38.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

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 30, 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 which incorporates the planned construction projects and takes 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

	2008 HK\$'000	2007 HK\$'000
Financial assets		
Loans and receivables at amortised cost (including cash and cash equivalents)	2,224,724	3,210,335
Available-for-sale investments	632,787	592,821
Financial liabilities		
Liabilities at amortised cost	8,813,152	8,374,595
Financial guarantee contracts	20,337	13,000

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

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 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 arise. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
United States dollars	68,939	185,682	6,006,545	5,907,877
Hong Kong dollars	147,006	99,775	508,989	129,350

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

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 currencies. For a 5% weakening of Renminbi against the relevant currencies, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	Profit or loss	
	2008	2007
	HK\$'000	HK\$'000
United States dollars	296,880	286,110
Hong Kong dollars	18,099	1,479

The Group's sensitivity to foreign currency has increased during the year ended 31 December 2008, mainly attributable to the larger outstanding bank and other borrowings denominated in United States dollars.

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 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 borrowings which carry at fixed interest rates. 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

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 2008 would decrease/increase by HK\$10,583,000 (2007: decrease/increase by HK\$6,516,000) after capitalisation of additional finance costs in properties under development for sale of HK\$22,597,000 (2007: HK\$22,367,000). This is mainly attributable to the increase in the bank and other borrowings.

(ii) Credit risk management

As at 31 December 2008, 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 management of the Company considers that the credit risk on liquid funds is low as counterparties are banks which do not have liquidity problem.

Other than the long-term receivables as mentioned in note 22, 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 are receivables of HK\$551,858,000 (2007: HK\$391,336,000) which are secured by the properties held by an independent third party, and the Directors of the Company considered that the credit risk exposure has been reduced accordingly.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

6. Financial Instruments (Continued)

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

(ii) Credit risk management (Continued)

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 for the amount up to 70% of their total purchase price of the properties. 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 current market condition, the mortgage facilities are secured by the properties with the market price higher than the guaranteed amounts. 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 2008, the Group has available unutilised banking facilities of HK\$175,281,000 (2007: HK\$937,895,000).

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

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	Carrying amount HK\$'000
							cash	
							flows	
2008								
Creditors and accrued charges	—	1,629,534	3,152	17,853	—	—	1,650,539	1,650,539
Financial guarantee contracts	—	20,337	—	—	—	—	20,337	20,337
Bank and other borrowings								
- fixed rate	6.92	415,462	358,757	451,365	2,020,409	1,619,339	4,865,332	3,836,301
- floating rate	4.53	325,016	733,532	544,221	2,166,411	—	3,769,180	3,326,312
		<u>2,390,349</u>	<u>1,095,441</u>	<u>1,013,439</u>	<u>4,186,820</u>	<u>1,619,339</u>	<u>10,305,388</u>	<u>8,833,489</u>
2007								
Creditors and accrued charges	—	1,429,025	11,840	210,012	—	—	1,650,877	1,650,877
Financial guarantee contracts	—	13,000	—	—	—	—	13,000	13,000
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
- floating rate	6.69	199,949	99,757	615,134	2,736,238	—	3,651,078	2,893,498
		<u>2,013,343</u>	<u>503,604</u>	<u>1,240,349</u>	<u>4,865,465</u>	<u>1,712,619</u>	<u>10,335,380</u>	<u>8,387,595</u>

(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 at initial recognition 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 30, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

7. Revenue

An analysis of the Group's revenue for the year is as follows:

	2008 HK\$'000	2007 HK\$'000
Revenue of the Group		
Sale of completed properties held for sale	<u>4,630,672</u>	<u>2,407,770</u>
Share of toll revenue of infrastructure joint ventures	<u>1,698,633</u>	<u>1,281,524</u>
Revenue of the Group and share of revenue of infrastructure joint ventures	<u>6,329,305</u>	<u>3,689,294</u>

8. Segmental Information

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

Toll road	- development, operation and management of toll roads through the infrastructure joint ventures
Property development	- development and sale of properties

The Group's revenue and profit for the year ended 31 December 2008 by business activities and geographical markets are as follows:

By business segments:

	Toll road HK\$'000	Property development HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
2008				
Revenue	<u>—</u>	<u>4,630,672</u>	<u>—</u>	<u>4,630,672</u>
Segment results	(18,649)	(10,359)	—	(29,008)
Gain on disposal of interest in an infrastructure joint venture	10,272	—	—	10,272
Interest income	—	—	19,972	19,972
Corporate income	—	—	335,561	335,561
Corporate expenses	—	—	(46,374)	(46,374)
Share of results of joint ventures	899,617	10,142	—	909,759
Finance costs	—	—	(156,855)	(156,855)
Profit before taxation				1,043,327
Income tax expenses				(366,693)
Profit for the year				<u>676,634</u>

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

8. Segmental Information (Continued)

By business segments: (Continued)

	Toll road HK\$'000	Property development HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Consolidated Balance Sheet				
Assets				
Segment assets	16,950	12,981,014	—	12,997,964
Interests in joint ventures	5,260,470	29,213	—	5,289,683
Loan to a joint venture	—	70,787	—	70,787
Unallocated corporate assets	—	—	2,550,708	2,550,708
Total assets				<u>20,909,142</u>
Liabilities				
Segment liabilities	438	3,675,890	—	3,676,328
Unallocated corporate liabilities	—	—	7,699,212	7,699,212
Total liabilities				<u>11,375,540</u>
Other information				
Capital additions	44	89,799	91	89,934
Depreciation	191	12,961	806	13,958

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

8. Segmental Information (Continued)

By business segments: (Continued)

	Toll road HK\$'000	Property development HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
2007				
Revenue	—	2,407,770	—	2,407,770
Segment results	(17,597)	441,909	—	424,312
Gain on disposal of interests in infrastructure joint ventures	11,130	—	—	11,130
Interest income	—	—	96,189	96,189
Corporate income	—	—	367,792	367,792
Corporate expenses	—	—	(179,175)	(179,175)
Share of results of joint ventures	574,835	2,272	—	577,107
Share of results of an associate	—	12,267	—	12,267
Finance costs	—	—	(100,670)	(100,670)
Profit before taxation				1,208,952
Income tax expenses				(342,811)
Profit for the year				866,141
Consolidated Balance Sheet				
Assets				
Segment assets	21,448	12,659,828	—	12,681,276
Interests in joint ventures	5,152,386	17,707	—	5,170,093
Loans to joint ventures	—	81,196	—	81,196
Unallocated corporate assets	—	—	3,495,790	3,495,790
Total assets				21,428,355
Liabilities				
Segment liabilities	2,148	5,645,633	—	5,647,781
Unallocated corporate liabilities	—	—	7,156,631	7,156,631
Total liabilities				12,804,412
Other information				
Capital additions	276	98,853	1,401	100,530
Depreciation	314	2,607	1,183	4,104
Share-based payments	—	—	66,783	66,783

By geographical segments:

Over 90% of the Group's turnover and contribution to operation profit is attributable to customers in the PRC. Accordingly, no analysis of geographical segment is presented in both years.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

9. Share of Results of Joint Ventures

	2008 HK\$'000	2007 HK\$'000
Share of post-acquisition profits of infrastructure joint ventures before amortisation and taxation	1,220,488	931,084
Less: Amortisation of toll road operation rights	(208,821)	(201,756)
Current tax	(100,050)	(70,093)
Deferred tax	(12,000)	(84,400)
	899,617	574,835
Share of post-acquisition profits of other joint ventures	10,142	2,272
	909,759	577,107

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

Deferred tax has been provided for temporary differences between the carrying amount of toll road 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 that enjoyed preferential rate of 15% or lower up to 31 December 2007, based on a grandfathering provision, the tax rate increases progressively to 25% over five years from 1 January 2008 onwards.

10. Finance Costs

	2008 HK\$'000	2007 HK\$'000
Interest on:		
Borrowings wholly repayable within five years	319,882	311,430
Borrowings not wholly repayable within five years	122,468	73,851
Total borrowing costs	442,350	385,281
Other finance costs	27,254	29,649
	469,604	414,930
Less: Capitalised in properties under development for sale	(312,749)	(314,260)
	156,855	100,670

Borrowing costs capitalised during the year are calculated by applying an average capitalisation rate of 5.71% (2007: 6.76%) per annum to expenditure on qualifying assets.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

11. Profit Before Taxation

	2008 HK\$'000	2007 HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	15,021	5,824
Less: Capitalised in properties under development for sale	<u>(1,063)</u>	<u>(1,720)</u>
	<u>13,958</u>	<u>4,104</u>
Operating lease rentals in respect of leasehold land, premises and equipment	22,725	4,293
Less: Capitalised in properties under development for sale	<u>(817)</u>	<u>(888)</u>
	<u>21,908</u>	<u>3,405</u>
Amortisation of prepaid lease payment for land	1,461	1,365
Less: Capitalised in property, plant and equipment	<u>(1,461)</u>	<u>(1,365)</u>
	<u>—</u>	<u>—</u>
Staff costs	178,422	116,145
Share-based payments	—	31,508
Provident fund scheme contributions, net of forfeited contributions of HK\$343,000 (2007: HK\$335,000)	24,635	15,140
Less: Capitalised in properties under development for sale	<u>(52,278)</u>	<u>(23,477)</u>
Total staff costs (excluding Directors' emoluments)	<u>150,779</u>	<u>139,316</u>
Auditor's remuneration	5,327	3,974
Loss on disposal of property, plant and equipment	1,017	251
Cost of inventories recognised as an expense	4,110,060	1,741,789
Share of tax of an associate	—	21,742
and after crediting:		
Bank interest income	15,320	40,454
Gain on disposal of interests in infrastructure joint ventures (Note 34)	10,272	11,130
Net exchange gain included in other income	<u>335,384</u>	<u>358,675</u>

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

12. Directors' and Employees' Emoluments

Directors' emoluments

	Directors' fees HK\$'000	Salaries and allowances HK\$'000	Performance related bonus HK\$'000	Retirement scheme contributions HK\$'000	2008 Total HK\$'000
Executive Directors					
Zen Wei Pao, William	—	4,750	8,102	475	13,327
Ko Yuk Bing	—	3,762	6,560	376	10,698
Chan Kam Hung	—	2,402	2,296	240	4,938
Fong Shiu Leung, Keter	—	1,901	1,467	190	3,558
Zen Wei Peu, Derek	—	3,500	—	12	3,512
Non-executive Directors					
Hu Aimin	180	—	—	—	180
Zhang Yijun	180	—	—	—	180
Independent Non-executive Directors					
Chan Hing Chiu, Vincent	120	—	—	—	120
Chow Shiu Kee, Stephen	315	—	—	—	315
Lau Sai Yung	324	—	—	—	324
Chow Ming Kuen, Joseph	188	—	—	—	188
Choy Kwok Hung, Patrick	188	—	—	—	188
	1,495	16,315	18,425	1,293	37,528
2007					
	Directors' fees HK\$'000	Salaries and allowances HK\$'000	Performance related bonus HK\$'000	Retirement scheme contributions HK\$'000	2007 Total HK\$'000
Executive Directors					
Zen Wei Pao, William	—	6,202	—	12	6,214
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
Non-executive Directors					
Hu Aimin	180	—	—	—	180
Zhang Yijun	180	—	—	—	180
Independent Non-executive Directors					
Chan Hing Chiu, Vincent	300	—	—	—	300
Chow Shiu Kee, Stephen	300	—	—	—	300
Lau Sai Yung	300	—	—	—	300
	1,260	16,755	13,192	780	31,987

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 2008 and 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

13. Income Tax Expenses

	2008 HK\$'000	2007 HK\$'000
Current tax:		
PRC enterprise income tax	128,034	150,727
PRC Land Appreciation Tax ("LAT")	115,124	107,299
	<u>243,158</u>	<u>258,026</u>
Deferred tax (Note 31):		
Current year	123,535	80,021
Attributable to a change in tax rate	—	4,764
	<u>123,535</u>	<u>84,785</u>
	<u>366,693</u>	<u>342,811</u>

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

The PRC enterprise income tax of subsidiaries is calculated at a statutory tax rate of 25% (2007: 33%).

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations.

On 16 March 2007, the National People's Congress approved the Enterprise Income Tax Law of the People's Republic of China (the "new EIT Law"), which became effective from 1 January 2008. According to the new EIT Law, both domestic and foreign invested enterprises are subject to a unified income tax rate of 25%. The 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 were abolished simultaneously. Detailed measures of the new EIT 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 were issued in December 2007. The deferred tax balance had been adjusted during the year ended 31 December 2007 to reflect the tax rates that were expected to apply to the respective periods when the asset is realised or the liability is settled.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

13. Income Tax Expenses (Continued)

According to a joint circular of the Ministry of Finance and State Administration of Taxation, Cai Shui [2008] No. 1, dividends distributed out of the profits generated before 1 January 2008 to foreign shareholders of a foreign investment enterprise were exempted from withholding income tax whereas dividends distributed out of profits generated since 1 January 2008 shall be subject to withholding income tax pursuant to Articles 3 and 27 of the new EIT Law and Article 91 of the new Detailed Rules for the Implementation of the new EIT Law. Accordingly, deferred tax liability of HK\$46,000,000 on the undistributed earnings of subsidiaries and joint ventures has been charged to the consolidated income statement for the year.

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

	2008 HK\$'000	2007 HK\$'000
Profit before taxation	<u>1,043,327</u>	<u>1,208,952</u>
Tax at the applicable income tax rate of 25% (2007: 33%) (Note)	260,832	398,954
LAT provision	115,124	107,299
Tax effect of LAT	(28,781)	(35,409)
Tax effect of expenses not deductible for tax purpose	242,700	198,507
Tax effect of income not taxable for tax purpose	(104,492)	(151,990)
Tax effect of share of results of joint ventures	(227,440)	(190,445)
Tax effect of share of results of an associate	—	(4,048)
Tax effect of tax losses not recognised	36,679	19,206
Tax effect on temporary differences not recognised	21,980	—
Tax effect of utilisation of tax losses previously not recognised	(7,557)	(4,027)
Deferred tax on undistributed earnings of PRC subsidiaries and joint ventures	46,000	—
Tax effect of change in tax rate	—	4,764
Others	<u>11,648</u>	<u>—</u>
Income tax for the year	<u>366,693</u>	<u>342,811</u>
Effective tax rate for the year	<u>35.1%</u>	<u>28.4%</u>

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

14. Dividends Paid

	2008 HK\$'000	2007 HK\$'000
2007 final dividend paid of HK\$0.28 (2007: HK\$0.26 for 2006) per share	210,752	192,790
2008 interim dividend paid of HK\$0.05 (2007: HK\$0.24) per share	37,534	179,908
	248,286	372,698

A final dividend in respect of 2008 of HK\$0.20 per share amounting to a total of approximately HK\$148,000,000 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 2009.

The amount of the final dividend proposed has been calculated on the basis of 738,926,566 shares in issue as at 31 March 2009.

15. Earnings Per Share

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

	2008 HK\$'000	2007 HK\$'000
Earnings for the purposes of basic and diluted earnings per share attributable to the shareholders of the Company	656,429	851,067
	2008 Number of shares	2007 Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	750,694,000	736,404,000
Effect of dilutive potential ordinary shares: Share options	662,000	8,597,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	751,356,000	745,001,000

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

16. Property, Plant and Equipment

	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
Cost							
At 1 January 2007	—	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
Additions	61,185	—	14,838	8,796	—	3,002	87,821
Disposals	—	(154)	(64)	(2,119)	—	(5,567)	(7,904)
Transfer to investment properties	(124,810)	—	—	—	—	—	(124,810)
Acquisition of subsidiaries (note 33)	—	712	—	195	905	301	2,113
Exchange adjustments	5,128	38	96	787	—	1,891	7,940
At 31 December 2008	17,575	1,156	19,444	25,625	905	21,969	86,674
Depreciation							
At 1 January 2007	—	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
Charge for the year	—	17	5,077	5,615	—	4,312	15,021
Eliminated on disposals	—	(37)	(64)	(1,455)	—	(3,163)	(4,719)
Exchange adjustments	—	14	127	716	—	536	1,393
At 31 December 2008	—	190	8,816	12,580	—	7,742	29,328
Carrying values							
At 31 December 2008	17,575	966	10,628	13,045	905	14,227	57,346
At 31 December 2007	76,072	364	898	10,262	—	16,285	103,881

Note: Properties under development for investment properties are located in the PRC and held under medium term lease. During the year, certain properties have been completed and transferred to investment properties.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

16. Property, Plant and Equipment (Continued)

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

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	20% - 30%
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.

17. Prepaid Lease Payments for Land

	2008 HK\$'000	2007 HK\$'000
Land in the PRC on medium-term lease	34,231	51,277
Analysed for reporting purposes as:		
Non-current asset	33,293	49,912
Current asset	938	1,365
	34,231	51,277

During the year, certain properties have been completed and the corresponding prepaid lease payments for land of HK\$19,041,000 are transferred to investment properties.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

18. Investment Properties

	HK\$'000
Fair value	
Reclassified from properties under development for investment properties (Note 16)	124,810
Reclassified from prepaid lease payments for land (Note 17)	19,041
	<hr/>
At 31 December 2008	<u>143,851</u>

During the year, development cost amounting to HK\$124,810,000 and prepaid lease payments for land of HK\$19,041,000 were transferred from the balances of properties under development for investment properties and prepaid lease payments for land respectively to investment properties upon the completion of the development of certain investment properties. The fair values of such investment properties at the date of transfer and at 31 December 2008 were determined by reference to valuations carried out by an independent firm of professional valuers not connected with the Group. The fair value of the vacant portion were arrived at by reference to market evidence of transaction prices for similar properties in the same location. The fair value of occupied properties were arrived at by reference to capitalised income to be derived from the existing tenancies and the reversionary income potential of the properties or, where appropriate, by reference to market evidence of transaction prices for similar properties in the same locations and conditions. Since the fair value of the properties at 31 December 2008 is similar to the carrying amount and fair value of the properties at the completion date, no revaluation gain upon completion of the properties and change in fair value is recognised in profit or loss.

The investment properties are situated in the PRC under medium term lease. All of the Group's leasehold interests in land held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

19. Interests in Joint Ventures

	2008 HK\$'000	2007 HK\$'000
Interests in infrastructure joint ventures		
Cost of investments	5,315,447	5,491,426
Share of post-acquisition undistributed profits and reserves	3,720,225	2,965,010
Return of cost of investments (Note)	(3,775,202)	(3,304,050)
	<u>5,260,470</u>	<u>5,152,386</u>
Interests in other joint venture(s)		
Cost of investments	16,123	16,124
Share of post-acquisition profits and reserves	13,090	1,583
	<u>29,213</u>	<u>17,707</u>
	<u>5,289,683</u>	<u>5,170,093</u>

Note: The infrastructure joint ventures distribute the cash surplus to the Group on 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, the amount of operating expenses and capital expenditure incurred by the joint ventures.

Infrastructure joint ventures

All infrastructure joint ventures are co-operative joint ventures established and operating in the PRC, details of which at 31 December 2008 and 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% #	Construction and management of Hefei - Luan Highway, (Hefei Section) in Anhui, the 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% * #	Investment in and development, operation and management of National Highway 206 Hefei - Huainan Highway (Dayang Section) in Anhui, the 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% * #	Investment in and development, operation and management of National Highway 206 Hefei - Huainan Highway (Yangjin Section) in Anhui, the PRC
Anhui Road Universe Luan Highway Development Co., Ltd. 安徽路宇六安公路開發有限公司	RMB92,400,000	50% #	Construction and management of Hefei - Luan Highway, (Luan Section) in Anhui, the PRC

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

19. Interests in Joint Ventures (Continued)

Infrastructure joint ventures (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
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% #	Investment in and development, operation and management of Provincial Highway 307 Bengbu Huaihe Bridge in Anhui, the 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% #	Investment in and development, operation and management of Provincial Highway 307 Bengbu Huaiyuan - Mengcheng Highway in Anhui, the 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% #	Investment in and construction, operation and management of Bengbu Chaoyanglu Huaihe Highway Bridge in Anhui, the PRC
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, the 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, the 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 in Hebei, the 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 in Hebei, the PRC

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

19. Interests in Joint Ventures (Continued)

Infrastructure joint ventures (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
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, the 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, the 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, the 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, the 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, the PRC
Hebei Baoli Expressway Co., Ltd. 河北保利高速公路有限公司	RMB38,944,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Xiong xian East) in Hebei, the PRC
Hebei Baoming Expressway Co., Ltd. 河北保明高速公路有限公司	RMB36,012,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Bazhou - Tianjinjie) in Hebei, the PRC
Hebei Baosheng Expressway Co., Ltd. 河北保昇高速公路有限公司	RMB38,603,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Xiong xian West) in Hebei, the PRC
Hebei Baoyi Expressway Co., Ltd. 河北保怡高速公路有限公司	RMB38,630,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Rong Cheng) in Hebei, the PRC

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

19. Interests in Joint Ventures (Continued)

Infrastructure joint ventures (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Hebei Baoyu Expressway Co., Ltd. 河北保裕高速公路有限公司	RMB38,971,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Bazhou West) in Hebei, the PRC
Hebei Tanghui Expressway Co., Ltd. 河北唐惠高速公路有限公司	RMB129,296,000	45% #	Investment in and operation and management of Hebei Tangjin Expressway (Chenzhuang - Fengnan) in Hebei, the PRC
Hebei Tangjin Expressway Co., Ltd. 河北唐津高速公路有限公司	RMB112,635,000	45% #	Investment in and operation and management of Hebei Tangjin Expressway (Fengnan - Jijinjie) in Hebei, the PRC
Hebei Tangrun Expressway Co., Ltd. 河北唐潤高速公路有限公司	RMB77,636,000	45% #	Investment in and operation and management of Hebei Tangjin Expressway (Shuangmiao - Chenzhuang) in Hebei, the 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% #	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Baining Section) in Hunan, the 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% #	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Cangyi Section) in Hunan, the PRC
Hunan Changyi Expressway Co., Ltd. 湖南長益高速公路有限公司	RMB98,554,000	43.17% #	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Changbai Section) in Hunan, the 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% #	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Hengchang Section) in Hunan, the PRC

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

19. Interests in Joint Ventures (Continued)

Infrastructure joint ventures (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
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% #	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Ningheng Section) in Hunan, the 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% #	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Zijiang No. 2 Bridge) in Hunan, the 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% #	Construction and management of Liuan - Yeji Highway (Western Section) in Anhui, the 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% #	Construction and management of Pihe Bridge in Anhui, the PRC
Luodingshi Luochong Highway Co., Ltd. 羅定市羅沖一級公路有限公司	RMB96,800,000	61% **@	Construction and management of National Highway 324 Luoding - Chonghua Highway in Guangdong, the 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% #	Investment in and development, operation and management of National Highway 311 & Provincial Highway 103 Xuchang - Nanyang Highway, (Xiangcheng Section) in Henan, the 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% #	Investment in and development, operation and management of Provincial Highway 103 Xuchang - Nanyang Highway, (Yexian Section) in Henan, the PRC
Shanxi Lutong Dongguan Highway Co., Ltd. 山西路通東觀公路有限公司	RMB82,340,000	65% * #	Investment in and development, operation and management of National Highway 108 Yuci Dongchangshou - Qixian Dongguan Highway in Shanxi, the PRC

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

19. Interests in Joint Ventures (Continued)

Infrastructure joint ventures (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Shanxi Lutong Taiyu Highway Co., Ltd. 山西路通太榆公路有限公司	RMB83,414,000	65% * #	Construction and management of Taiyuan - Yuci Highway in Shanxi, the PRC
Shanxi Lutong Yuci Highway Co., Ltd. 山西路通榆次公路有限公司	RMB66,412,000	65% * #	Construction and management of National Highway 108 Yuci City Bypass in Shanxi, the 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, the 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% * #	Construction and management of National Highway 307, Shijiazhuang - Gaocheng Highway in Hebei, the 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% * #	Construction and management of National Highway 307, Gaocheng - Jinzhou Highway in Hebei, the 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, the 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.

@ The joint venture was disposed of in 2008.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

19. Interests in Joint Ventures (Continued)

Particulars of the Group's interest in other joint ventures as at 31 December 2008 and 2007 are as follows:

Property development joint venture

Name of entity	Place of establishment	Principal place of business	Attributable interest to the Group	Principal activity
上海順馳方城置業有限公司 ("Shanghai Fengcheng")	PRC	PRC	31.5%	Property development

Other joint venture

Name of entity	Place of establishment	Principal place of business	Attributable interest to the Group	Principal activity
Value Ahead Limited (Note)	British Virgin Islands ("BVI")	PRC	60%	Investment holding

Note: As mentioned in note 33 (i), the joint venture has become a wholly-owned subsidiary of the Company in 2008.

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

	2008 HK\$'000	2007 HK\$'000
Income	<u>1,832,810</u>	<u>1,453,152</u>
Expenses	<u>(923,051)</u>	<u>(876,045)</u>
Assets	<u>7,471,495</u>	<u>7,373,152</u>
Liabilities	<u>(2,181,812)</u>	<u>(2,203,059)</u>

20. Loan(s) to Joint Venture(s)

At 31 December 2008, the loans to joint ventures of HK\$70,787,000 (2007: HK\$81,196,000) included loans to Shanghai Fengcheng amounting to HK\$70,787,000 (2007: HK\$66,316,000), which was unsecured, carried interest at a fixed rate of 8.4% (2007: 5.58%) per annum and repayable before September 2009 and the remaining balance of HK\$14,880,000 at 31 December 2007 was the loan to Value Ahead Limited, which was unsecured, interest-free and with no fixed repayment terms.

As the loans to Shanghai Fengcheng will be fully settled within one year, this has been classified as current asset at 31 December 2008.

In 2008, the loan to Value Ahead Limited was fully settled by cash upon the completion of acquisition of the subsidiary as mentioned in note 33(i).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

21. Loans to Related Companies

The loans to related companies of HK\$54,700,000 (2007: HK\$54,700,000), in which HK\$31,500,000 (2007: HK\$31,500,000) were denominated in United States dollars and HK\$23,200,000 (2007: HK\$23,200,000) 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 the London Interbank Offered Rate ("LIBOR") or Hong Kong Interbank Offered Rate plus 1.7% per annum and are wholly repayable in 2010.

22. Long-Term Receivables

	2008 HK\$'000	2007 HK\$'000
Minimum income undertakings (Note (i))	10,344	14,743
Deferred consideration on disposal of an infrastructure joint venture (Note (ii))	14,157	27,053
Amount due from Huge Rise Investments Limited ("Huge Rise") (Note (iii))	551,858	391,336
	<u>576,359</u>	<u>433,132</u>

Notes:

- (i) Included in long-term receivables and debtors aged more than 90 days of the Group are the amounts of HK\$10,344,000 (2007: HK\$14,743,000) and HK\$5,911,000 (2007: HK\$970,000) as disclosed in note 26, 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.
- (ii) The balance of HK\$14,157,000 (2007: HK\$27,053,000) represented the deferred consideration which arose 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\$14,719,000 (2007: HK\$15,564,000) (see note 26) has been included in other receivables of the Group. The amounts will be fully repaid in 2010.
- (iii) The balance represented the cash advance to Tianjin Sunco Real Estate Company Limited ("Tianjin Sunco WOFE"), a company controlled by 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. At 31 December 2008, the Group has provided temporary finance to Tianjin Sunco WOFE amounting to HK\$551,858,000 for the property development in the PRC. The amount is secured by the assets of the Huge Rise and its subsidiaries ("Huge Rise Group") to the extent of the outstanding amount. The Directors of the Company considered that the credit risk of the amount due from Huge Rise is limited as the assets consisted of land and other properties owned by the Huge Rise Group with their fair values of approximately HK\$587,000,000 which is higher than the outstanding balance. The fair value of such assets were arrived at by reference to market evidence of transaction prices for similar properties.

The amount is carried at fixed interest rate which is still subject to negotiation with Huge Rise.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

23. 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 Holdings Company Limited ("Sunco Property"), entered into sale and purchase agreements with certain subsidiaries of Sunco Real Estate Investment Limited ("Sunco Real Estate"), being the vendor, for the acquisition of, inter alia, 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\$632,787,000). Sunco Real Estate was controlled by Mr. Sun Hongbin ("Mr. Sun"), the then major beneficial owner of Sunco Property prior to the Group's acquisitions of Sunco Property as detailed in note 33(ii). Upon 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.

The Group's PRC legal counsel has confirmed that the legal procedures in respect of the acquisition of the Tianjin Companies by the Group have been completed and the acquisition was legally enforceable under the relevant laws in the PRC. However, the Group had 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 had not yet allowed the representatives of the Group to access the office of the Tianjin Companies, and had not yet handed over the official seals, the books and records as well as other relevant documents 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; (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; and (iii) issuing letters to the relevant banks in Tianjin to alert them to take extra care when entering into mortgage transactions with the customers and any other bank 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 the financial statements of the Tianjin Companies have not been consolidated into or equity accounted for in the Group's consolidated financial statements. Instead, the investments in the Tianjin Companies are accounted for as available-for-sale investments at each balance sheet date and have been recorded at cost less impairment as at 31 December 2008 and 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, in the opinion of the Directors, no impairment on the investment cost in the Tianjin Companies is considered necessary.

The Group commenced legal proceedings in the Tianjin Nankai District People's Court in October 2007 to enforce its rights and to assume effective control over the Tianjin Companies. However, the legal proceedings against the former management of the Tianjin Companies had been temporarily suspended in 2008 on the basis that unspecified facts which related to those proceedings might overlap with unspecified matters under investigation by Tianjin authorities.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

23. Available-for-Sale Investments (Continued)

In January 2009, the Company received a notice advising that an investigation on a criminal accusation by Tianjin authorities was officially dismissed. Based on the advice of the Group's PRC legal counsel, it is highly probable that the Group will be able to lift the suspension of the legal proceedings, which will result in the effective continuation of the Group's legal proceedings to assume the effective control over the Tianjin Companies. The Directors, based on advice of the Group's PRC legal counsel, are of the firm belief that the court ruling will be favourable to the Group and accordingly, the Group will be able to assume effective control over the Tianjin Companies in the foreseeable future. The Group will continue its best endeavours to pursue the lawsuit in order to assume effective control over the Tianjin Companies.

24. Inventory of Properties

	2008 HK\$'000	2007 HK\$'000
Completed properties held for sale	1,511,717	1,387,063
Properties under development for sale (Note)	10,517,533	8,992,400
	<u>12,029,250</u>	<u>10,379,463</u>

Note: Included in the amount are properties under development for sale of HK\$2,657,744,000 (2007: HK\$4,685,213,000) expected to be completed and delivered to the customers within twelve months from the balance sheet date.

25. Prepayment for Land Leases

As at 31 December 2008, a total prepayment of HK\$107,865,000 (2007: HK\$1,393,210,000) was made for the acquisition 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".

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

26. Debtors, Deposits and Prepayments

	2008 HK\$'000	2007 HK\$'000
Aged analysis of debtors:		
Within 60 days	12,279	11,554
60 to 90 days	340	5,477
More than 90 days	11,139	1,064
	<u>23,758</u>	<u>18,095</u>
Deferred consideration on disposal of an infrastructure joint venture (Note 22(ii))	14,719	15,564
Interest receivable	253	4,941
Prepayment of business tax and other taxes	101,573	191,430
Other receivables, deposits and prepayments (Note)	545,760	539,734
	<u>686,063</u>	<u>769,764</u>

Other than the minimum income undertakings as mentioned in note 22 (i), the debtors are mainly arisen from sale of properties. Consideration in respect of properties sold are paid in accordance with the terms of the related sale and purchase agreement, normally within 60 days from the agreement. Consideration under pre-sale contracts will be fully received prior to the delivery of the properties to the purchasers.

The Group has insignificant trade receivable balances which are past due at the reporting date. Included in trade debtors are minimum income undertakings of HK\$5,911,000 (2007: HK\$970,000) which are settled according to an agreed repayment schedule, the remaining trade debtor balance has been substantially settled subsequent to year end date, no impairment loss is recognised.

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 to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

26. Debtors, Deposits and Prepayments (Continued)

Note:

At 31 December 2008, included in other receivables, deposits and prepayments is an amount of HK\$31,461,000 (2007: HK\$95,166,000) 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 would be refunded if the Group failed to acquire the pieces of land during the tender. The public auction of these tender deposits paid will be taking place within one year and the amounts are classified as short-term deposits.

In November 2007, the Group and an independent third party ("Independent Party A") entered into a cooperative agreement with another independent third party ("Independent Party B"), a state-owned enterprise located in Jinan province, pursuant to which Independent Party B is responsible for carrying out development to render several pieces of land (the "Lands") suitable for commercial, office, tourism and public uses. The Group is responsible for the financing of the land development works. 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\$381,573,000 (2007: 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. 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.

Subsequent to 31 December 2008, in view of the current market conditions, the Group determined that they will not acquire the Lands through the public tender. As agreed with Independent Party B, the Group will be refunded the full amount of the development costs already paid together with a fixed return on the total costs incurred before 31 December 2009.

27. Pledged Bank Deposits/Bank Balances and Cash

Included in pledged deposits were bank balances of HK\$163,723,000 (2007: HK\$231,583,000) which are pledged as security in favour of banks for short-term facilities granted to the Group.

Bank balances carry interest at market rates which range from 0.02% to 1.17% (2007: 0.72% to 5.00%) per annum. The average effective interest rate of pledged deposits was 0.36% (2007: 0.77%) per annum.

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

	2008	2007
	HK\$'000	HK\$'000
Hong Kong dollars	119,667	68,246
United States dollars	34,573	132,775

Notes to the Consolidated Financial Statements (continued)

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28. Share Capital

	2008 Number of shares	2007 Number of shares	2008 HK\$'000	2007 HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each	<u>20,000,000,000</u>	<u>20,000,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
7.5% convertible preference shares ("CP shares") of HK\$0.1 each	<u>518,380</u>	<u>518,380</u>	<u>52</u>	<u>52</u>
Issued and fully paid:				
Ordinary shares				
At 1 January	752,646,566	690,076,566	75,265	69,008
Issue of shares upon exercise of share options	40,000	17,570,000	4	1,757
Placement of new shares	—	45,000,000	—	4,500
Shares repurchased and cancelled	<u>(13,760,000)</u>	<u>—</u>	<u>(1,376)</u>	<u>—</u>
At 31 December	<u>738,926,566</u>	<u>752,646,566</u>	<u>73,893</u>	<u>75,265</u>

As a result of the exercise of the Company's share options during the year, 40,000 (2007: 17,570,000) ordinary shares were issued by the Company as detailed in note 29.

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. 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 rank pari passu in all respects with the existing shares.

In addition, the Company repurchased its own shares through the Stock Exchange during the year as follows:

Month of repurchase	No. of ordinary shares of HK\$0.1 each	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
August 2008	626,000	6.16	5.85	3,746
September 2008	2,862,000	6.28	4.26	15,550
October 2008	8,454,000	4.30	1.65	20,310
November 2008	1,818,000	2.60	1.96	4,151
	<u>13,760,000</u>			<u>43,757</u>

The above shares were cancelled upon repurchase.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

29. 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 of the Company in order 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 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, lapsed/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.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

29. Share Option Scheme (Continued)

In 2007, 19,500,000 share options were granted under the share option scheme to Directors and employees for an aggregate consideration of HK\$118. The estimated fair values of the options granted were HK\$66,783,000. The fair values of the options were calculated using Binominal pricing model. The inputs into the model were as follows:

	2007
Share price at date of grant	HK\$15.50
Exercise price	HK\$14.85
Expected volatility	27.91%
Expected life	5 years
Risk-free rate	3.186%
Expected dividend yield	3.23%

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 expenses for the year ended 31 December 2007.

No share options were granted by the Group during the year.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

29. 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.

2008

Date of grant	Exercisable period	Exercise price HK\$	Balance at 1.1.2008	Exercised during the year	Lapsed/ cancelled during the year	Balance at 31.12.2008
Directors						
26 August 2004	26 August 2004 to 25 August 2009	5.70	140,000	—	—	140,000
14 December 2005	14 December 2005 to 13 December 2010	5.80	2,700,000	—	—	2,700,000
20 December 2006	20 December 2006 to 19 December 2011	11.66	10,050,000	—	(250,000)	9,800,000
6 November 2007	6 November 2007 to 5 November 2012	14.85	10,300,000	—	(100,000)	10,200,000
			<u>23,190,000</u>	<u>—</u>	<u>(350,000)</u>	<u>22,840,000</u>
Employees						
17 October 2003	17 October 2003 to 16 October 2008	5.15	135,000	(30,000)	(105,000)	—
26 August 2004	26 August 2004 to 25 August 2009	5.70	390,000	—	—	390,000
14 December 2005	14 December 2005 to 13 December 2010	5.80	110,000	(10,000)	—	100,000
20 December 2006	20 December 2006 to 19 December 2011	11.66	5,730,000	—	(1,538,000)	4,192,000
6 November 2007	6 November 2007 to 5 November 2012	14.85	9,160,000	—	(1,800,000)	7,360,000
			<u>15,525,000</u>	<u>(40,000)</u>	<u>(3,443,000)</u>	<u>12,042,000</u>
			<u>38,715,000</u>	<u>(40,000)</u>	<u>(3,793,000)</u>	<u>34,882,000</u>
Weighted average exercise price			<u>12.73</u>	<u>5.31</u>	<u>13.08</u>	<u>12.70</u>

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

29. Share Option Scheme (Continued)

2007

Date of grant	Exercisable period	Exercise price HK\$	Balance at 1.1.2007	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Balance at 31.12.2007
Directors							
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
			<u>25,650,000</u>	<u>10,300,000</u>	<u>(12,760,000)</u>	<u>—</u>	<u>23,190,000</u>
Employees							
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
			<u>11,210,000</u>	<u>9,200,000</u>	<u>(4,810,000)</u>	<u>(75,000)</u>	<u>15,525,000</u>
			<u>36,860,000</u>	<u>19,500,000</u>	<u>(17,570,000)</u>	<u>(75,000)</u>	<u>38,715,000</u>
Weighted average exercise price			<u>8.84</u>	<u>14.85</u>	<u>6.90</u>	<u>13.36</u>	<u>12.73</u>

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\$9.51 (2007: HK\$14.20).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

30. Bank and Other Borrowings

	2008 HK\$'000	2007 HK\$'000
Senior notes (Note (i))	2,681,952	2,634,176
Guaranteed notes (Note (ii))	1,558,978	1,536,075
Bank loans (Note (iii))	2,921,683	2,553,467
	<u>7,162,613</u>	<u>6,723,718</u>

The maturity of the above loans is as follows:

	2008 HK\$'000	2007 HK\$'000
Unsecured borrowings repayable:		
Within one year	268,539	447,368
More than two years but not exceeding five years	2,709,890	2,665,580
More than five years	1,531,040	1,504,671
	<u>4,509,469</u>	<u>4,617,619</u>
Secured borrowings repayable:		
Within one year	1,156,346	161,579
More than one year but not exceeding two years	648,356	601,788
More than two years but not exceeding five years	848,442	1,342,732
	<u>2,653,144</u>	<u>2,106,099</u>
Total borrowings	7,162,613	6,723,718
Less: Amount due within one year shown under current liabilities	(1,424,885)	(608,947)
Amount due over one year shown under non-current liabilities	<u>5,737,728</u>	<u>6,114,771</u>

Notes:

- (i) The senior notes are listed on the stock exchange in Singapore. The notes include carrying amount of HK\$1,531,040,000 (2007: HK\$1,504,671,000), which bear interest at a fixed rate of 7.625% per annum and will mature in May 2014. The senior notes with carrying amount of HK\$1,150,912,000 (2007: 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 asked price at 31 December 2008 was HK\$1,493,700,000 (2007: 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 asked price at 31 December 2008 was HK\$889,200,000 (2007: HK\$1,351,680,000).
- (iii) Bank loans with carrying amount of HK\$746,283,000 (2007: HK\$789,474,000) bear interest at a fixed rate of 5.84% to 9.07% (2007: 6.89% to 8.96%) per annum. Interest rates on the remaining bank loans, which were carried at floating interest rates, range from 2.50% to 3.10% (2007: 4.98% to 7.60%) per annum.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

30. Bank and Other Borrowings (Continued)

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

	2008 HK\$'000	2007 HK\$'000
Hong Kong dollars	478,515	100,000
United States dollars	5,937,815	5,834,245

31. Deferred Taxation

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

	Tax losses HK\$'000	Fair value adjustment on properties under development HK\$'000	Undistributed earnings of subsidiaries and joint ventures in the PRC HK\$'000	Others HK\$'000 (Note)	Total HK\$'000
At 1 January 2007	(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)
	<u>(129,211)</u>	<u>47,349</u>	<u>—</u>	<u>69,155</u>	<u>(12,707)</u>
At 31 December 2007	(129,211)	47,349	—	69,155	(12,707)
Charge for the year	61,263	(16,399)	46,000	32,671	123,535
Exchange adjustments	(7,956)	4,253	—	173	(3,530)
	<u>(75,904)</u>	<u>35,203</u>	<u>46,000</u>	<u>101,999</u>	<u>107,298</u>
At 31 December 2008	(75,904)	35,203	46,000	101,999	107,298

Note:

Deferred tax has been provided for (i) fair value adjustment on properties under development for sale; (ii) temporary differences between the carrying amount and the tax base of properties under development for sale, arising from the capitalisation of certain interest expenses in properties under development for sale in consolidation level; (iii) undistributed earnings of subsidiaries and joint ventures in the PRC and (iv) the tax losses.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

31. 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:

	2008 HK\$'000	2007 HK\$'000
Deferred tax assets	(40,700)	(81,862)
Deferred tax liabilities	147,998	69,155
	<u>107,298</u>	<u>(12,707)</u>

Deferred tax assets has not been recognised in the consolidated financial statements in respect of temporary differences amounting to HK\$87,920,000 (2007: HK\$nil) due to the unpredictability of future taxable profit streams.

At 31 December 2008, the Group has estimated unused tax losses of HK\$600,003,000 (2007: HK\$597,214,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK\$303,614,000 (2007: HK\$516,844,000) of such losses. No deferred tax asset has been recognised in respect of the remaining losses of HK\$296,389,000 (2007: HK\$80,370,000) due to the unpredictability of future taxable profit streams. Such remaining unrecognised tax losses is an amount of HK\$296,389,000 (2007: HK\$80,370,000) will expire within five years from the balance sheet date.

32. Creditors and Accrued Charges

	2008 HK\$'000	2007 HK\$'000
Aged analysis of creditors:		
Within 60 days	33,332	39,293
60 to 90 days	2,770	2,208
More than 90 days	105,386	11,840
	<u>141,488</u>	53,341
Accrued construction costs	1,157,891	1,149,023
	<u>1,299,379</u>	1,202,364
Interest payable	70,384	74,160
Accrued taxes	13,750	48,231
Other accrued charges	373,298	339,122
	<u>1,756,811</u>	<u>1,663,877</u>

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

33. Acquisition of Subsidiaries

(i) Year ended 31 December 2008

In November 2008, the Group entered into a sale and purchase agreement with a wholly-owned subsidiary of Build King Holdings Limited, a company listed on the Stock Exchange in which certain Directors of the Company have beneficial interests, pursuant to which the Group acquired the remaining 40% equity interest in Value Ahead Limited engaging in investment holding, at a cash consideration of HK\$9,425,000. Previously, Value Ahead Limited was a jointly controlled entity of the Company which, together with its subsidiary, carried out building construction for the Group in the PRC. After the completion of the acquisition, Value Ahead Limited became a wholly-owned subsidiary of the Company.

The Group acquired and assumed the following assets and liabilities through the acquisition of subsidiaries:

	HK\$'000
Net assets acquired:	
Property, plant and equipment	2,113
Amounts due from related companies	52,411
Debtors, deposits and prepayments	1,718
Bank balances and cash	1,578
Amounts due to shareholders	(14,136)
Amounts due to related companies	(4,272)
Creditors and accrued charges	(29,986)
	<u>9,426</u>
Satisfied by:	
Transferred from interest in a joint venture	1
Cash consideration	9,425
	<u>9,426</u>
Net cash outflow arising on acquisition:	
Cash consideration paid	(9,425)
Bank balances and cash acquired	1,578
	<u>(7,847)</u>

Value Ahead Limited had insignificant contributions to Group's profit after taxation, operating, investing and financing cash flows for the period between the date of acquisition and the balance sheet date.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

33. Acquisition of Subsidiaries (Continued)

(ii) Year ended 31 December 2007

Pursuant to the 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 had been accounted for as purchase of assets as the underlying assets acquired are the property development projects in the PRC which were 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 had further acquired and subscribed 39.46% equity interest in Sunco Property. The total consideration paid for such acquisition was HK\$1,276,000,000. 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 became a subsidiary of the Company.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

33. Acquisition of Subsidiaries (Continued)

(ii) Year ended 31 December 2007

The Group 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
Prepayment 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 bank 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)
	<u>1,860,658</u>
Minority interests	(136,266)
	<u>1,724,392</u>
Net cash outflow arising on acquisition:	
Cash consideration paid	1,276,000
Bank balances and cash acquired	(590,151)
	<u>685,849</u>
Satisfied by:	
Transferred from interest in an associate	448,392
Cash consideration	1,276,000
	<u>1,724,392</u>

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

34. Disposal of Interests in Infrastructure Joint Ventures

(i) Year ended 31 December 2008

On 25 July 2008, the Group entered into a sale and purchase agreement to dispose of its 61% equity interest in Luodingshi Luochong Highway Co., Ltd. to the PRC joint venture partner at a cash consideration of HK\$62,697,000. The gain on disposal of the infrastructure joint venture was recognised in profit and loss.

The Group's disposal of its interest in the infrastructure joint venture during the year ended 31 December 2008 had the following effects:

	2008
	HK\$'000
Cost of investment	169,767
Share of post-acquisition undistributed profits	97,550
Reduction of cost of investment	(200,495)
Net assets disposed of	66,822
Translation reserve released	(15,296)
Expenses in connection with the disposal	899
Gain on disposal	10,272
Total consideration	62,697
Satisfied by:	
Cash consideration	62,697
Cash inflow arising on disposal:	
Cash consideration	62,697

During the year ended 31 December 2008, other than the consideration received from disposal of the infrastructure joint venture, it had no significant contribution to the Group's profit after taxation, operating, investing and financing cash flows.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

34. Disposal of Interests in Infrastructure Joint Ventures (Continued)

(ii) Year ended 31 December 2007

On 11 June 2007, the Group 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)
	<hr/>
Net assets disposed of	123,858
Translation reserve released	(7,838)
Expenses in connection with the disposal	850
Gain on disposal	11,130
	<hr/>
Total consideration	128,000
	<hr/> <hr/>
Satisfied by:	
Cash consideration	128,000
	<hr/> <hr/>
Cash inflow arising on disposal:	
Cash consideration	128,000
	<hr/> <hr/>

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

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

As lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2008 HK\$'000	2007 HK\$'000
Within one year	5,702	—
In the second to fifth year inclusive	22,521	—
Over five years	83,099	—
	<u>111,322</u>	<u>—</u>

Pursuant to the rental agreement, the rental income is charged to and received from the tenant based on a certain percentage of turnover of the relevant operation that occupied the properties, subject to a minimum fixed charge commencing from late 2010.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

36. Operating Lease Commitments (Continued)

As lessee

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:

	2008	2007
	HK\$'000	HK\$'000
Within one year	20,167	15,767
In the second to fifth year inclusive	48,858	21,272
Over five years	125,826	171,159
	194,851	208,198

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

Monthly rental was fixed and recognised over the terms of the leases.

37. Capital Commitments

At the balance sheet date, the Group is committed to invest HK\$455,217,000 (2007: HK\$437,145,000) to develop a shopping mall in Changzhou for investment purpose.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

38. Contingent Liabilities

- (i) At 31 December 2008, the Group provided guarantees of HK\$3,095,774,000 (2007: HK\$3,264,795,000) to banks in favour of its customers in respect of the mortgage loans provided by the banks to such customers for the 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.
- (ii) At 31 December 2008, 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 23, amounting to HK\$337,079,000 (2007: HK\$315,789,000). The bank loans are secured by a pledge of the properties including land and properties under development for sale held by the Tianjin Companies.

The movement of the carrying amount of the financial guarantees is as follows:

	HK\$'000
At date of inception	22,000
Amortisation during the year	(9,000)
	<hr/>
At 31 December 2007	13,000
Amortisation during the year	(13,000)
Provision during the year upon renewal of bank loans	20,337
	<hr/>
Balance at 31 December 2008	20,337
	<hr/> <hr/>

At 31 December 2008, the balance of HK\$20,337,000 (2007: HK\$13,000,000) has been included in other accrued charges as set out in note 32.

In July 2008, the Tianjin Companies agreed with the bank to extend the maturity dates of their bank loans to June 2009. The management will closely monitor the financial position of the Tianjin Companies to ensure that adequate provision is made if the financial position of the Tianjin Companies deteriorates which will cause a financial loss to the Group due to the failure to repay the bank loans.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

39. Litigation

Other than set out in note 23, the Group and Huge Rise filed a writ of summons against Sunco China Holdings Limited and Sunco Management Holdings Limited (both of which are beneficially owned by Mr. Sun, collectively referred to as the “Defendants”), 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 the PRC, which were undisclosed by Mr. Sun at the time of negotiation and the conclusion of various agreements leading to the acquisition of Sunco Property and its subsidiaries in late 2006 and early 2007. Certain of these unrecorded liabilities have been recorded in the books of subsidiaries held by Sunco Property upon the completion of the acquisition by the Group.

The Group commenced in October 2007 litigation proceedings against Sunco China Holdings Limited and Sunco Management Holdings Limited and Mr. Sun. The proceedings are now at the stage of discovery and preparation of witness statements and the Company is taking legal advice with regards to the information that has been received.

40. Pledge of Assets

At the balance sheet date, other than the pledged bank deposits as disclosed in note 27, the Group’s inventory of properties of HK\$2,074,124,000 (2007: HK\$1,357,231,000) were pledged and the shares of certain of the Company’s subsidiaries were pledged to secure the banking facilities granted to the Group.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

41. Related Party Transactions

Other than set out in notes 20, 21 and 33 (i) 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	2008 HK\$'000	2007 HK\$'000
Infrastructure joint ventures	Dividend received	410,898	474,504
Property construction joint venture	Construction cost paid	87,366	233,391
Property development joint venture	Interest income	2,071	—
Sunco Property	Interest income	—	27,456
Related companies (Note)	Interest income	2,581	28,279

Note: Loan interest income of HK\$2,581,000 (2007: HK\$3,766,000) was received from former subsidiaries in which one of its shareholders is 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 Investment Limited ("Sunco Real Estate") in 2007 and the loan to Sunco Real Estate had been fully repaid in the second half year of 2007. Sunco Real Estate was controlled by Mr. Sun.

Compensation of key management personnel

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

	2008 HK\$'000	2007 HK\$'000
Short-term employment benefits	68,756	58,571
Post-employment benefits	3,049	2,077
Share-based payments	—	41,552
	<u>71,805</u>	<u>102,200</u>

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

42. Principal Subsidiaries

Details of the Company's principal subsidiaries at 31 December 2008 and 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 Developments Limited*	PRC	PRC	US\$50,745,300	—	100	Development and sale of properties
Changzhou Great Superior Properties Developments Limited*	PRC	PRC	RMB123,500,000	—	100	Development and sale of properties
Changzhou Greatmind Properties Developments Limited*	PRC	PRC	RMB100,000,000	—	100	Development and sale of properties
Guangzhou Junyue Real Estate Limited*	PRC	PRC	RMB382,103,000	—	100	Development and sale of properties
Guangzhou Junya Real Estate Limited*	PRC	PRC	RMB60,220,000	—	100	Development and sale of properties
Guangzhou Junde Real Estate Limited*	PRC	PRC	HK\$60,000,000	—	100	Development and sale of properties
Road King (China) Infrastructure Limited	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
RK Properties Finance (2007) 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 Management Limited	Hong Kong	Hong Kong	HK\$1	—	100	Provision of management services
蘇州雋御地產有限公司*	PRC	PRC	RMB2,114,078,000	—	100	Development and sale of properties

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

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 %	
RK Properties Holdings Limited	BVI	#	US\$1	—	100	Investment holding
Sunco Property Holdings Company Limited	BVI	#	US\$250	—	89.46	Investment holding
天津順馳濱海置地有限公司**	PRC	PRC	RMB600,000,000	—	89.46	Investment holding
天津順馳濱海不動產投資管理有限公司**	PRC	PRC	RMB760,000,000	—	89.46	Investment holding
鄭州客屬房地產有限公司**	PRC	PRC	RMB235,000,000	—	89.46	Development and sale of properties
北京順馳置地豐潤房地產開發有限公司**	PRC	PRC	RMB40,000,000	—	89.46	Development and sale of properties
河南順馳地產有限公司**	PRC	PRC	RMB55,000,000	—	89.46	Development and sale of properties
洛陽順馳房地產開發有限公司**	PRC	PRC	RMB110,000,000	—	89.46	Development and sale of properties
山東順馳融盛置地有限公司**	PRC	PRC	RMB10,000,000	—	89.46	Development and sale of properties
蘇州工業園區順馳置地有限公司**	PRC	PRC	RMB250,000,000	—	89.46	Development and sale of properties
武漢能達實業發展有限公司**	PRC	PRC	RMB40,000,000	—	89.46	Development and sale of properties
濟南順成房地產開發有限公司**	PRC	PRC	RMB30,000,000	—	89.46	Development and sale of properties
北京順馳置地達興房地產開發有限公司**	PRC	PRC	RMB40,000,000	—	89.46	Development and sale of properties
順馳置地(北京)房地產開發有限公司**	PRC	PRC	RMB160,000,000	—	89.46	Development and sale of properties
河北順馳房地產開發有限公司**	PRC	PRC	RMB50,000,000	—	89.46	Development and sale of properties

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

42. Principal Subsidiaries (Continued)

- # The subsidiaries of the Company are either investment holding or provision of financial services companies only and do not have any operations.
- * The subsidiaries of the Company are wholly foreign owned enterprises in the PRC.
- ** The subsidiaries of the Company are foreign owned enterprises in the PRC.

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 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\$1,559 million (2007: HK\$1,536 million) of guaranteed notes and HK\$2,682 million (2007: 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 2008 amounted to HK\$15,419,328,000 (2007: HK\$14,807,869,000). The Group's net current assets at 31 December 2008 amounted to HK\$8,590,609,000 (2007: HK\$8,240,272,000).

Financial Summary

RESULTS

	For the Year Ended 31 December				
	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000
Revenue	4,630,672	2,407,770	552,239	78,250	48,299
Profit before taxation	1,043,327	1,208,952	785,853	388,452	357,282
Taxation	(366,693)	(342,811)	(84,130)	27,649	8,117
Profit for the year	676,634	866,141	701,723	416,101	365,399
Attributable to:					
Shareholders of the Company	656,429	851,067	705,076	428,300	368,803
Minority interests	20,205	15,074	(3,353)	(12,199)	(3,404)
	676,634	866,141	701,723	416,101	365,399

ASSETS AND LIABILITIES

	As at 31 December				
	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000
Total assets	20,909,142	21,428,355	10,961,828	7,340,774	7,004,215
Total liabilities	(11,375,540)	(12,804,412)	(4,184,260)	(2,074,281)	(1,990,324)
	9,533,602	8,623,943	6,777,568	5,266,493	5,013,891
Attributable to:					
Shareholders of the Company	9,369,461	8,472,416	6,777,568	5,231,278	4,968,113
Minority interests	164,141	151,527	—	35,215	45,778
	9,533,602	8,623,943	6,777,568	5,266,493	5,013,891

Major Projects Information

As at 31 December 2008

Toll Road Business

Project	Location	Route	Project description	Length km	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	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

* The Group's interest in Luochong Highway was disposed in July 2008.

Major Projects Information (continued)

As at 31 December 2008

Property Business

Project	Location	Target Completion	Stage of completion (Note 1)	Nature	Land area Thousands sqm	Attributable Floor area Thousands sqm	Approximate	
							Attributable interest %	
P1	Jianguomen Project	Beijing	2010	M	Residential & Commercial	11	31	100.00
P2	Blues International Apartments	Beijing	2008	C	Residential & Commercial	73	3	89.46
P3	Forest Creek	Beijing	2009	S/C	Residential	361	33	89.46
P4	Songs & Sea	Beijing	2011	P/F/S/C	Residential & Commercial	285	195	89.46
P5	Shine June Garden	Shanghai	2012	P/F/S	Residential	133	209	100.00
P6	The Riverside	Shanghai	2011	F/S/C	Residential & Commercial	315	49	28.18
P7	Parkrise	Guangzhou	2007	C	Residential & Commercial	13	6	100.00
P8	Parkvista Phase I	Guangzhou	2007	C	Residential & Commercial	7	19	100.00
P9	Parkvista Phase II	Guangzhou	2009	S	Residential & Commercial	7	64	100.00
P10	Sun Town (Note 2)	Tianjin	N.A.	N.A.	Residential & Commercial	820	641	89.46
P11	Mountain My Life (Note 2)	Tianjin	N.A.	N.A.	Residential & Commercial	327	239	89.46
P12	Phoenix City	Suzhou	2013	P/F/S/C	Residential & Commercial	860	1,308	100.00
P13	The Heaven by Lakeside	Suzhou	2009	S/C	Residential & Commercial	164	84	89.46
P14	Royal City	Changzhou	2015	P/F/S/C	Residential & Commercial	487	817	100.00
P15	Vista Panorama	Changzhou	2014	P/F/S	Residential & Commercial	127	402	100.00
P16	Grand Metropolis	Changzhou	2011	P/F/S/C	Commercial	67	120	100.00
P17	Blue County	Shijiazhuang	2009	P/F/S/C	Residential	91	126	89.46
P18	Unusual Landscape	Qingdao	2012	M/P/F/S/C	Residential & Commercial	249	245	89.46
P19	Royal Panorama	Jinan	2011	M/R/P/F	Residential & Commercial	192	332	89.46
P20	Zhengzhou 1st street	Zhengzhou	2007	C	Residential & Commercial	236	1	89.46
P21	Central Special Zone	Zhengzhou	2012	P/F/S/C	Residential & Commercial	219	324	89.46
P22	First International	Zhengzhou	2008	C	Commercial	4	11	89.46
P23	Luoyang 1st Street	Luoyang	2009	S/C	Residential & Commercial	130	11	89.46
P24	Sunco Town	Luoyang	2011	P/F/S/C	Residential & Commercial	111	183	89.46
P25	World & City	Luoyang	2010	P/F/S/C	Residential & Commercial	76	118	89.46
P26	Palen Villas	Wuhan	2009	S/C	Residential & Commercial	172	42	89.46

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
“ASEAN”	The Association of Southeast Asian Nations
“BVI”	British Virgin Islands
“Company”, “Road King”, “we” or “us”	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
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“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”	the 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
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance
“Share(s)”	Share(s) of 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
“Sunco China”	Sunco China Holdings Limited, a company incorporated in the Cayman Islands with limited liability and a minority shareholder of Sunco Property

Glossary (continued)

“Sunco Management”	Sunco Management Holdings Limited, a company incorporated in BVI with limited liability and a minority shareholder of Sunco Property
“Sunco Property”	Sunco Property Holdings Company Limited, a company incorporated in BVI with limited liability and an approximately 89.46%-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
“United States” or “US”	The United States of America
“US\$”	United States dollar(s), the lawful currency of the United States

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

Guangdong Province

“Jihe Expressway”	Shenzhen Airport-Heao Expressway (Eastern Section)
“Luocong Highway”	National Highway 324 Luoding-Chonghua Highway

Glossary (continued)

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

“Blue County”	The project located at No. 299, Donggang Road, 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 Shangding Road and Nongye Dong Road, Zhengdong New District, Zhengzhou City, Henan Province, the PRC
“First International”	The project located at Junction of CBD Shangwu Waihuan Road and Zhongyi Road, Zhengdong New District, Zhengzhou City, Henan Province, the PRC

Glossary (continued)

“Forest Creek”	The project located at North of Baige Road, Baishan Town, Changping District, Beijing City, the PRC
“Grand Metropolis”	The project located at No. 33, Huayuan Street, Wujin District, Changzhou City, Jiangsu Province, the PRC
“The Heaven by Lakeside”	The project located at No. 669, Zhongyuan Road, Suzhou Industrial Park, Suzhou City, Jiangsu Province, the PRC
“Jianguomen Project”	The project located at Courtyard No. 13, Waijiabu Street, Dongcheng District, Beijing City, the PRC
“Luoyang 1st Street”	The project located at Junction of Taikang Road and Longmen Da 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 No. 8, Huanhu Road, Jinyin Lake, Dongxihu District, Wuhan City, Hubei Province, the PRC
“Parkrise”	The project located at No. 161, Tianfu Road, Tianhe District, Guangzhou City, Guangdong Province, the PRC
“Parkvista Phase I”	The project located at No. 10, Xingsheng Road, Zhujiang New City, Tianhe District, Guangzhou City, Guangdong Province, the PRC
“Parkvista Phase II”	The project located at No. 12, Xingsheng Road, Zhujiang New City, Tianhe District, Guangzhou City, Guangdong Province, the PRC
“Phoenix City”	The project located at Junction of Susheng Road and Xieyu Road, Suzhou Industrial Park, Suzhou City, Jiangsu Province, the PRC
“The Riverside”	The project located at Lane 2999, Baian Gong Road, Waigang Town, Jiading District, Shanghai City, the PRC
“Royal City”	The project located at No. 88, Yanzheng Dong Road, Wujin District, Changzhou City, Jiangsu Province, the PRC
“Royal Panorama”	The project located at No. 9, Weishier Road, Huaiyin District, Jinan City, Shandong Province, the PRC
“Shine June Garden”	The project located at No. 1, Lane 998, Baoxiang Road, Nanxiang Town, Jiading District, Shanghai City, the PRC
“Songs & Sea”	The project located at Lot no.1, Northern District, 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

Glossary (continued)

“Sunco Town”	The project located at South of Nanchang Road, Jianxi District, Luoyang City, Henan Province, the PRC
“Unusual Landscape”	The project located at No. 207, Haier Da Road, Yinghai Town, Jiaozhou, Qingdao City, Shandong Province, the PRC
“Vista Panorama”	The project located at No. 8, Changhon Zhong Road, Hutang Town, Wujin District, Changzhou City, Jiangsu Province, the PRC
“World & City”	The project located at East of Municipal Government Building, Luoyang New District, Luoyang City, Henan Province, the PRC
“Zhengzhou 1st Street”	The project located at Junction of Nongye Dong Road and Dongfeng Dong Road, Zhengdong New District, Zhengzhou City, Henan Province, the PRC

Corporate Information

Executive Directors

Zen Wei Pao, William (*Chairman*)
 Ko Yuk Bing (*Deputy Chairman, Managing Director & 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

Chow Shiu Kee, Stephen
 Lau Sai Yung
 Chow Ming Kuen, Joseph
 Choy Kwok Hung, Patrick

Audit Committee

Lau Sai Yung (*Chairman*)
 Chow Shiu Kee, Stephen
 Chow Ming Kuen, Joseph
 Choy Kwok Hung, Patrick

Remuneration Committee

Chow Shiu Kee, Stephen (*Chairman*)
 Zen Wei Pao, William
 Lau Sai Yung
 Chow Ming Kuen, Joseph
 Choy Kwok Hung, Patrick

Management Committee

Ko Yuk Bing (*Convenor*)
 Chan Kam Hung
 Fong Shiu Leung, Keter
 Chuk Wing Suet, Josephine
 Yu Kam Fat, James

Company Secretary

Fong Shiu Leung, Keter

Auditor

Deloitte Touche Tohmatsu

Solicitors

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

Principal Bankers

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

Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Bermuda) Limited
 Rosebank Centre
 11 Bermudiana Road
 Pembroke, HM 08, Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Secretaries Limited
 26th Floor, Tesbury Centre
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 Hong Kong

Registered Office

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 2 Church Street
 Hamilton HM 11
 Bermuda

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 9 Canton Road
 Tsimshatsui
 Kowloon
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Website

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

Share Listing

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

Stock Codes

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

Investor Relations

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