Road King Infrastructure Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 1098)

Annual Report 2009

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 more than HK$4 billion, comprising 16 toll road and bridge projects spanning over 870 kilometres in seven provinces of PRC. Road King has also invested in a property development portfolio of more than HK$15 billion, comprising 21 major projects with a total GFA of more than 5 million sqm spanning across 12 different cities in nine provinces and municipalities in the PRC.

This annual report is printed on recycled paper.

Contents

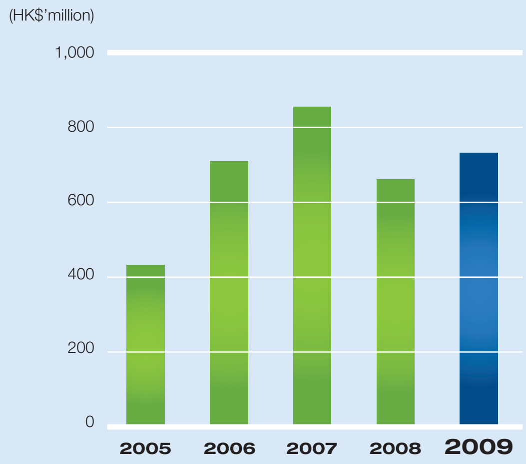
Financial Highlights

	For the years ended 31 December				
(HK$'million)	**2009**	2008	2007	2006	2005
Group's share of toll revenue	**1,083**	1,699	1,282	1,187	1,187
Revenue from property development	**4,600**	4,631	2,408	506	—
Cash received from toll road	**539**	1,083	767	885	864
Proceeds received from property development	**5,600**	2,568	2,598	555	66
Profit before tax	**1,045**	1,043	1,209	786	388
Profit attributable to shareholders	**728**	656	851	705	428
Basic earnings per Share (HK$)	**0.99**	0.87	1.16	1.16	0.73
Dividend per Share (HK$)	**0.50**	0.25	0.52	0.48*	0.43
Bank balances and cash	**2,887**	796	1,859	1,113	421
Total assets	**22,223**	20,909	21,428	10,962	7,341
Total liabilities	**12,190**	11,376	12,804	4,184	2,074
Shareholders' equity	**9,852**	9,369	8,472	6,778	5,231
Net assets per Share attributable to shareholders (HK$)	**13.3**	12.7	11.3	9.8	8.9
Gearing ratio (%)	**65**	76	79	46	37
Interest coverage (x)	**13.9**	9.7	16.4	9.9	7.1
Land bank attributable to the Group (million sqm)	**5.1**	5.6	6.1	2.9	1.6

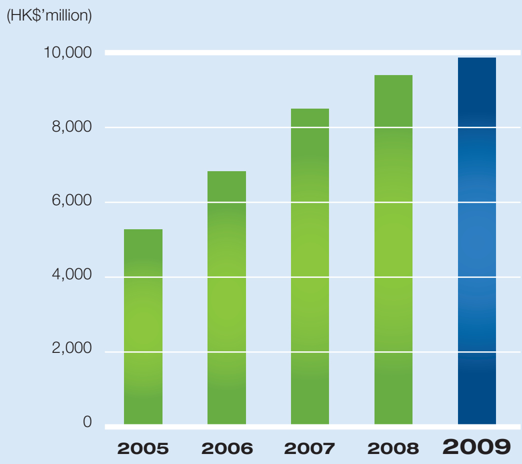
* Special interim dividend is excluded.

Financial Highlights (continued)

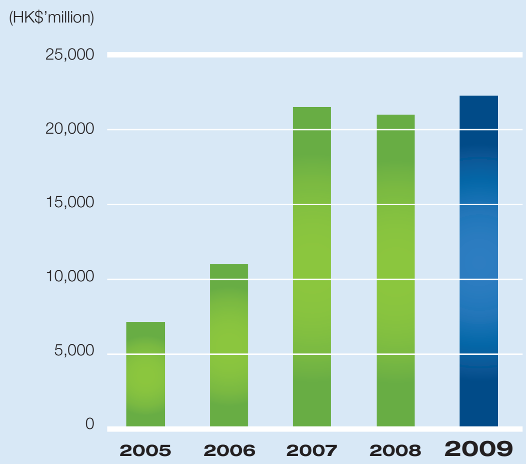
Profit attributable to shareholders



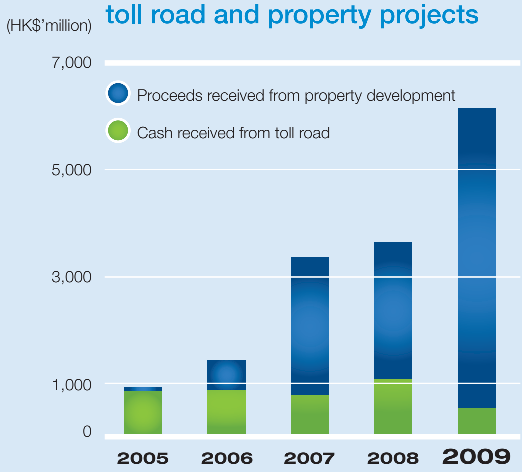
Shareholders' equity



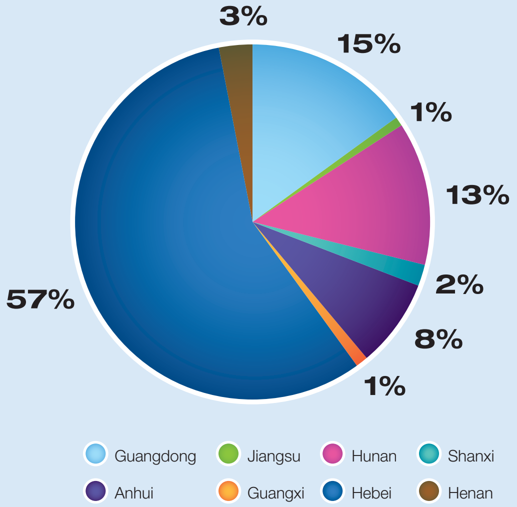
Total assets



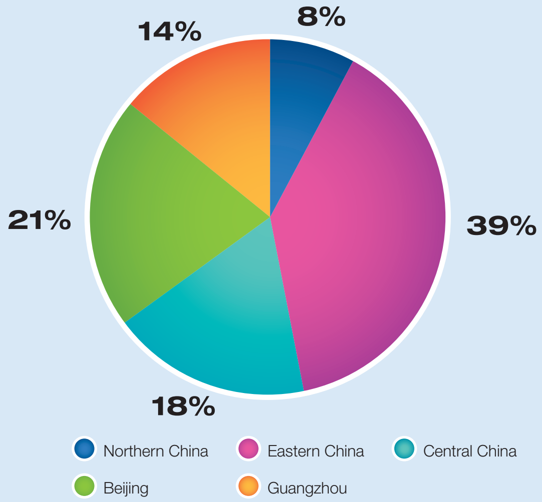
Total amount received from toll road and property projects



Revenue contribution of toll road projects in 2009 by location



Revenue contribution of property projects in 2009 by location



Corporate Structure

Road King Infrastructure Limited

TOLL ROAD BUSINESS

HEBEI

Road Rise Investments Limited
- National Expressway G18 Baoding-Tianjin Expressway

Ontex Investments Limited
Road Base Investments Limited
Road Bond Investments Limited
- National Expressway G25 Tangshan-Tianjin Expressway

Road Fly Investments Limited
Road Sincere 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
- National Highway 324 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
- National Highway 206 Bengbu Chaoyanglu Huaihe Highway Bridge

Road Giant Investments Limited
Road Mass Investments Limited
Road Team Investments Limited
Road Union Investments Limited
- National Highway 312 Hefei-Yeji Highway

HUNAN

Road Crown Investments Limited
Road Express Investments Limited
Road Famous Investments Limited
Road Glorious Investments Limited
Road Grand Investments Limited
Road Link Investments Limited
- National Expressway G5513 Changsha-Yiyang Expressway

JIANGSU

Anwell Investment Limited
- Provincial Highway 343 Suzhou-Shanghai Hongqiao Airport Highway (Suzhou Section)

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
- Huadu Project

Guangzhou Junde Real Estate Limited
Guangzhou Junya Real Estate Limited
- Parkvista

JIANGSU

Suzhou Junyu Properties Ltd.
- Phoenix City

Suzhou Industrial Park Sunco Land Co., Ltd.
- The Heaven by Lakeside

Changzhou Great Gallop Properties Developments Ltd.
- Royal City

Changzhou Great Superior Properties Developments Ltd.
- Vista Panorama

Changzhou Greatmind Properties Developments Ltd.
- Grand Metropolis

SHANGHAI

Shanghai Junxiang Properties Development Co., Ltd.
- Shine June Garden

Shanghai Sunco Fangcheng Property Co., Ltd. (Joint Venture)
- The Riverside

BEIJING

Beijing Sunco Land Daxing Real Estate Development Co., Ltd.
- Songs & Sea

Sunco Land (Beijing) Real Estate Development Co., Ltd.
- Forest Creek

Beijing Sunco Land Fengrun Real Estate Development Co., Ltd.
- Blues International Apartments

Beijing Wuyuetian Properties Development Co., Ltd.
- Jianguomen Project

HENAN

Zhengzhou Keshu Real Estate Co., Ltd.
- Central Special Zone

Henan Sunco Property Co., Ltd.
- Zhengzhou 1st Street
- First International

Luoyang Sunco Real Estate Development Co., Ltd.
- Sunco Town
- Luoyang 1st Street
- World & City

SHANDONG

Jinan Shuncheng Real Estate Development Co., Ltd.
- Royal Panorama

Shandong Sunco Rongsheng Land Co., Ltd.
- Unusual Landscape

HEBEI

Hebei Sunco Property Development Co., Ltd.
- Blue County

HUBEI

Wuhan Nengda Enterprise Development Co., Ltd.
- Palen Villas

TIANJIN

Tianjin Sunco Xindi Property Co., Ltd.
- Sun Town

Tianjin Sunco Rongxin Land Co., Ltd.
- Mountain My Life

Chairman's Statement

ZEN Wei Pao, William
Chairman

Dear Shareholders,

As a result of the Group's rigorous operating and financial management, and the rebound of the mainland property market, the performance of the Group for 2009 was satisfactory and encouraging.

The Group's profit attributable to shareholders for 2009 was HK$728 million. The Board recommended a final dividend of HK$0.30 per Share. Together with the interim dividend of HK$0.20 per Share, the total dividend for 2009 increased to HK$0.50 per Share (2008: HK$0.25 per Share).

The toll road business remained stable in 2009. Despite the change in distribution ratios of the two major expressways in Hebei Province pursuant to relevant joint venture agreements, and the limited contribution of toll road income from Shenzhen's Jihe Expressway (Eastern Section) which was disposed in 2009, the aforesaid disposal has resulted in an increase of the cash received from the toll road business from HK$1,083 million in 2008 to HK$1,747 million in 2009. On the other hand, contracted sales of the property business surged to HK$6,288 million in 2009, which was increased by 161% as compared with that of 2008. After two years of integration, the management and operation of the property business have improved substantially, and the property business is expected to become a profit contributor to the Group.

At the end of 2008 when the global credit crisis swept, the Chinese government implemented various economic stimulus measures in a timely manner, and those measures took effect in 2009. The mainland economy and employment was restored while social stability was maintained. The property market had also shown significant rebound in the year. As the economy stabilised, the government has adjusted its policies accordingly. It is expected that the mainland toll road and property businesses will be on a stable upward trend in 2010.

Chairman's Statement (continued)

The Group will continue to seek for suitable investments in new expressway projects and to divest its existing Class I/II highway projects. Aiming to become a prominent property developer, the Group will actively seek for new property development projects which meet the Group's predetermined return and cash flow requirements.

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

Zen Wei Pao, William
Chairman

Hong Kong, 26 March 2010

Chief Executive Officer's Report

KO Yuk Bing
Chief Executive Officer

Dear Shareholders,

Results for 2009

The Group's profit attributable to shareholders for 2009 was HK$728 million, representing an increase by 10.9% over 2008. The earnings per Share for 2009 was HK$0.99 (2008: HK$0.87). Having benefited from rigorous management, the rebound of the mainland property market and the realisation of our interest in Jihe Expressway (Eastern Section), the financial position of the Group has significantly improved. As at the end of 2009, the Group's bank balances and cash amounted to HK$2,887 million, which was substantially higher as compared with HK$796 million at the end of 2008.

Toll Road Business

In 2009, total traffic volume and toll revenue of the Group's toll road projects were 115 million vehicles and RMB2,222 million (approximately HK$2,511 million), as compared to 124 million vehicles and RMB2,545 million (approximately HK$2,812 million) in 2008. The decrease was due to the reduction of the portfolio, including the disposal of our interests in Jihe Expressway (Eastern Section), Yugong Highway in Guangxi and part of Yulin City Ring Roads in 2009.

Chief Executive Officer's Report (continued)

The cash generated from the toll road business attributable to the Group was reduced to HK$539 million (2008: HK$1,083 million), which has resulted from the changes in cash distribution ratios of the two major expressway projects in Hebei in accordance with the joint venture agreements after the Group had recouped its investments in 2009. Meanwhile, the disposal of our interest in Jihe Expressway (Eastern Section) generated a cash inflow of HK$1,208 million to the Group, crystallising all the future contributions from such project. In addition, the Group recorded some profit in completing the disposal of our interests in Yugong Highway and part of Yulin City Ring Roads to our PRC joint venture partner in May 2009.

The toll revenue of the Group's expressways in 2009 was HK$2,062 million, represented 82% (2008: 79%) of the total amount derived from all the Group's toll road projects.

Property Business

As a result of the introduction of various measures to stimulate the property market following the outbreak of financial tsunami, the mainland property market has achieved a remarkable rebound since the second quarter of 2009. According to the National Bureau of Statistics of China, total national sales value and area of properties for 2009 surged by more than 75% and 42% respectively as compared to those of 2008.

In 2009, the performance of the Group's property business was satisfactory. Contracted sales of properties (excluding the joint venture project in Shanghai) for the year amounted to HK$6,288 million which was increased by 161% as compared with that of 2008. However, due to the time lag between pre-sale and actual delivery, the immediate positive impact brought by the recovery of property market was not fully reflected in 2009's results, and only HK$4,600 million (2008: HK$4,631 million) was accounted for as revenue in the consolidated financial statements for the year. In view of the current pre-sale performance and in the absence of any material adverse change in the property market, the Group is confident that the property business will make a more positive contribution to the Group in 2010 and has the potential to outperform our toll road business.

With the support of the Tianjin municipal government, the Group duly assumed its control over the two Tianjin Companies in September 2009 and removed the uncertainties over their control in the past two years. Coordinated by the government, the Group has also reactivated the development of the projects in Tianjin. It is expected that developable floor area of the projects in Tianjin can reach 1.35 million sqm and Tianjin will become a profit centre of the Group.

The Group has been integrating its property business since late 2007. After two years of endeavours, the Group has polished and perfected its management team, strengthened and improved the management system, its work flow and execution, and enhanced the quality of products and standard of its property management services, which in all we believe will provide a solid foundation for the further development of the Group's property business.

Chief Executive Officer's Report (continued)

In respect of the acquisition of new projects, the Group adheres to the principle of financial prudence by insisting on the return, cash flow and capital requirements before new investment is made. At the end of 2009, the Group secured a parcel of residential land with developable floor area of 268,000 sqm in Huadu District, Guangzhou at a consideration of RMB830 million.

In January 2010, the Group completed the acquisition of 1,319 shares of Sunco Property from Elite Rich Investments Limited, an indirect wholly-owned subsidiary of Wai Kee, at a total consideration of HK$88.31 million. The Group's interests in Sunco Property has since then increased from 89.46% to 94.74%.

Prospects

In 2010, the Group believes that the toll road business will continue to benefit from the economic development in the PRC, thus providing the Group with a reliable source of cash flow and profits. Meanwhile, the Group will seek to divest its portfolio of Class I/II highways and increase the value of its existing toll roads, and continue to seek appropriate new expressway projects for investment.

Although the economic stimulus measures have been replaced by the new tightening controls, the Group remains positive on the mainland property market in 2010. Building on its current foundation, the Group will continue to perfect its management team, enhance the quality of its products and build up the brand loyalty. In addition, the Group will actively strive for new development opportunities which meet return, cash flow and capital requirements, and seek to become a renowned reliable property developer.

Acknowledgement

I hereby 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, 26 March 2010

Major Awards Obtained in 2009

Road King

- Top 500 Chinese Entrepreneur in China Market 2009 – 37th place
  <Ta Kung Pao and Global Chinese Entrepreneur>

- The Corporate Citizen Award for Real Estate Enterprise in China 2009
  <21st Century Business Herald>

Toll Road Business

- Advanced Group of 2009
  <Expressway Management Bureau, Hebei Province>

- Advanced Organisation of 2009
  <Expressway Management Bureau, Hebei Province>

- Outstanding Achievement in Scientific Research, 1st Class Awards
  <Department of Transportation of Hebei Province>

- Comprehensive Assessment of Expressway Maintenance of 2009, Hunan Province
  <Department of Transportation of Hunan Province>

Property Business

RK Properties Holdings Limited

- Branded Chinese Real Estate Enterprise in 2009
  <SouFun>

- Top Ten Potent Brand of Real Estate in China 2008-2009
  <China Commercial Real Estate Commission and Anjia Magazine>

- High-integrity Enterprise in 2008-2009
  <Sina.com>

- Well-performed Enterprise Award for Real Estate of China
  <NetEase>

Major Awards Obtained in 2009 (continued)

Northern China

- Top 20 Property Developer in Jinan 2009
  <China Real Estate Appraisal>
- The Most Anticipated Real Estate Projects in Jinan 2008-2009 – Royal Panorama
  <SouFun>
- Real Estate Project with the Highest Cost Performance in Jinan 2009 – Royal Panorama
  <Sina.com>
- The China LivCom Project Awards (Comprehensive Award) in 2009 – Blue County
  <United Nations Environment Programme (UNEP) and International Federation of Park and Recreation Administration (IFPRA) >

Beijing

- Top Ten Famous Real Estate Projects in China 2008-2009 – Songs & Sea
  <China Commercial Real Estate Commission and Anjia Magazine>

Central China

- Top Ten Best Selling Real Estate Projects in Henan 2009 – Central Special Zone
  <Henan Daily Press Group>

Eastern China

- The Most Anticipated Real Estate Projects in 2009 – Shine June Garden
  <SouFun>
- The Most Popular Integrated Real Estate Development in 2009 – Shine June Garden
  <Shanghai Evening Post>
- The Best Quality Real Estate Projects in 2008-2009 – Phoenix City
  <Suzhou Daily Press Group and Suzhou Real Estate Association>
- Municipal Award for Quality Construction of Structural Framework in Changzhou 2009 – Vista Panorama
  <Changzhou Bureau of Construction>
- Star Enterprise 2009 (5 Stars)
  <Changzhou Municipal People's Government>

Management Discussion and Analysis

Beijing


Songs & Sea


Forest Creek

Shanghai


Shine June Garden

Tianjin


Sun Town


Mountain My Life

Hebei


Blue County

Jiangsu


Phoenix City


Royal City


Vista Panorama

Shandong


Royal Panorama

Henan


Central Special Zone

Guangdong


Parkvista

Management Discussion and Analysis (continued)

Paving a BETTER JOURNEY

Management Discussion and Analysis (continued)

TOLL ROAD BUSINESS

Traffic Volume and Revenue

	Project	AADT 2009	Growth in 2009 %	Annual Toll Revenue 2009 RMB'million	Growth in 2009 %
	Hebei Province				
T1	Baojin Expressway	28,422	19	611	–
T2	Tangjin Expressway	30,109	-2	588	-12
T3	Shijin Highway	13,191	14	43	2
T4	Hanguan Highway	5,570	7	26	-8
	Anhui Province				
T5	Bengbu Huaimeng Highway	7,096	-13	16	-8
T6	Hehuai Highway	6,407	-35	26	-44
T7	Heye Highway	23,811	-2	82	-9
T8	Bengbu Huaihe Bridge Highway	17,005	19	42	10
T9	Chaoyanglu Huaihe Bridge	10,546	19	15	-2
	Guangdong Province				
T10	Jihe Expressway (Eastern Section)*	92,607	N.A.	333	N.A.
	Hunan Province				
T11	Changyi Expressway	27,160	-6	293	3
	Shanxi Province				
T12	Taiyu Highway	6,817	-24	13	-17
T13	Yuci City Bypass	7,821	-24	9	-54
T14	Dongguan Highway	7,440	9	16	-44
	Jiangsu Province				
T15	Airport Highway	5,268	-27	30	-37
	Guangxi Zhuang Autonomous Region				
T16	Yulin City Highway	6,319	-20	11	-40
	Henan Province				
T17	Xunan Highway	12,196	19	68	6

* The disposal of the Group's interest in Jihe Expressway (Eastern Section) was completed in September 2009. The above toll revenue only represented the revenue from January to September 2009.

Management Discussion and Analysis (continued)

Review of Projects in 2009

Hebei Province

Hebei Province is situated next to Beijing and Tianjin. It is a key province in the Bohai Economic Region. Despite the impact of the global financial crisis, Hebei Province achieved the GDP of RMB1,702.6 billion in 2009, representing a growth of 10.0%. Fixed asset investment increased by 38.4% over the previous year to RMB1,231.1 billion. Disposable income of urban residents and gross income of rural residents increased by 9.5% and 7.4% respectively.

The total length of expressways in Hebei Province has reached 3,303 km by the end of 2009. The provincial government determined to invest a further RMB50.0 billion in transportation infrastructure in 2010. It is expected that an additional 768 km of expressway will be completed in 2010, resulting in a total length of expressways exceeding 4,000 km by the end of 2010.

Tangjin Expressway is part of National Trunk Highway System (NTHS, 7918 Network) G25 Changchun – Shenzhen Expressway, connecting the north-east provinces, Tianjin and the southern China. It also serves as the Outer Ring Road of Tangshan City. In 2009, with the implementation of the Summer Traffic Diversion Program and the Anti-overloading Campaign in Tianjin, the traffic and toll revenue dropped by 2% and 12% respectively over the previous year. The performance of the expressway is expected to bounce back after the end of the programs. Furthermore, the project has a great prospect as it will benefit from the economic development in the Tangshan Port region, particularly in Caofeidian Industrial Zone.

Baojin Expressway is part of NTHS G18. It serves as the main corridor from Shijiazhuang, Hebei Province to Tianjin Port and the Bohai Region. Despite a decline in import and export in 2009, Baojin Expressway showed a good performance with toll revenue exceeding RMB600 million, and a traffic growth of 19%. In 2010, recovery of import and export, together with the government's stimulus policies, are expected to boost the toll revenue of the project. In the long run, the project will further be benefited by the western extension to Shanxi Province together with the rapid economic growth in Tianjin and the Bohai Region.

The Group recouped all of its initial investments in Tangjin and Baojin Expressway projects in February and July 2009 respectively. In accordance with the joint venture agreements, the joint venture partners of these two projects will enjoy preferential cash distribution, until they recouped their initial investments. Contributions from these two expressway projects to the Group will therefore decline and the performance of the toll road division will be affected to a certain extent.

In 2009, due to the development of local infrastructure, Shijin Highway recorded a mild growth. The performance of the project is expected to be stable in 2010.

Hanguan Highway is a major route for Shanxi's eastbound coal transportation. Due to the rectification of coal mine, toll income declined in 2009. As the reform of coal mining industry advances, this project's performance is expected to resume.

Management Discussion and Analysis (continued)

Anhui Province

Anhui Province connects 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 2009, the GDP of Anhui Province increased by 12.9% over the previous year to RMB1,005.3 billion, representing a double digit growth for six consecutive years. The stimulus policy has effectively improved the residence's income level, disposable income of urban residents and gross income of rural residents increased by 8.4% and 7.2% respectively. The rapid economic growth is expected to lead to an increase in transportation volume.

In 2009, traffic of both Hehuai and Heye Highways continued to be affected by the diversion of traffic arising from He-Huai-Fu and He-Liu-Ye Expressways, leading to further reduction in toll revenues. The Group had already implemented measures such as increased penalties on overloaded trucks and improved service quality to mitigate the effect. It is expected that, in 2010, the two projects could resume to stable growth due to the developments of the regions.

Toll revenue of Anhui Bengbu Huaihe Bridge Highway and Bengbu Huaimeng Highway increased steadily in 2009 due to the development of Bengbu City. In October 2009, the joint venture company agreed with the Bengbu government to waive tariff to local vehicles crossing Huaihe Bridge. The toll revenue of Huaihe Bridge Highway has therefore been affected and the effect is expected to continue in 2010. However, in accordance to the original joint venture agreement, the Group's return and interest would not be affected by the new policy.

Guangdong Province

In 2009, the Group entered into an agreement with joint venture partner of Jihe Expressway (Eastern Section) in relation to the disposal of the entire 45% of the Group's interest in that project. The disposal allowed the Group to realise future profits in advance, providing an attractive return to the Group.

Management Discussion and Analysis (continued)

Hunan Province

In response to the economic stimulation measures, Hunan Province reached the GDP of RMB1,293.1 billion in 2009, representing an increase of 13.6% over the previous year. Fixed asset investment increased by 36.2% over the previous year to RMB769.5 billion. Disposable income of urban residents and gross income of rural residents increased by 9.5% and 9.3% respectively. Income of the provincial government increased by 14.5% to RMB150.5 billion.

Traffic volume continued to increase in 2009, freight turnover increased by 5.6% to 253.9 billion ton-km; highway freight volume increased by 12.8% to 1.11 billion tons; passenger turnover volume increased by 3.1% to 132.9 billion passenger-km; highway passenger transport volume increased by 7.3% to 1.33 billion passengers. In the past two years, 33 new expressways had started construction in order to meet the increase in traffic volume. The total length of expressways of the province reached 2,227 km by the end of 2009.

With the opening of neighboring Changji Expressway, together with tourism development in west Hunan, Changyi Expressway had recorded a toll revenue growth in 2009. To align with the development of Changsha, the joint venture company signed an agreement with the state-owned enterprise, Changsha Pilot Investment Holdings Co., Ltd. (長沙先導投資控股有限公司) for the relocation of Yuelu toll station. The loss in the operation right of 7 km of the expressway will be compensated in 2010. At the same time, the project plans to implement weight-based tolling method to offset the impact of the decrease of tolling mileage.

Shanxi Province

The GDP of Shanxi Province increased by 5.5% in 2009 to RMB736.5 billions. To mitigate the impact of the global financial crisis and the rectification of the coal mining industry, the provincial government has increased fixed asset investment. In 2009, fixed asset investment in Shanxi Province increased by 38.5% over the previous year to RMB503.4 billion. The rapid development of local transportation network will further boost the economy and passenger transportation.

Taiyu Highway experienced further decline in traffic in 2009, due to the diversion of traffic by local road networks. The Group has strengthened the governance of local vehicles in order to increase income.

The impact of global financial crisis and rectification of coal mining industry has caused to reduce traffic and toll revenue of larger vehicles in Yuci and Dongguan Highway in 2009. It is expected that, once the economy picks up and the rectification of coal mining industry is completed, the performance of the two projects will improve in 2010.

Management Discussion and Analysis (continued)

Jiangsu Province

In 2009, Jiangsu Province stood as the second largest province of the PRC in terms of economic activity. Despite the impact of global financial crisis, the GDP of the province achieved RMB3,406.1 billion, representing a growth of 12.4% over the previous year. Disposable income of urban residents increased by 10.5%. The effect of fixed asset investment continues to strengthen. Capital investment for transportation in 2009 amounted to a high record of over RMB80 billion.

After the completion of maintenance and enhancement of the Shanghai A30 Expressway and the Shanghai-Nanjing Expressway, traffic was diverted away from the Airport Highway, resulting in an reduction of revenue in 2009. In 2010, due to the completion of the new Suzhou-Shanghai Expressway, toll revenue is expected to reduce further.

Guangxi Zhuang Autonomous Region

Guangxi Zhuang Autonomous Region connects the south-west, south and central south China and the ASEAN. It is also a transportation hub of the south-west and north-west China. In 2009, the economy of the Region continued its rapid growth. Despite the reduction of international trade, the GDP of the Region grew by 13.9% to RMB 770.0 billion in 2009. Fixed asset investment increased by 50.8% over the previous year to RMB570.7 billion. Disposable income of urban residents and gross income of rural residents increased by 12.0% and 10.6% respectively.

In 2009, the Group signed the formal agreement with the Yulin municipal government to dispose of its interest in Yugong Highway and certain parts of Yulin City Ring Roads in 2009. The remaining asset of the project is the toll station of G324 route managed by the Yulin Transportation Bureau. The drop in traffic and toll revenue of G324 in 2009 was due to the diversion of traffic by Cenxi-Xingye Expressway which was completed in late 2008. The performance in 2010 is expected to improve after the implementation of weight-based tolling method.

Henan Province

Despite the global economic downturn, Henan Province still maintained steady economic growth in 2009 and achieved GDP of RMB1,936.7 billion, representing a growth of 10.7% over the previous year. Fixed asset investment increased by 30.6% over the previous year to RMB1,370.5 billion. Disposable income of urban residents and gross income of rural residents increased by 9.9% and 7.5% respectively.

Total length of expressways reached 4,860 km, ranking the first in the country for four consecutive years. Under the provincial government plan, 95% of cities and towns could be reached within 30-minute drive by 2010. There will be 13 corridors connecting other provinces, becoming a transportation hub in the central region of the PRC.

In 2009, toll revenue of Xunan Highway recorded mild growth, mainly due to reduction of transportation tariffs after the removal of certain Class II toll stations and the strengthening of operation management. The prospect of the project is stable in 2010.

Building a QUALITY LIFE

Management Discussion and Analysis (continued)

PROPERTY BUSINESS

Sales

For the year ended 31 December 2009, the Group had secured contracted sales (before business tax) of RMB5,478 million or 792,000 sqm in GFA (excluding car parking spaces). Set out below is an analysis of the Group's contracted sales by region in 2009:

Location	**Contracted Sales** RMB'million	**GFA Contracted** sqm
Northern China	655	112,000
Eastern China	2,070	365,000
Central China	685	150,000
Beijing	726	70,000
Shanghai	483	38,000
Guangzhou	859	57,000

For the year ended 31 December 2009, revenue and GFA delivered were RMB4,227 million (before business tax) and 678,000 sqm (excluding car parking spaces) respectively. Set out below is an analysis of the delivered properties by region:

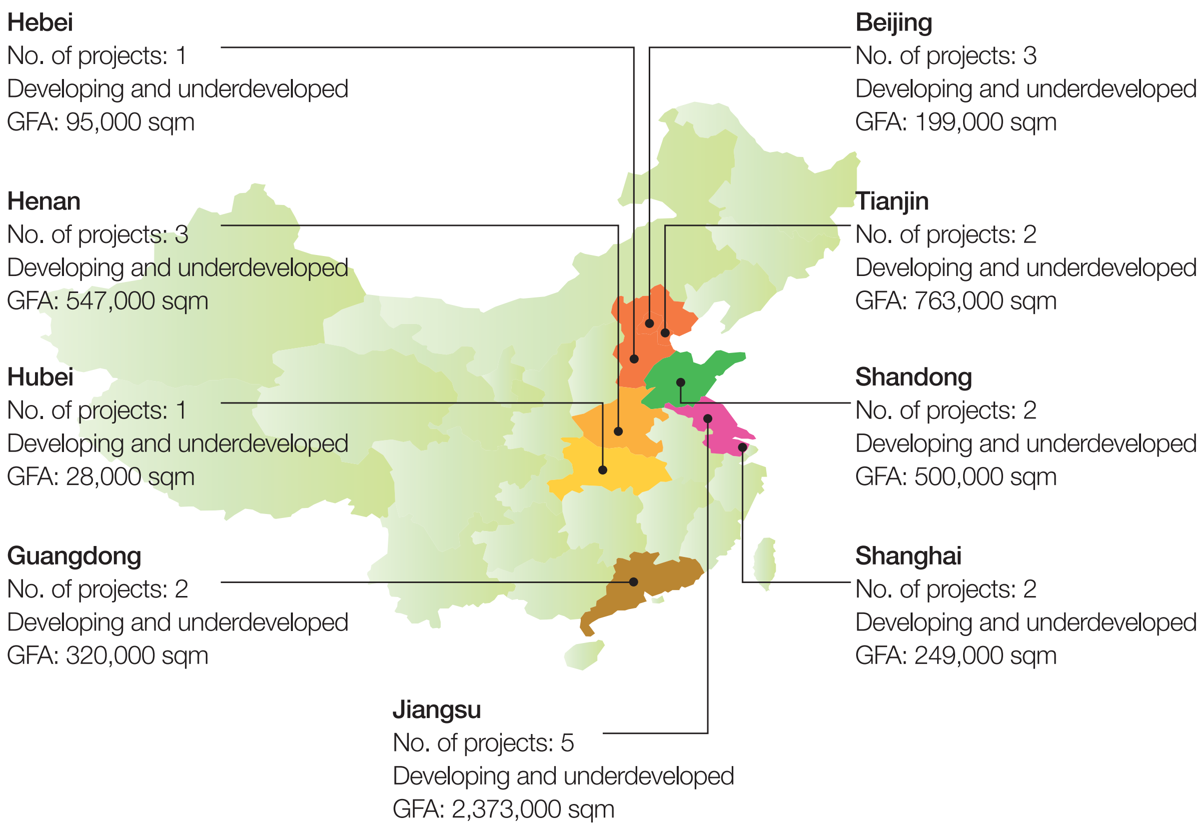
Location	**Sales Recognised** RMB'million	**GFA Delivered** sqm
Northern China	350	70,000
Eastern China	1,644	308,000
Central China	768	167,000
Beijing	900	93,000
Guangzhou	565	40,000

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 2009, the Group's landbank amounted to 5.1 million sqm of GFA located in nine provinces and municipalities, namely Beijing, Shanghai, Tianjin, Hebei, Henan, Shandong, Hubei, Jiangsu and Guangdong.

The diagram below sets out the locations and attributable area of the major projects as at 31 December 2009:



Management Discussion and Analysis (continued)

Review of Major Projects in 2009

Beijing City

In 2009, the total sales recognised for our projects in Beijing were RMB900 million covering a total delivered area of 93,000 sqm, while the contracted sales amounted to RMB726 million. During the year, Phase 3 of Forest Creek villa project in Changping District and Phases 4 and 5 of Songs & Sea in Daxing District were successfully completed and delivered upon inspection. Meanwhile, 2009 also saw the commencement of the construction works of Phase 6 (residential) and Phase 9 (commercial) of Songs & Sea.

As land prices hit record highs, prices of commodity houses in Beijing City surged correspondingly in 2009, especially those in Daxing District where the Songs & Sea is situated. Coupled with the upcoming light rail in 2010, this price surge is set to contribute a higher profit to the project.

While the development of Blues International Apartments and Forest Creek is drawing to an end, the Group will spend greater efforts to look for new projects and business opportunities in Beijing in 2010 on top of its ongoing efforts to develop the remaining land of Songs & Sea.

Shanghai City

During 2009, Phase 1 of Shine June Garden in Shanghai became the municipality's best selling villa project in the month immediately after being put on the market. As far as this project is concerned, the total contracted sales in the year was RMB483 million and construction works for Phase 2 have also commenced.

In the second half of 2009, the land parcel adjacent to Shine June Garden was sold at a price more than three times higher than that of the land acquired by the Group. This has become a stimulus in our price tags and, in turn, led to a substantial increase in the profit margin of the project.

In addition to the completion of the delivery of Phase 1 of Shine June Garden and commencement of the construction works of Phase 3, the Group will also explore new projects and development opportunities in Shanghai in 2010.

Management Discussion and Analysis (continued)

Guangzhou City

In 2009, the total sales recognised for our projects in Guangzhou were RMB565 million covering a total delivered area of 40,000 sqm, while contracted sales amounted to RMB859 million. Meanwhile, Phase 2 of Parkvista in Zhujiang New City were successfully completed and delivered upon inspection.

To align with the long-term development of Guangzhou, the Group secured, through auction sale by listing, a new project in Huadu District with a developable area of 268,000 sqm.

Suzhou City

In 2009, the total sales recognised for our projects in Suzhou were RMB849 million covering a total delivered area of 145,000 sqm, while contracted sales amounted to RMB1,093 million. To cater for the preferences of different target customers, land parcels lots 2 and 3 of Phoenix City have been named as “Main Zone” and “Forest and Valley Villa” respectively.

In 2009, the Group completed and delivered upon inspection the final phase of The Heaven by Lakeside, and commenced the construction works of the commercial portion of Phase 1 of Main Zone and the villa of Phase 1 of Forest and Valley Villa. In the first half of 2009, the high-rise residential project of Phase 1 of Main Zone was put on the market. Thanks to our growing brand awareness and reputation, sales were encouraging in terms of both volume and average selling price.

In 2010, the Group will launch both the commercial portion of Phase 1 of Main Zone and Phase 1 of Forest and Valley Villa and strive for delivery by the end of the year. Phase 2 of Main Zone will also be put on sale in the same year. Meanwhile, based on the sales performance of such projects, the Group will commence the construction works of Phase 3 of Main Zone and Phase 2 of Forest and Valley Villa successively.

Changzhou City

In 2009, the total sales recognised for our projects in Changzhou were RMB795 million covering a total delivered area of 163,000 sqm, while contracted sales amounted to RMB977 million. We also saw the completion and delivery upon inspection of Phase 1 of Vista Panorama and our ongoing efforts to sell Phase 2 of both Vista Panorama and Royal City in 2009.

Benefiting from the recovery of property market and the maturing of Wujin District, the sales of Vista Panorama and Royal City recorded a relatively high growth in 2009. Meanwhile, the Group was beginning to make a name in Changzhou as it was awarded the title of “2009 Changzhou City Star Enterprise”.

In 2010, Phase 3 of both Vista Panorama and Royal City will be put on the market. While the construction works of Phase 2 of Grand Metropolis have commenced in early 2010, the Group will proceed with solicitation for tenancy and other relevant work in preparation for the opening of Phase 2 of the commercial project of Grand Metropolis in 2011.

Management Discussion and Analysis (continued)

Disputes in connection with Sunco Property

Litigations in the PRC

As disclosed in note 24 to the consolidated financial statements, the Group has taken over the control of the Tianjin Companies and therefore the legal proceedings in the PRC regarding the control of the Tianjin Companies have been discontinued.

Litigations in Hong Kong

With regard to the litigation proceedings against the former shareholders of Sunco Real Estate by the Group in October 2007, the processes for the discovery of evidence and preparation of witness statements have been completed and the trial will soon commence. 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, and further announcement will be made as and when appropriate.

FINANCIAL REVIEW

Consolidated Income Statement

The table below extracts major items from consolidated income statement of the Group for each of the two years ended 31 December 2009 and 31 December 2008.

	For the year ended 31 December	
	2009	2008
	HK$'million	HK$'million
Revenue	**4,600**	4,631
Gross profit	**539**	520
Gross profit ratio	***12%***	*11%*
Interest income	**23**	20
Other income, net	**560**	373
Selling expenses	**(128)**	(113)
Operating expenses	**(359)**	(510)
Share of results of joint ventures	**514**	910
Finance costs	**(104)**	(157)
Profit before taxation	**1,045**	1,043
Income tax expenses	**(302)**	(367)
Profit after taxation	**743**	676
Minority interests	**(15)**	(20)
Profit after taxation and minority interests	**728**	656

Management Discussion and Analysis (continued)

Revenue

Despite the negative effect of property market downturn in the PRC and the financial crisis in 2008 and early 2009, the Group managed to deliver properties as scheduled in the related sales contracts. Thus the Group's income for 2009 remained stable as compared to 2008.

Gross Profit Ratio

As a majority of the properties delivered in 2009 were sold in 2008 and early 2009 when the property market and selling prices were weak, no significant increase was recorded in the gross profit ratio during 2008 and 2009.

Other Income, Net

The surge, as compared with that of 2008, was mainly attributable to the gain of HK$579 million generated from the disposal of two toll road projects, including Jihe Expressway (Eastern Section), which was partially offset by the provision of impairment losses for certain toll road projects amounted to HK$158 million.

Operating Expenses

The reduction in operating expenses in 2009 was mainly the result of tightened cost control as well as reduction in legal expenses.

Share of Results of Joint Ventures

The drop in share of results of joint ventures in 2009 was mainly due to the change in cash distribution ratios of the two major expressway projects in Hebei Province as well as the loss of contribution from Jihe Expressway (Eastern Section) following the completion of the disposal in September 2009.

Finance Costs

The decrease in finance costs was mainly attributable to the lower effective interest rate in 2009.

Income Tax Expenses

Income tax expenses comprised mainly profit tax as well as land appreciation tax.

Management Discussion and Analysis (continued)

Consolidated Statement of Financial Position

The table below summaries the major items of the consolidated statement of financial position of the Group as at 31 December 2009 and 31 December 2008.

	As at 31 December	
	2009	2008
	HK$'million	HK$'million
Non-current assets		
– Interests in joint ventures	**4,358**	5,290
– Other non-current assets	**985**	1,539
	5,343	6,829
Current assets		
– Inventory of properties	**12,953**	12,029
– Prepayment for land leases	**222**	108
– Bank balances and cash (including pledged bank deposits)	**3,094**	960
– Other current assets	**611**	983
	16,880	14,080
Current liabilities		
– Deposits from pre-sale of properties	**(2,904)**	(2,096)
– Bank and other borrowings – due within one year	**(1,201)**	(1,425)
– Other current liabilities	**(2,732)**	(1,969)
	(6,837)	(5,490)
Non-current liabilities	**(5,354)**	(5,885)
Total equity	**10,032**	9,534

Interests in Joint Ventures

Interests in joint ventures mainly represent interests in the joint ventures relating to the toll road business. In 2009, the Group disposed of two toll road projects.

Management Discussion and Analysis (continued)

Other Non-current Assets

Other non-current assets in 2008 comprised mainly the long term receivables, the carrying value of investment properties and the two unconsolidated Tianjin Companies. In the second half of 2009, the Group assumed the control of the Tianjin Companies. Individual items of their respective financial statements were then reclassified and consolidated under appropriate headings in the consolidated financial statements of the Group. Details of reclassification and consolidation of the accounts of the Tianjin Companies are set out in notes 24 and 34 of the consolidated financial statements.

Inventory of Properties / Prepayment for Land Leases

The increase in inventory of properties and prepayment for land leases was mainly due to the consolidation of the financial statements of the Tianjin Companies and the deposit paid for a piece of land in Guangzhou.

Bank Balances and Cash

The increase in bank balances and cash was mainly due to the consideration of HK$1,208 million received from the disposal of the interest in Jihe Expressway (Eastern Section) as well as the increase in the deposits received for pre-sale of properties in 2009.

Deposits from Pre-sale of Properties

Thanks to the recovery of the PRC property market, the pre-sale of properties improved significantly in 2009. As at 31 December 2009, the total area pre-sold yet to be delivered was 460,000 sqm, representing a substantial increase from 369,000 sqm for 2008.

Bank and Other Borrowings

The total bank and other borrowings reduced from HK$7,163 million as at 31 December 2008 to HK$6,401 million as at 31 December 2009, which was mainly due to the repayment of certain US dollars borrowings during the year.

Other Current Assets

The decrease in other current assets was mainly due to the refund of part of the deposit previously paid for a proposed acquisition of several pieces of land in Jinan. Details of such refund are set out in note 27(b) to the consolidated financial statements.

Liquidity and Financial Resources

As at 31 December 2009, shareholders' equity increased to HK$9,852 million (2008: HK$9,369 million). The increase was mainly attributable to the profit generated during the year. Net assets per Share attributable to shareholders of the Company increased to HK$13.3 (2008: HK$12.7).

As at 31 December 2009, the Group's total assets were HK$22,223 million (2008: HK$20,909 million). Bank balances and cash were HK$2,887 million (2008: HK$796 million), of which 86% was denominated in Renminbi and the remaining 14% was denominated in US dollars or HK dollars.

Management Discussion and Analysis (continued)

Financing Activities

The Group had drawn down several project loans in the PRC amounting to RMB1,079 million in aggregate and repaid project loans amounting to RMB875 million in aggregate in 2009. In addition, the Group had repaid other borrowings amounting to RMB990 million in aggregate.

Debt and Gearing

The gearing ratio, representing the interest bearing bank borrowings to the shareholders' equity of the Group dropped from 76% at the end of 2008 to 65% as at 31 December 2009. The net gearing ratio, representing the difference of Group's total bank borrowings and the bank balances and cash (including pledged bank deposits) to the shareholders' equity, was reduced significantly from 66% at the end of 2008 to 34% as at 31 December 2009. The significant reduction in the Group's leverage level was the result of repayment of certain borrowings due to the cash generated from the disposal of toll road projects and the significant improvement of the pre-sale of properties. Interest coverage was 13.9 times (2008: 9.7 times).

As at 31 December 2009, the Group's total borrowings were HK$6,401 million (2008: HK$7,163 million). The maturity profile of the Group's total borrowings is set out as follows:

	As at 31 December	
	2009	2008
	HK$'million	HK$'million
Repayable:		
Within one year	**1,201**	1,425
After one year but within two years	**2,081**	648
After two years but within five years	**3,119**	3,559
After five years	**–**	1,531
Total borrowings	**6,401**	7,163

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 continues 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 2009, bank balances of HK$207 million (2008: HK$164 million) were pledged as security in favour of banks for mortgage facilities granted to customers of the Group's property projects and short-term credit facilities granted to the Group. In addition to these charged deposits, properties valued at HK$3,745 million (2008: HK$2,074 million) and the shares of certain subsidiaries were pledged as securities for certain loan facilities.

Management Discussion and Analysis (continued)

Exposure on Foreign Exchange Fluctuations

The Group's borrowings are mainly denominated in US dollars but its cash flow is generated from projects whose earnings were denominated principally in Renminbi. As a result, the appreciation of Renminbi has contributed to the Group's 2009 results. Save for the aforesaid, the Group has no significant exposure to foreign exchange fluctuation and no hedging has been arranged on the abovementioned exposure.

Exposure on Interest Rate

The interest rates of both the Renminbi and the US dollars have been reduced since the outbreak of the financial tsunami in 2008. The one-year interest rate for Renminbi borrowings remained at 531 basis points as at 31 December 2009 while the London Interbank Offered Rate for the US Dollars dropped from 200 basis points at the end of 2008 to 98 basis points at the end of 2009.

The Group's borrowings are mainly denominated in Renminbi and US dollars and the Group is benefited from the continued low interest rate level. 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. No hedging has been arranged on the abovementioned exposure.

Contingent Liabilities

As at 31 December 2009, the Group provided guarantees of HK$3,433 million in favour of its customers in respect of the mortgage loans provided by the banks to such customers for purchase of the Group's properties. The guarantees will be released when the customers pledge their real estate certificates as securities to the banks for the mortgage loans granted.

Employees

Excluding the staff of joint ventures, the Group had 1,296 employees as at 31 December 2009. Expenditure on staff (excluding Directors' emoluments) amounted to HK$190 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 granted in 2009.

PROSPECTS

In 2010, the Group believes that the toll road business will continue to benefit from the economic development in the PRC, thus providing the Group with a reliable source of cash flow and profits. Meanwhile, the Group will seek to divest its portfolio of Class I/II highways and increase the value of its existing toll roads, and continue to seek appropriate new expressway projects for investment.

Although the economic stimulus measures have been replaced by the new tightening controls, the Group remains positive on the mainland property market in 2010. Building on its current foundation, the Group will continue to perfect its management team, enhance the quality of its products and build up the brand loyalty. In addition, the Group will actively strive for new development opportunities which meet return, cash flow and capital requirements, and seek to become a renowned reliable property developer.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Zen Wei Pao, William

(aged 62, Chairman)

Mr. Zen has been the Chairman of the Company since its establishment. He is also the Chairman of Wai Kee, the controlling shareholder of the Company. The shares of Wai Kee are listed on the main board of the Stock Exchange. 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 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 54, Deputy Chairman, Managing Director and Chief Executive Officer)

Mr. Ko joined the Company in early 1995. He 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. Mr. Ko has extensive experience in infrastructure development in Hong Kong and the PRC, and has over 20 years of experience in business development and operation in the PRC.

Mr. Chan Kam Hung

(aged 51, Chief Operating Officer)

Mr. Chan has been appointed as an Executive Director of the Company since July 2002. He is also an Independent Non-executive Director of China Metal Recycling (Holdings) Limited ("China Metal"). The shares of China Metal are listed on the main board of the Stock Exchange. 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 several multi-national companies and listed companies in Hong Kong.

Mr. Fong Shiu Leung, Keter

(aged 47, 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 57)

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"). The shares of Wai Kee and Build King are listed on the main board of the Stock Exchange. He holds a Bachelor of Science degree in Engineering and a Master of Business Administration degree. He is a Chartered Engineer, 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. Guo Limin

(aged 47)

Mr. Guo has been appointed as a Non-executive Director of the Company since October 2009. He is the Chairman of Shum Yip Holdings Company Limited ("Shum Yip") and Shenzhen Investment Limited ("Shenzhen Investment") and a Non-executive Director of Ping An Insurance (Group) Company of China, Ltd. ("Ping An") and Coastal Greenland Limited ("Coastal"). The shares of Shenzhen Investment, Ping An and Coastal are listed on the main board of the Stock Exchange. Mr. Guo holds a Bachelor degree in Chemical Engineering of Beijing Institute of Chemical Industry and a Master degree in International Business of Hunan University. He has over 20 years of experience in administrative management.

Mr. Xu Ruxin

(aged 56)

Mr. Xu has been appointed as a Non-executive Director of the Company since December 2009. He is the President of Shum Yip, an Executive Director and the President of Shenzhen Investment and a Non-executive Director of Coastal. Mr. Xu holds a Master degree in Economics from Guangdong Academy of Social Sciences and is a Senior Engineer. He has over 20 years of experience in architectural technology, property development as well as corporate management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chow Shiu Kee, Stephen

(aged 61)

Mr. Chow has been appointed as an Independent Non-executive Director of the Company since April 1996. He is a partner of the solicitors firm of Messrs. Wong Poon Chan Law & Co. Mr. Chow holds a Bachelor of Arts degree and a Master of Law degree from The University of Hong Kong. He is a solicitor admitted to practise in Hong Kong and also a Notary Public and a China Appointed Attesting Officer by Ministry of Justice of the PRC. Mr. Chow is a panel member of Solicitors Disciplinary Tribunal Panel, the Chairman of Appeal Tribunal Panel (Buildings) and a member of Appeal Panel (Housing).

Mr. Lau Sai Yung

(aged 62)

Mr. Lau has been appointed as an Independent Non-executive Director of the Company since August 2004. He is the sole-proprietor of Lau SY & Co., Certified Public Accountants, the Executive Chairman of Union Alpha CPA Limited, the Director of Union Alpha CAAP Certified Public Accountants 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. He is a Certified Public Accountant (Practising), 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. Mr. Lau has over 35 years of experience in the profession of accounting.

Directors and Senior Management (continued)

Dr. Chow Ming Kuen, Joseph

(aged 68)

Dr. Chow, *OBE, JP,* has been appointed as an Independent Non-executive Director of the Company since April 2008. He is the Chairman of Joseph Chow and Partners Limited, a firm of independent civil and structural consulting engineers. He is also the Chairman and Independent Non-executive Director 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. Dr. Chow is a civil and structural engineer by profession. He is a fellow of The Hong Kong Institution of Engineers, the Institution of Civil Engineers and The Institution of Structural Engineers. Dr. Chow is the Chairman of the Hong Kong Construction Workers Registration Authority and a Hon Senior Superintendent of the Hong Kong Auxiliary Police Force. Dr. Chow previously served as President of the Hong Kong Institution of Engineers, Chairman of Hong Kong Engineers' Registration Board, Hong Kong Examinations and Assessment Authority, Pamela Youde Nethersole Eastern Hospital as well as the Hong Kong Country Club.

SENIOR MANAGEMENT

Ms. Chuk Wing Suet, Josephine

(aged 38)

Ms. Chuk, joined the Group in 1994, is a Deputy Chief Operating Officer of the Group and a director of RK Properties Holdings Limited. She holds a Bachelor of Social Science degree and a Master of Business Administration degree. Ms. Chuk has over 16 years of experience in business investment, operation, development and promotion in Hong Kong and the PRC.

Mr. Yu Kam Fat, James

(aged 54)

Mr. Yu, joined the Group in 1998, is a Deputy Chief Operating Officer of the Group responsible for the Toll Road Division. He holds a Bachelor and a Master 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, The Chartered Institution of Highway and Transportation, United Kingdom and a fellow of The Hong Kong Institution of Engineers. Mr. Yu is also a Registered Structural Engineers, Hong Kong and a Registered Professional Engineer, Hong Kong. He has over 30 years of experience in civil engineering and project management.

Mr. Wang Hao

(aged 39)

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 Northern China. He holds a Bachelor and a Master of Structural Engineering degree. Mr. Wang has over 14 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.

Directors and Senior Management (continued)

Ms. Tian Aijun
(aged 41)
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 Bachelor of Education degree and a Master of Accounting degree. She is a Registered Accountant in the PRC and has over 10 years of experience in corporate management and project operation management. Prior to joining the Group, Ms. Tian had several years of experience in audit and in education management. She was the responsible person for the regional and the group operation and management of Sunco Property group.

Mr. Zen Chung Hei, Hayley
(aged 35)
Mr. Zen, joined the Group in 2006, is the Chief Financial Officer of the Property Division. He holds a Bachelor of Commerce degree in Accounting, a Bachelor of Science degree in Computer Science and a Master of Business Administration degree. 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 14 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 55)
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. Mr. Leung has over 31 years of experience in civil engineering with more than 21 years of experience in the PRC project management.

Mr. Chan Sai Kuen, Daniel
(aged 52)
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 28 years of experience in accounting and project management.

Mr. Lee Tak Fai, Kennedy
(aged 44)
Mr. Lee, joined the Group in 2007, is the Financial Controller of the Group. He holds a Bachelor of Social Science degree from the University of Hong Kong. He is a fellow of both the Association of Chartered Certified Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants. He has 19 years of experience in accounting, assurance and business advisory services. Prior to joining the Group, Mr. Lee 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.

Directors' Report

The Directors present therewith the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2009.

Principal Activities

The Company acts as an investment holding company. The principal activities of the Group, including the infrastructure joint ventures, are the investment in, development, operation and management of toll roads and property development projects in the PRC. Details of the Group's principal subsidiaries and joint ventures are set out in notes 43 and 20 to the consolidated financial statements respectively.

Major Suppliers and Customers

The aggregate amount of purchases and turnover attributable to the Group's five largest suppliers and customers were less than 30% of the total value of the Group's purchases and turnover respectively.

Results and Appropriations

The results of the Group for the year ended 31 December 2009 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 57 and 58 respectively.

An interim dividend of HK$0.20 per Share amounting to HK$148 million was paid to the shareholders of the Company in September 2009.

The Directors recommend the payment of a final dividend of HK$0.30 per Share to the shareholders on the register of members on 20 May 2010 amounting to approximately HK$222 million subject to the approval by the shareholders of the Company at the forthcoming annual general meeting. It is expected that final dividend will be paid on or before 15 June 2010.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 17 May 2010 to Thursday, 20 May 2010, 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 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, 14 May 2010.

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 29 and 30 to the consolidated financial statements respectively.

Directors' Report (continued)

Reserves

Movements during the year in the reserves of the Group are set out in the consolidated statement of changes in equity on page 61 of this annual report.

Distributable Reserves of the Company

The Company's reserves available for distribution to shareholders of the Company as at 31 December 2009 were as follows:

	2009 HK$'000	2008 HK$'000
Contributed surplus	**1,348,042**	1,348,042
Retained profits	**1,099,299**	475,751
	2,447,341	1,823,793

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

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

Property, Plant and Equipment

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

Investment Properties

Details of movements during the year in the investment properties of the Group are set out in note 19 to the consolidated financial statements and the particulars of the properties are shown under the section of Major Projects Information.

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 31 to the consolidated financial statements.

Directors' Report (continued)

Retirement Benefit Plans

Particulars of the retirement benefit plans of the Group are set out in note 36 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 137 of this annual report.

Directors and Directors' Service Contracts

The Directors 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:
Guo Limin (appointed on 13 October 2009)
Xu Ruxin (appointed on 11 December 2009)
Hu Aimin (resigned on 13 October 2009)
Zhang Yijun (resigned on 11 December 2009)

Independent Non-executive Directors:
Chow Shiu Kee, Stephen
Lau Sai Yung
Chow Ming Kuen, Joseph
Choy Kwok Hung, Patrick (retired on 21 May 2009)

Pursuant to Bye-law 86(2), Messrs. Guo Limin and Xu Ruxin, who were appointed as Non-executive Directors by the Board with effect from 13 October 2009 and 11 December 2009 respectively, were eligible, offered themselves for re-election at the special general meeting held on 19 January 2010 ("SGM"). Resolutions regarding their re-election as the Non-executive Directors were duly passed at the SGM.

In accordance with Bye-law 87 of the Company's Bye-laws, Messrs. Chan Kam Hung, Fong Shiu Leung, Keter, Lau Sai Yung and Dr. Chow Ming Kuen, Joseph shall retire by rotation at the forthcoming annual general meeting. All the retiring Directors, being eligible, shall offer themselves for re-election.

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

Interests of the Directors in competing businesses as at 31 December 2009 required to be disclosed pursuant to Rule 8.10 of the Listing Rules were as follows:

Name of Director	Name of entity	Description of principal activities	Nature of interest of the Director in the entity
Guo Limin	Shenzhen Investment and its subsidiaries	Property development, investment and management	Director
Xu Ruxin	Shenzhen Investment 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 2009, 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 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 (%) (Note 3)
		Long position	Short position	
Zen Wei Pao, William	Personal	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	6,273,000 (Note 1)	–	0.85
		2,300,000 (Note 2)	–	0.31
Chow Shiu Kee, Stephen	Personal	321,000 (Note 1)	–	0.04
		600,000 (Note 2)	–	0.08
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.

3. The percentage was calculated based on 739,116,566 Shares in issue as at 31 December 2009.

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 30 to the consolidated financial statements.

A summary of movements during the year under the share option scheme was as follows:

		Number of share options					
Name	Issue	Balance at 1.1.2009	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Balance at 31.12.2009	Weighted average closing price HK$ (Note 5)
Directors							
Zen Wei Pao, William	Note 2	1,000,000	–	–	–	1,000,000	–
	Note 3	2,500,000	–	–	–	2,500,000	–
	Note 4	2,500,000	–	–	–	2,500,000	–
Ko Yuk Bing	Note 2	500,000	–	–	–	500,000	–
	Note 3	2,300,000	–	–	–	2,300,000	–
	Note 4	2,300,000	–	–	–	2,300,000	–
Chan Kam Hung	Note 3	1,800,000	–	–	–	1,800,000	–
	Note 4	1,600,000	–	–	–	1,600,000	–
Fong Shiu Leung, Keter	Note 2	700,000	–	–	–	700,000	–
	Note 3	1,400,000	–	–	–	1,400,000	–
	Note 4	1,600,000	–	–	–	1,600,000	–
Zen Wei Peu, Derek	Note 3	800,000	–	–	–	800,000	–
	Note 4	1,500,000	–	–	–	1,500,000	–
Hu Aimin*	Note 3	250,000	–	–	–	250,000	–
	Note 4	250,000	–	–	–	250,000	–
Zhang Yijun*	Note 3	250,000	–	–	–	250,000	–
	Note 4	250,000	–	–	–	250,000	–
Chow Shiu Kee, Stephen	Note 1	140,000	–	140,000	–	–	5.92
	Note 2	250,000	–	–	–	250,000	–
	Note 3	250,000	–	–	–	250,000	–
	Note 4	100,000	–	–	–	100,000	–
Lau Sai Yung	Note 2	250,000	–	–	–	250,000	–
	Note 3	250,000	–	–	–	250,000	–
	Note 4	100,000	–	–	–	100,000	–
		22,840,000	–	140,000	–	22,700,000	

Directors' Report (continued)

Name	Issue	Balance at 1.1.2009	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Balance at 31.12.2009	Weighted average closing price HK$ (Note 5)
		Number of share options					
Others							
Employees	Note 1	390,000	–	50,000	340,000	–	5.92
	Note 2	100,000	–	–	–	100,000	–
	Note 3	4,192,000	–	–	517,000	3,675,000	–
	Note 4	7,360,000	–	–	650,000	6,710,000	–
		12,042,000	–	50,000	1,507,000	10,485,000	
Grand total		34,882,000	–	190,000	1,507,000	33,185,000	

Notes:

1. 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.

2. 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.

3. 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.

4. 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.

5. This represents the weighted average closing price of the Shares immediately before the date on which the share options were exercised.

* Messrs. Hu Aimin and Zhang Yijun resigned as Non-executive Directors of the Company on 13 October 2009 and 11 December 2009 respectively. The Board approved to extend the exercisable period of their share options for six months from the date of their resignation.

Save as disclosed above, none of the Directors or their associates had 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 pursuant to the Model Code.

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

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 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 2009, the interests or short positions of every person, other than a Director, in the Shares and underlying Shares as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of shareholder	Capacity/ nature of interest	Number of Shares held		Percentage of holding
		Long position	Short position	(%)
		(Note 1)		(Note 11)
Wai Kee (Note 2)	Corporate	286,317,428	–	38.74
Wai Kee (Zens) Holding Limited (Note 3)	Corporate	286,317,428	–	38.74
Groove Trading Limited (Note 4)	Personal/Beneficiary	65,918,000	–	8.92
Wai Kee China Investments (BVI) Company Limited (Note 4)	Corporate	217,399,428	–	29.41
Wai Kee China Investments Company Limited (Note 5)	Corporate	217,399,428	–	29.41
ZWP Investments Limited (Note 6)	Personal/Beneficiary	217,399,428	–	29.41
深業集團有限公司 (Shum Yip Holdings Company Limited) (Note 7)	Corporate	202,334,142	–	27.38
Shum Yip Holdings Company Limited (Note 8)	Corporate	202,334,142	–	27.38
Shenzhen Investment (Note 9)	Corporate	202,334,142	–	27.38
Hover Limited (Note 10)	Personal/Beneficiary	202,334,142	–	27.38

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 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; and (ii) its subsidiaries, namely 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 (Shum Yip Holdings Company Limited) (incorporated in the PRC) is deemed to be interested in the Shares through its 100% interest in Shum Yip Holdings Company Limited.

8. Shum Yip Holdings Company Limited (incorporated in Hong Kong) is deemed to be interested in the Shares through its 43.19% interest in Shenzhen Investment.

9. Shenzhen Investment 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.

11. The percentage was calculated based on 739,116,566 Shares in issue as at 31 December 2009.

Save as disclosed above, no other person (other than a Director) 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.

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

During the year ended 31 December 2009, the Group purchased its 6.25% fixed rate guaranteed notes due 2011 in the aggregate principal amount of US$5 million at 96% of its notional value. The fixed rate guaranteed notes are listed on the Singapore Exchange Securities Trading Limited.

Save as the 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$1,351,000.

Directors' Report (continued)

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 of the Company.

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 30 to the consolidated financial statements.

Connected Transactions

(I) On 26 August 2009, More Growth Finance Limited ("More Growth"), a wholly-owned subsidiary of the Company, entered into the restatement and amendment agreements ("Restated Loan Agreements") with each of Chai-Na-Ta Corp. ("CNT Corp") and CNT Trading (Hong Kong) Limited ("CNT Trading") to extend the maturity date of loans advanced to CNT Corp and CNT Trading in the aggregate principal amount of HK$51.5 million.

In August 2006, More Growth made a four year US$/HK$ dual currency term loan facility to each of CNT Corp and CNT Trading in the principal amount of HK$31.5 million and HK$23.2 million respectively ("collectively referred to "Loans"). The Loans would originally be due to mature on 18 August 2010. Pursuant to the Restated Loan Agreements, More Growth has agreed to the extension of the maturity date of the Loans. Detailed terms and conditions of the Restated Loan Agreements were set out in the announcement dated 27 August 2009.

As CNT Corp was owned as to 38.1% by (and was an associate of) Wai Kee, the controlling shareholder of the Company, and CNT Trading was a wholly-owned subsidiary of CNT Corp as at the date of signing of the Restated Loan Agreements, CNT Corp and CNT Trading were both connected persons of the Company and the extension of the Loans under the Restated Loan Agreements constituted a connected transaction of the Company. As each of the applicable percentage ratios was less than 2.5%, the extension of the Loans under the Restated Loan Agreements was subject only to the reporting and announcement requirements under Rule 14A.32 of the Listing Rules. The extension of the Loans also constituted a related party transaction. Details are set out in notes 22 and 42 to the consolidated financial statements.

Directors' Report (continued)

(II) On 1 December 2009, RK Investment (Shenzhen) Limited ("RK(Shenzhen)"), an indirect wholly-owned subsidiary of the Company, and Elite Rich Investments Limited ("Elite Rich"), an indirect wholly-owned subsidiary of Wai Kee, the controlling shareholder of the Company, entered into the sale and purchase agreement ("S&P Agreement") whereby RK(Shenzhen) agreed to purchase and Elite Rich agreed to sell a maximum of 1,319 shares of Sunco Property ("Sunco Property Shares") at an aggregate consideration of HK$88.31 million. If any of the other shareholders of Sunco Property exercised its pre-emption right to purchase those Sunco Property Shares under the shareholders' agreement dated 23 January 2007, it was required to enter an agreement with Elite Rich which was identical in all respects with the S&P Agreement. As Elite Rich was an indirect wholly-owned subsidiary of Wai Kee, a controlling shareholder of the Company which beneficially owned approximately 38.74% of the Company as at date of the signing of the S&P Agreement, the acquisition constituted a connected transaction for the Company under Rule 14A.13(1)(a) of the Listing Rules and was subject to announcement, reporting and independent shareholders' approval.

On 18 January 2010, RK Investment (Beijing) Limited ("RK(Beijing)"), one of the shareholders of Sunco Property, exercised its pre-emption right to purchase the 1,319 Sunco Property Shares, and accordingly RK(Shenzhen) was not entitled to purchase any Sunco Property Shares pursuant to the S&P Agreement. Saved as the exercise of the pre-emption right by RK(Beijing), no other shareholders of Sunco Property exercised their pre-emption rights to acquire the 1,319 Sunco Property Shares.

The acquisition was duly approved by the independent shareholders of the Company at the special general meeting held on 19 January 2010. As at the date of completion (i.e. 27 January 2010), RK(Beijing) acquired the 1,319 Sunco Property Shares, and as a result of which the Group's ownership interest in Sunco Property (through RK(Beijing)) has increased from 89.46% to approximately 94.74%.

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) There are altogether 39 infrastructure joint ventures and one property development joint venture. All these companies are regarded as joint ventures irrespective of whether the Group's interests exceed 50% or not. The Group's 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 banking facilities utilised by the joint ventures.

Directors' Report (continued)

(c) The total amount of loans to the joint ventures was HK$2.86 billion which exceeds 8% of the Group's adjusted total assets of HK$22 billion (being the Group's total assets as at 31 December 2009 adjusted for the dividend proposed for the year ended 31 December 2009 by the Company) as at 31 December 2009. The loans are part of the investments and are unsecured. Except for the loan to 上海順馳方城置業有限公司, details of which are disclosed in note 21 to the consolidated financial statements, the loans are also 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, or 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.

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 2009, is as follows:

	As at 31 December 2009 HK$'000
Statement of Financial Position	
Property, plant and equipment	**9,065,579**
Current assets	**1,606,097**
Current liabilities	**(764,621)**
Net current assets	**841,476**
Amounts due to joint venture partners	**(447,926)**
Net assets	**9,459,129**

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
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%	34,514
Bengbu Road King Huaihe Bridge Highway Development Co., Ltd.	35%	43,253
Bengbu Road King Huaimeng Highway Development Co., Ltd.	35%	31,686
Guangxi Lutong Highway Development Co., Ltd.	70%	81,800
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 (Hengcang) 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
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%	64,286
		2,861,749

* At the date of this report, the joint venture is held by a 94.74% owned subsidiary of the Company.

Directors' Report (continued)

As at 31 December 2009, except for an amount of approximately HK$19.18 million to be injected into Guangxi Lutong Highway Development Co., Ltd., there was no outstanding equity commitment to be injected in any of the abovementioned joint ventures.

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.

Event after the Reporting Period

Details of the significant event occurring after the reporting period are set out in section (II) of "Connected Transactions" above and note 45 to the consolidated financial statements.

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, 26 March 2010

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 2009, 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 consolidated financial statements.

The Board currently comprises 10 Directors including five Executive Directors, two Non-executive Directors and three Independent Non-executive Directors whose biographical details are set out in the "Directors and Senior Management" section of this annual report.

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 2009 are set out below:

	Number of Attendance/Number of Meetings held		
	Board meeting	**Audit Committee meeting**	**Remuneration Committee meeting**
Number of meetings held	**5**	**3**	**2**
Executive Directors			
Zen Wei Pao, William	5/5	–	1/2
Ko Yuk Bing	5/5	–	–
Chan Kam Hung	5/5	–	–
Fong Shiu Fong, Keter	5/5	–	–
Zen Wei Peu, Derek	4/5	–	–
Non-executive Directors			
Guo Limin (appointed on 13 October 2009)	1/1	–	–
Xu Ruxin (appointed on 11 December 2009)	–	–	–
Hu Aimin (resigned on 13 October 2009)	2/4	–	–
Zhang Yijun (resigned on 11 December 2009)	3/5	–	–
Independent Non-executive Directors			
Chow Shiu Kee, Stephen	4/5	3/3	2/2
Lau Sai Yung	5/5	3/3	2/2
Chow Ming Kuen, Joseph	4/5	3/3	2/2
Choy Kwok Hung, Patrick (retired on 21 May 2009)	2/2	2/2	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 have 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.

To the best knowledge of the Company, there is no financial, business and family relationship among members of the Board, other than Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek are brothers, and between the Chairman and the Chief Executive Officer.

Non-executive Directors

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

The Company has received annual written confirmation of independence from all Independent Non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board considers 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 appointments of Mr. Guo Limin and Mr. Xu Ruxin as Non-executive Directors with effect from 13 October 2009 and 11 December 2009 respectively.

Corporate Governance Report (continued)

Chairman and Chief Executive Officer

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

Committees

The Board has delegated responsibilities to two Board Committees, namely Remuneration and Audit Committees, to oversee particular aspects of the Company's affairs. To deal with the day-to-day business, the Board has also formalised the arrangement by setting up Management Committees led by the Chief Executive Officer at both corporate and divisional levels. Particulars of these Committees are set out below.

Remuneration Committee

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

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 and compensation packages.

In 2009, 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 packages to Hong Kong and the PRC senior departure staff. It also reviewed the level of pay-rise, the fringe benefits and payment of discretionary bonus to the general staff.

Audit Committee

The Audit Committee was formed in 1998 and currently comprises three members, namely, Mr. Lau Sai Yung (Chairman of the Audit Committee), Mr. Chow Shiu Kee, Stephen and Dr. Chow Ming Kuen, Joseph, all of whom are Independent Non-executive Directors.

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

Corporate Governance Report (continued)

In 2009, the Audit Committee reviewed the published consolidated financial statements prior to recommending them to the Board for approval, approved the terms of engagement of external auditor 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.

Management Committees

A Management Committee at the corporate level was formed in February 2009 and comprises five members, namely, Messrs. Ko Yuk Bing (the Convenor), Chan Kam Hung, Fong Shiu Leung, Keter, Ms. Chuk Wing Suet, Josephine and Mr. Yu Kam Fat, James. The Committee held regular meetings to coordinate and handle major issues in daily operations.

To oversee the expanding property business, a separate Management Committee at the divisional level was also established to supervise and monitor the property development business in various cities in the PRC.

Internal Control

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

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

The Audit Committee, which was delegated by the Board, has reviewed and evaluated, via the internal audit team, the effectiveness of the Group's internal control system put in place by management covering all material controls, including financial, operational and compliance controls as well as risk management functions of the Company and its subsidiaries for the year ended 31 December 2009. During the year, the Audit Committee approved the Internal Audit Manual which formally defines the functions, authorities and responsibilities of the internal audit of the Group.

To preserve the independence of the internal audit function, the head of internal audit department reports directly to the Audit Committee and major findings and recommendations are presented to the Audit Committee on a quarterly basis.

Corporate Governance Report (continued)

Directors' Responsibility for the Consolidated 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 consolidated financial statements on a going concern basis.

External Auditor's Remuneration and Reporting Responsibilities

The Company engaged Messrs. Deloitte Touche Tohmatsu to perform audit and non-audit services for the year 2009. The Company paid to external auditor HK$5,049,000 as audit services fee and HK$517,000 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 55 and 56.

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 2009.

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 57 to 136, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 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 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
26 March 2010

Consolidated Income Statement

For the year ended 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Revenue	7	**4,600,424**	4,630,672
Cost of sales		**(4,061,924)**	(4,110,060)
Gross profit		**538,500**	520,612
Interest income		**23,090**	19,972
Other income		**33,987**	28,369
Other gains and losses	9	**526,533**	344,639
Selling expenses		**(127,682)**	(112,784)
Operating expenses		**(358,858)**	(510,385)
Share of results of joint ventures	10	**514,323**	909,759
Finance costs	11	**(104,435)**	(156,855)
Profit before taxation	12	**1,045,458**	1,043,327
Income tax expenses	14	**(302,281)**	(366,693)
Profit for the year		**743,177**	676,634
Profit attributable to:			
Owners of the Company		**728,080**	656,429
Minority interests		**15,097**	20,205
		743,177	676,634
Earnings per share	16		
– Basic		**HK$0.99**	HK$0.87
– Diluted		**HK$0.99**	HK$0.87

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
Profit for the year	**743,177**	676,634
Other comprehensive income		
Exchange differences arising on translation to presentation currency	**50,090**	557,130
Reclassification adjustment upon disposal of interest in a joint venture	**–**	(15,296)
	50,090	541,834
Total comprehensive income for the year	**793,267**	1,218,468
Total comprehensive income attributable to:		
Owners of the Company	**776,630**	1,188,875
Minority interests	**16,637**	29,593
	793,267	1,218,468

Consolidated Statement of Financial Position

At 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**19,352**	57,346
Prepaid lease payments for land	18	**–**	33,293
Investment properties	19	**255,437**	143,851
Interests in joint ventures	20	**4,357,996**	5,289,683
Loans to related companies	22	**48,200**	54,700
Deferred tax assets	32	**31,506**	40,700
Long-term receivables	23	**542,603**	576,359
Available-for-sale financial assets	24	**–**	632,787
Prepayment for acquisition of additional interest in a subsidiary	45	**88,310**	–
		5,343,404	6,828,719
Current assets			
Inventory of properties	25	**12,953,468**	12,029,250
Prepayment for land leases	26	**222,334**	107,865
Prepaid lease payments for land	18	**–**	938
Loan to a joint venture	21	**64,286**	70,787
Loans to related companies	22	**3,300**	–
Debtors, deposits and prepayments	27	**330,951**	686,063
Prepaid income tax		**211,203**	225,699
Pledged bank deposits	28	**206,553**	163,723
Bank balances and cash	28	**2,887,090**	796,098
		16,879,185	14,080,423
Total assets		**22,222,589**	20,909,142
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	29	**73,912**	73,893
Reserves		**9,777,653**	9,295,568
		9,851,565	9,369,461
Minority interests		**180,778**	164,141
Total equity		**10,032,343**	9,533,602
Non-current liabilities			
Bank and other borrowings – due after one year	31	**5,199,953**	5,737,728
Deferred tax liabilities	32	**153,886**	147,998
		5,353,839	5,885,726

Consolidated Statement of Financial Position (continued)

At 31 December 2009

	NOTES	**2009** **HK$'000**	2008 HK$'000
Current liabilities			
Creditors and accrued charges	33	**2,438,815**	1,756,811
Deposits from pre-sale of properties		**2,904,072**	2,095,694
Income tax payable		**292,195**	212,424
Bank and other borrowings – due within one year	31	**1,201,325**	1,424,885
		6,836,407	5,489,814
Total equity and liabilities		**22,222,589**	20,909,142

The consolidated financial statements on pages 57 to 136 were approved and authorised for issue by the Board of Directors on 26 March 2010 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 2009

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Foreign currency translation reserve HK$'000	Special reserve HK$'000 (Note a)	Share option reserve HK$'000	Statutory reserve HK$'000 (Note b)	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
Balance at 1 January 2008	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
Profit for the year	–	–	–	–	–	–	656,429	656,429	20,205	676,634
Exchange differences arising on translation to presentation currency	–	–	547,742	–	–	–	–	547,742	9,388	557,130
Reclassification adjustment upon disposal of interest in a joint venture	–	–	(15,296)	–	–	–	–	(15,296)	–	(15,296)
Total comprehensive income 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)	–	–	–	–	–
Lapse or cancellation 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
Profit for the year	-	-	-	-	-	-	728,080	728,080	15,097	743,177
Exchange differences arising on translation to presentation currency	-	-	48,550	-	-	-	-	48,550	1,540	50,090
Total comprehensive income for the year	-	-	48,550	-	-	-	728,080	776,630	16,637	793,267
Sub-total	73,893	3,142,142	1,328,474	1,260,000	85,791	32,945	4,222,846	10,146,091	180,778	10,326,869
Issue of ordinary shares upon exercise of share options	19	1,064	-	-	-	-	-	1,083	-	1,083
Lapse or cancellation of share options	-	-	-	-	(3,150)	-	3,150	-	-	-
Release upon disposal of interests in joint ventures	-	-	(129,970)	-	-	-	129,970	-	-	-
Dividends	-	-	-	-	-	-	(295,609)	(295,609)	-	(295,609)
Appropriation	-	-	-	-	-	4,603	(4,603)	-	-	-
Balance at 31 December 2009	73,912	3,143,206	1,198,504	1,260,000	82,641	37,548	4,055,754	9,851,565	180,778	10,032,343

Notes:

(a) Special reserve was arisen on group reorganisation and represents 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.

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Operating activities			
Profit before taxation		**1,045,458**	1,043,327
Adjustments for:			
Depreciation of property, plant and equipment		**22,268**	13,958
Impairment losses on interests in joint ventures		**158,000**	–
Change in fair value of investment properties		**(40,678)**	–
Interest income		**(23,090)**	(19,972)
Finance costs		**104,435**	156,855
Gains on disposal of interests in joint ventures	35	**(578,597)**	(10,272)
Share of results of joint ventures		**(514,323)**	(909,759)
Losses on disposal of property, plant and equipment, net		**1,485**	1,017
Operating cash flows before movements in working capital		**174,958**	275,154
Decrease in debtors, deposits and prepayments		**394,570**	80,731
Increase in completed properties held for sale		**(652,827)**	(94,334)
Decrease in properties under development for sale		**2,328,046**	1,651,149
(Decrease) increase in creditors and accrued charges		**(221,592)**	113,963
Increase (decrease) in deposits from pre-sale of properties		**759,386**	(2,310,409)
Payment for land leases		**(113,491)**	(1,197,439)
Cash generated from (used in) operations		**2,669,050**	(1,481,185)
Income tax paid		**(174,297)**	(249,578)
Net cash from (used in) operating activities		**2,494,753**	(1,730,763)
Investing activities			
Dividends received from joint ventures		**460,303**	410,898
Returns on investments from joint ventures		**88,528**	671,647
Additions to investment properties		**(17,189)**	–
(Increase) decrease in pledged bank deposits		**(41,345)**	67,860
Net proceeds on disposal of interests in joint ventures	35	**1,251,097**	62,697
Interest received		**21,904**	24,660
Proceeds on disposal of property, plant and equipment		**2,231**	2,168
Decrease (increase) in long-term receivables		**66,195**	(114,027)
Purchases of property, plant and equipment		**(5,313)**	(86,360)
Net cash inflow (outflow) from acquisition of subsidiaries	34	**914**	(7,847)
Acquisition of additional interest in a subsidiary		**–**	(16,979)
Receipt of loan settlement from a related company		**3,200**	–
Receipt of loan settlement from a joint venture		**7,143**	–
Receipt of deferred consideration arising from disposal of a joint venture		**17,007**	–
Advances to investees		**(716,458)**	–
Prepayment for acquisition of additional interest in a subsidiary		**(88,310)**	–
Net cash from investing activities		**1,049,907**	1,014,717

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
Financing activities		
New borrowings raised	**1,323,356**	2,103,839
Repayment of borrowings	**(2,113,964)**	(1,821,737)
Issue of ordinary shares	**1,083**	213
Dividends paid	**(295,609)**	(248,286)
Interest paid	**(374,898)**	(448,839)
Repurchase of ordinary shares	**–**	(43,757)
Net cash used in financing activities	**(1,460,032)**	(458,567)
Net increase (decrease) in cash and cash equivalents	**2,084,628**	(1,174,613)
Cash and cash equivalents at beginning of the year	**796,098**	1,858,941
Effect of foreign exchange rate changes	**6,364**	111,770
Cash and cash equivalents at end of the year, represented by bank balances and cash	**2,887,090**	796,098

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

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 acts as 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 PRC. The principal activities of the major subsidiaries and joint ventures are detailed in notes 43 and 20 respectively.

The functional currency of the Company and the Group's jointly controlled entities and its major subsidiaries is Renminbi ("RMB"). However, the consolidated financial statements of the Group are presented in Hong Kong dollars as the directors of the Company (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 Hong Kong Accounting Standards ("HKAS(s)"), Hong Kong Financial Reporting Standards ("HKFRS(s)"), amendments and interpretations ("HK(IFRIC) Int") (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 to HKAS 39

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

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

The adoption of these new and revised HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods except for the impact as described below.

HKAS 1 (Revised 2007) "Presentation of Financial Statements"

HKAS 1 (Revised 2007) has introduced a number of terminology changes (including revised titles for the consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (Revised 2007) has had no impact on the reported results or financial position of the Group.

HKAS 23 (Revised 2007) "Borrowing Costs"

HKAS 23 (Revised 2007) has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. The option of immediately expensing those borrowing costs is removed. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard has no significant financial impact on the Group.

HKFRS 8 "Operating Segments"

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments (see note 8), and has had no impact on the reported results or financial position of the Group.

Amendment to HKAS 40 "Investment Property"

The application of the amendment to HKAS 40 "Investment Property" arising from Improvements to HKFRSs issued in 2008 affects 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. Prior to the application of this amendment, such property was accounted for at cost less impairment in accordance with HKAS 16 "Property, plant and equipment". The amendment is applied prospectively from 1 January 2009 in accordance with the relevant transitional provision. As a result, the properties under development for investment properties amounting to HK$17,575,000 and prepaid lease payments for land amounting to HK$34,231,000 were reclassified to investment properties under construction at 1 January 2009 and profit for the year and total comprehensive income for the year have been increased by HK$11,017,000 arising from adoption of the amendment as at 1 January 2009, taking into account the change in fair value of the investment properties under construction up to 1 January 2009 of HK$14,689,000 and its related deferred taxation of HK$3,672,000. There was no significant change in fair value of investment properties under construction since 1 January 2009.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

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

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosure for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised 2008)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK (IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK (IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010.
4 Effective for annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 July 2010.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised 2008) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

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

The Directors anticipate that the application of the other new and revised standards, amendments and interpretations will have no material impact on the consolidated financial statements.

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 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 financial statements 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 2009

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

Revenue from sale of properties is recognised upon the relevant properties have been completed and delivered to the purchasers pursuant to the sale agreements. Deposits received from sale of properties prior to meeting the criteria for revenue recognition are recorded as "Deposits from pre-sale of properties" under current liabilities.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

3. Significant Accounting Policies (Continued)

Revenue recognition (Continued)

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.

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.

Prior to 1 January 2009, property that was being constructed or developed for future use as an investment property was included in property, plant and equipment until construction or development was complete, at which time it was reclassified to and subsequently accounted for as an investment property. Any difference between the fair value of the property at that date and its previous carrying amount was recognised in profit or loss. Upon adoption of amendments to HKAS 40, that property has been reclassified as an investment property at 1 January 2009.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

3. Significant Accounting Policies (Continued)

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 the 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. Gains 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.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction. Starting from 1 January 2009, investment properties under construction are measured at fair value at the end of the reporting period. Any difference between the fair value of the investment properties under construction and their carrying amounts is recognised in profit or loss in 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.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

3. Significant Accounting Policies (Continued)

Joint ventures (Continued)

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.

Impairment of tangible assets

At the end of the reporting period, 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 any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

3. Significant Accounting Policies (Continued)

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.

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 the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that 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 re-translation of monetary items, are recognised in profit or loss in the period in which they arise.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

3. Significant Accounting Policies (Continued)

Foreign currencies (Continued)

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 end of the reporting period, 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 in other comprehensive income and accumulated in equity (the foreign currency 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.

Retirement benefit costs

Payments to the state-managed retirement benefit scheme operated by the government and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

3. Significant Accounting Policies (Continued)

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 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 end of the reporting period.

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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profit 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 associated with investments in subsidiaries 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profit against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

3. Significant Accounting Policies (Continued)

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position 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 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 to the net carrying amount on initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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", loans and receivables or held-to-maturity investments.

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 the end of the reporting period (see accounting policy on impairment loss on financial assets below).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets

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

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

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

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

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

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets (Continued)

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

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

Financial liabilities and equity

Financial liabilities and equity instruments issued by the 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 and bank and other borrowings) are subsequently measured at amortised cost using the effective interest method.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial guarantee contracts

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

Derecognition

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

3. Significant Accounting Policies (Continued)

Share-based payment transactions

For share options granted to directors and employees of the Company and its subsidiaries, 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 are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, 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 calculated based on the traffic volume for a particular year to the projected total traffic volume throughout the operating years of the respective toll road. These projections require the use of judgments and estimates.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

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

Key sources of estimation uncertainty (Continued)

Net realisable values of properties under development for sale

The assessment of the net realisable values of the properties under development for sale involves, inter-alia, considerable analyses of current market price of properties of a comparable standard and location, construction costs to be incurred to complete the development based on existing asset structure and construction material price lists and a forecast of future sales based on zero growth rate of property price. If the actual net realisable values of the underlying properties under development for sale are more or less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material reversal of or provision for impairment losses may result.

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 Group's overall strategy remains unchanged since 2008.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 31, 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 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 at the end of the reporting period.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

6. Financial Instruments

(a) Categories of financial instruments

	2009 HK$'000	2008 HK$'000
Financial assets		
Loans and receivables at amortised cost (including cash and cash equivalents)	**3,955,500**	2,224,724
Available-for-sale financial assets	**–**	632,787
Financial liabilities		
Liabilities at amortised cost	**8,840,093**	8,813,152
Financial guarantee contracts	**–**	20,337

(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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

6. Financial Instruments (Continued)

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

(i) Market risk

The Group's activities expose 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 respective Group entities and therefore the Group is exposed to foreign currency risk. The Group currently does not arrange for instruments hedging the foreign currency risk. 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 end of the reporting date are as follows:

	Assets		Liabilities	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States dollars	**94,797**	68,939	**5,340,545**	6,006,545
Hong Kong dollars	**375,445**	147,006	**131,100**	508,989

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 end of the reporting period 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	
	2009	2008
	HK$'000	HK$'000
United States dollars	**262,287**	296,880
Hong Kong dollars	**(12,217)**	18,099

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

6. Financial Instruments (Continued)

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

(i) Market risk (Continued)

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 interest at prevailing market interest rates.

The Group's fair value interest rate risk relates primarily to a loan to a joint venture and bank and other borrowings which carry interest 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.

Interest rate sensitivity

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period 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 2009 would decrease/increase by HK$6,704,000 (2008: decrease/increase by HK$10,583,000) after capitalisation of additional finance costs in properties under development for sale of HK$15,957,000 (2008: HK$22,597,000).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

6. Financial Instruments (Continued)

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

(ii) Credit risk management

As at 31 December 2009, 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 statement of financial position.

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 the end of the reporting period 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 loan to a joint venture, loans to related companies, long-term receivables and other receivables as mentioned in notes 21, 22, 23 and 27 respectively, 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$510,397,000 (2008: HK$551,858,000) due from an independent third party, the Directors considered that the credit risk exposure is satisfactory because the independent third party has sufficient assets to be realised for the repayment of the outstanding receivables, if necessary.

For the loans to a joint venture and two related companies as disclosed in notes 21 and 22 respectively, the management of the Group has closely monitored the financial position of the joint venture and related companies, and will consider to provide impairment if necessary.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

6. Financial Instruments (Continued)

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

(ii) Credit risk management (Continued)

For the deferred consideration on disposal of interest in a joint venture as disclosed in notes 23 and 27 and prepayment to a third party as disclosed in note 27(b), the management of the Group has closely monitored the repayment of the outstanding amounts in accordance with the agreed repayment terms.

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 property. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under 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 2009, the Group has available unutilised banking facilities of HK$156,689,000 (2008: HK$175,281,000).

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 2009

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 non-derivative financial liabilities based on the agreed repayment terms. 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. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of reporting period.

	Weighted average effective interest rate %	6 months or less HK$'000	6-12 months HK$'000	1-2 years HK$'000	2-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2009								
Creditors and accrued charges	–	2,359,447	9,633	69,735	–	–	2,438,815	2,438,815
Bank and other borrowings								
– fixed rate	6.64	175,921	451,281	1,954,234	2,368,044	–	4,949,480	4,083,714
– variable rate	2.31	236,775	235,565	467,169	1,502,070	–	2,441,579	2,317,564
Financial guarantee contracts	–	3,433,161	–	–	–	–	3,433,161	–
		6,205,304	696,479	2,491,138	3,870,114	–	13,263,035	8,840,093
2008								
Creditors and accrued charges	–	1,629,534	3,152	17,853	–	–	1,650,539	1,650,539
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
– variable rate	4.53	325,016	733,532	544,221	2,166,411	–	3,769,180	3,326,312
Financial guarantee contracts	–	3,432,853	–	–	–	–	3,432,853	20,337
		5,802,865	1,095,441	1,013,439	4,186,820	1,619,339	13,717,904	8,833,489

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

6. Financial Instruments (Continued)

(c) Fair value of financial instruments

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

- the fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and

- the fair value of financial guarantee contracts 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 31, 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.

7. Revenue

	2009 HK$'000	2008 HK$'000
Revenue of the Group		
Sale of completed properties held for sale	**4,600,424**	4,630,672
Group's share of toll revenue of infrastructure joint ventures	**1,082,933**	1,698,633
Revenue of the Group and Group's share of revenue of infrastructure joint ventures	**5,683,357**	6,329,305

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

8. Segmental Information

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel's serving only as the starting point for the identification of such segments.

The identification of the Group's reportable segments under HKFRS 8 is consistent with the prior years' presentation of business segments under HKAS 14. Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of performance is focused on two main operations: toll road and property development. The Group's reportable segments under HKFRS 8 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 adoption of HKFRS 8 has changed the basis of measurement of segment profit. Previously under HKAS 14, the Group included interest income, exchange gains, gains on disposal of interests in joint ventures, share of results of joint ventures, finance costs, income tax expenses and certain unallocated expenses as unallocated corporate items, without allocating them to relevant operating segments, which is different from the measurement under HKFRS 8. Amounts reported for the prior year have been restated to conform to the presentation under HKFRS 8.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

8. Segmental Information (Continued)

The following is an analysis of the Group's revenue, profit, assets, liabilities and other information by operating segments for the years under review:

	2009 Toll road HK$'000	2009 Property development HK$'000	2009 Total HK$'000	2008 Toll road HK$'000	2008 Property development HK$'000	2008 Total HK$'000
Reportable segment revenue	–	4,600,424	4,600,424	–	4,630,672	4,630,672
Reportable segment profit (loss)	823,968	(10,248)	813,720	814,517	(109,572)	704,945
Reportable segment assets (including interests in joint ventures)	4,376,361	15,305,633	19,681,994	5,306,296	15,146,327	20,452,623
Reportable segment liabilities	(50,269)	(10,269,610)	(10,319,879)	(134,186)	(9,140,321)	(9,274,507)
Other segment information						
Amounts included in the measure of segment profit or loss or segment assets:						
Interest income	349	20,241	20,590	288	14,164	14,452
Gains on disposal of interests in joint ventures	578,597	–	578,597	10,272	–	10,272
Impairment losses on interests in joint ventures	(158,000)	–	(158,000)	–	–	–
Depreciation	(163)	(21,616)	(21,779)	(191)	(12,963)	(13,154)
Finance costs	(5,600)	(10,018)	(15,618)	(6,212)	(28,720)	(34,932)
Income tax expenses	(18,017)	(284,264)	(302,281)	(46,004)	(320,689)	(366,693)
Share of results of joint ventures	484,429	29,894	514,323	899,617	10,142	909,759
Interests in joint ventures	4,307,950	50,046	4,357,996	5,260,470	29,213	5,289,683
Additions to non-current segment assets during the year	35	23,285	23,320	44	89,799	89,843

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

8. Segmental Information (Continued)

(a) Measurement

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

Segment profit includes profit earned by each segment, share of results of joint ventures, gains on disposal of interests in joint ventures, impairment losses on interests in joint ventures, relevant interest income and finance costs and income tax expenses attributable to the relevant segment but without allocation of headquarter income and expenses.

Segment assets include property, plant and equipment, investment properties, prepaid lease payments for land, interests in joint ventures, long-term receivables, available-for-sale financial assets, prepayment for acquisition of additional interest in a subsidiary, inventory of properties, prepayment for land leases, loan to a joint venture, debtors, deposits and prepayments, prepaid income tax, pledged bank deposits, bank balances and cash and deferred tax assets which are directly attributable to the relevant reportable segment.

Segment liabilities include creditors and accrued charges, deposits from pre-sale of properties, income tax payable, bank and other borrowings and deferred tax liabilities which are directly attributable to the relevant reportable segment.

Additions to non-current assets are the total costs incurred during the year to acquire segment assets that are expected to be used for more than one year and comprises purchase of property, plant and equipment and investment properties directly attributable to the segment.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

8. Segmental Information (Continued)

(b) Reconciliation of total reportable segment profit, total reportable segment assets and total reportable segment liabilities

	2009 HK$'000	2008 HK$'000
Total reportable segment profit	**813,720**	704,945
Unallocated items:		
Interest income	**2,500**	5,520
Corporate income	**25,819**	101,417
Corporate expenses	**(10,045)**	(13,325)
Finance costs	**(88,817)**	(121,923)
Consolidated profit for the year	**743,177**	676,634
Total reportable segment assets	**19,681,994**	20,452,623
Unallocated assets:		
Property, plant and equipment	**600**	1,074
Loans to related companies	**51,500**	54,700
Deposits and prepayments	**4,453**	10,249
Bank balances and cash	**2,484,042**	390,496
Consolidated total assets	**22,222,589**	20,909,142
Total reportable segment liabilities	**(10,319,879)**	(9,274,507)
Unallocated liabilities:		
Accrued charges	**(78,468)**	(88,428)
Bank and other borrowings	**(1,791,899)**	(2,012,605)
Consolidated total liabilities	**(12,190,246)**	(11,375,540)

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

8. Segmental Information (Continued)

(c) Revenue from major products and services

An analysis of the Group's revenue for the year from its major products and services is set out in note 7.

(d) Information about geographical areas

All the Group's revenue is attributable to customers in the PRC and over 90% of the Group's total non-current assets are located in the PRC and the remaining non-current assets are located in Hong Kong.

(e) Information about major customers

In view of the nature of the toll road business, there are no major customers and suppliers. For the property business, there was no customer who accounted for over 10% of the total revenue generated from property business.

9. Other Gains and Losses

	2009	2008
	HK$'000	HK$'000
Gains on disposal of interests in joint ventures	**578,597**	10,272
Impairment losses on interests in joint ventures	**(158,000)**	–
Losses on disposal of property, plant and equipment	**(1,485)**	(1,017)
Increase in fair value of investment properties	**40,678**	–
Net exchange gains	**66,743**	335,384
	526,533	344,639

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

10. Share of Results of Joint Ventures

	2009 HK$'000	2008 HK$'000
Share of profits of infrastructure joint ventures before amortisation and taxation	**762,966**	1,220,488
Less share of : Amortisation of toll road operation rights	**(191,834)**	(208,821)
Current tax	**(85,203)**	(100,050)
Deferred tax	**(1,500)**	(12,000)
	484,429	899,617
Share of profits of other joint ventures	**29,894**	10,142
	514,323	909,759

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 rights 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 for the PRC enterprise income tax as at 31 December 2007, based on a grandfathering provision, the tax rate increases progressively to 25% over five years from 1 January 2008 onwards.

11. Finance Costs

	2009 HK$'000	2008 HK$'000
Interest on:		
Borrowings wholly repayable within five years	**364,424**	319,882
Borrowings not wholly repayable within five years	**–**	122,468
Total borrowing costs	**364,424**	442,350
Other finance costs	**40,422**	27,254
	404,846	469,604
Less: Capitalised in properties under development for sale	**(300,411)**	(312,749)
	104,435	156,855

Borrowing costs capitalised during the year are calculated by applying an average capitalisation rate of 4.74% (2008: 5.71%) per annum to expenditure on qualifying assets.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

12. Profit Before Taxation

	2009 HK$'000	2008 HK$'000
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**23,079**	15,021
Less: Capitalised in properties under development for sale	**(811)**	(1,063)
	22,268	13,958
Operating lease rentals in respect of leasehold land, premises and equipment	**13,801**	22,725
Less: Capitalised in properties under development for sale	**(741)**	(817)
	13,060	21,908
Staff costs	**167,694**	178,422
Provident fund scheme contributions, net of forfeited contributions of HK$195,000 (2008: HK$343,000)	**22,470**	24,635
Less: Capitalised in properties under development for sale	**(44,926)**	(52,278)
Total staff costs (excluding Directors' emoluments)	**145,238**	150,779
Auditor's remuneration	**5,049**	5,327
Cost of inventory of properties recognised as an expense	**4,061,924**	4,110,060
and after crediting:		
Bank interest income	**13,751**	15,320
Rental income in respect of investment properties with insignificant rental outgoings	**4,654**	1,329

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

13. 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	2009 Total HK$'000
Executive Directors					
Zen Wei Pao, William	–	4,750	8,992	475	14,217
Ko Yuk Bing	–	3,823	7,281	382	11,486
Chan Kam Hung	–	2,441	2,548	244	5,233
Fong Shiu Leung, Keter	–	1,931	1,820	193	3,944
Zen Wei Peu, Derek	–	3,500	–	12	3,512
Non-executive Directors					
Hu Aimin	149	–	–	–	149
Zhang Yijun	181	–	–	–	181
Guo Limin	44	–	–	–	44
Xu Ruxin	12	–	–	–	12
Independent Non-executive Directors					
Chow Shiu Kee, Stephen	337	–	–	–	337
Lau Sai Yung	352	–	–	–	352
Chow Ming Kuen, Joseph	327	–	–	–	327
Choy Kwok Hung, Patrick	127	–	–	–	127
	1,529	16,445	20,641	1,306	39,921

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

13. Directors' and Employees' Emoluments (Continued)

Directors' emoluments (Continued)

	Directors' fees HK$'000	Salaries and allowances HK$'000	Performance related bonus HK$'000	Retirement scheme contributions HK$'000	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 Chin, 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

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 2009 and 31 December 2008 are shown in the Directors' Report.

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

14. Income Tax Expenses

	2009 HK$'000	2008 HK$'000
Current tax:		
PRC enterprise income tax ("EIT")	**162,092**	128,034
PRC land appreciation tax ("LAT")	**109,237**	115,124
PRC withholding tax	**15,725**	–
	287,054	243,158
Deferred tax (note 32):		
Current year	**15,227**	123,535
	302,281	366,693

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

The EIT is calculated at a statutory tax rate of 25%.

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

14. Income Tax Expenses (Continued)

The income tax for the year is reconciled to profit before taxation as follows:

	2009 HK$'000	2008 HK$'000
Profit before taxation	**1,045,458**	1,043,327
Tax at the applicable income tax rate of 25% (2008: 25%) (note)	**261,365**	260,832
LAT provision	**109,237**	115,124
Tax effect of LAT	**(27,309)**	(28,781)
Tax effect of expenses not deductible for tax purpose	**179,811**	242,700
Tax effect of income not taxable for tax purpose	**(170,876)**	(104,492)
Tax effect of share of results of joint ventures	**(128,581)**	(227,440)
Tax effect of tax losses not recognised	**40,502**	36,679
Tax effect on temporary differences not recognised	**63,638**	21,980
Tax effect of utilisation of tax losses previously not recognised	**(61,955)**	(7,557)
Deferred tax on undistributed earnings of PRC subsidiaries and joint ventures	**2,292**	46,000
PRC withholding tax	**15,725**	–
Others	**18,432**	11,648
Income tax for the year	**302,281**	366,693
Effective tax rate for the year	**28.9%**	35.1%

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.

15. Dividends Paid

	2009 HK$'000	2008 HK$'000
2008 final dividend paid of HK$0.20 (2008: HK$0.28 for 2007) per share	**147,785**	210,752
2009 interim dividend paid of HK$0.20 (2008: HK$0.05) per share	**147,824**	37,534
	295,609	248,286

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

15. Dividends Paid (Continued)

A final dividend in respect of 2009 of HK$0.30 per share amounting to a total of approximately HK$222 million has been declared by the Board. The amount has not been included as a liability in the consolidated financial statements as it was declared after the end of the reporting period.

The amount of the proposed final dividend has been calculated on the basis of 739,116,566 shares in issue as at 26 March 2010.

16. Earnings Per Share

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

	2009	2008
	HK$'000	HK$'000
Earnings for the purposes of basic and diluted earnings per share attributable to the owners of the Company	**728,080**	656,429

	2009	2008
	Number of shares	Number of shares
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**738,993**	750,694
Effect of dilutive potential ordinary shares:		
Share options	**–**	662
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**738,993**	751,356

The share options outstanding during the year ended 31 December 2009 were anti-dilutive because the exercise prices of the share options were higher than the average market prices of the shares of the Company during the year.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

17. 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 2008	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 (note 19)	(124,810)	–	–	–	–	–	(124,810)
Acquisition of subsidiaries (note 34(b))	–	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
Additions	–	–	1,871	2,380	–	1,062	5,313
Disposals	–	(227)	–	(4,208)	(804)	(5,612)	(10,851)
Transfer to investment properties (note 19)	(17,575)	–	–	–	–	–	(17,575)
Acquisition of subsidiaries (note 34(a))	–	–	–	92	–	739	831
Exchange adjustments	–	10	152	211	9	216	598
At 31 December 2009	**–**	**939**	**21,467**	**24,100**	**110**	**18,374**	**64,990**
Depreciation							
At 1 January 2008	–	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
Charge for the year	–	283	11,144	7,356	47	4,249	23,079
Eliminated on disposals	–	(87)	–	(3,830)	–	(3,218)	(7,135)
Exchange adjustments	–	3	95	164	–	104	366
At 31 December 2009	**–**	**389**	**20,055**	**16,270**	**47**	**8,877**	**45,638**
Carrying values							
At 31 December 2009	**–**	**550**	**1,412**	**7,830**	**63**	**9,497**	**19,352**
At 31 December 2008	17,575	966	10,628	13,045	905	14,227	57,346

Note: Properties under development for investment properties were located in the PRC and held under medium term lease. During the year ended 31 December 2008, certain properties had been completed and transferred to investment properties. At 1 January 2009, the Group has adopted the amendments to HKAS 40 "Investment Properties", as described in note 2, which brings investment properties under construction within the scope of HKAS 40 "Investment Properties". Consequently, at 1 January 2009, all properties under development for investment properties were transferred to investment properties.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

17. Property, Plant and Equipment (Continued)

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

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.

18. Prepaid Lease Payments for Land

	2009 HK$'000	2008 HK$'000
Land in the PRC on medium-term lease	–	34,231
Analysed for reporting purposes as:		
Non-current asset	–	33,293
Current asset	–	938
	–	34,231

The prepaid lease payments for land are developed for future use as investment properties. During the year ended 31 December 2008, certain properties were completed and the corresponding prepaid lease payments for land of HK$19,041,000 were transferred to investment properties. At 1 January 2009, the Group adopted the amendments to HKAS 40 "Investment Properties", as described in note 2, which brings investment properties under construction within the scope of HKAS 40 "Investment Properties". Consequently, at 1 January 2009, all the prepaid lease payments for land of HK$34,231,000 were transferred to investment properties.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

19. Investment Properties

	2009 HK$'000	2008 HK$'000
Completed properties, at fair value		
At 1 January	**143,851**	–
Reclassified from properties under development for investment properties (note 17)	**–**	124,810
Reclassified from prepaid lease payments for land (note 18)	**–**	19,041
Change in fair value recognised in the consolidated income statement	**25,989**	–
Exchange difference arising on translation to presentation currency	**1,393**	–
At 31 December	**171,233**	143,851
Properties under construction, at fair value		
Reclassified from properties under development for investment properties previously included in property, plant and equipment at 1 January 2009 (note 17)	**17,575**	–
Reclassified from prepaid lease payments for land at 1 January 2009 (note 18)	**34,231**	–
Increase in fair value at 1 January 2009	**14,689**	–
Additions	**17,189**	–
Exchange difference arising on translation to presentation currency	**520**	–
At 31 December	**84,204**	–
Total	**255,437**	143,851

At 1 January 2009, the properties under development for investment properties amounting to HK$17,575,000 and prepaid lease payments for land amounting to HK$34,231,000 were reclassified to investment properties under construction arising from the application of the amendments to HKAS 40 “Investment Property”.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

19. Investment Properties (Continued)

During the year ended 31 December 2008, 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 related investment properties. Since the fair value of the properties at 31 December 2008 was similar to the carrying amount and fair value of the properties at the date of transfer, no revaluation gain upon completion of the properties and change in fair value was recognised in profit or loss during the year ended 31 December 2008.

The fair values of investment properties under construction at the date of transfer and at 31 December 2009, and the fair values of completed investment properties at 31 December 2009 and 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 values of the investment properties were determined by the valuers on the following basis:

Vacant portion of investment properties	–	by reference to market evidence of transaction prices for similar properties in the similar location
Occupied properties	–	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
Properties under construction (bare land)	–	by reference to market evidence of transaction prices for similar land in the similar location

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

20. Interests in Joint Ventures

	2009 HK$'000	2008 HK$'000
Interests in infrastructure joint ventures		
Cost of investments	**4,606,618**	5,315,447
Share of post-acquisition undistributed profits and other comprehensive income, net of dividends received	**3,428,703**	3,720,225
Return of cost of investments (note a)	**(3,569,371)**	(3,775,202)
Impairment losses on cost of investments (note b)	**(158,000)**	–
	4,307,950	5,260,470
Interest in other joint venture		
Cost of investment	**16,123**	16,123
Share of post-acquisition profit and other comprehensive income, net of dividend received	**33,923**	13,090
	50,046	29,213
	4,357,996	5,289,683

Notes:

(a) The infrastructure joint ventures distribute the cash surplus to the Group on a regular basis including a return of total investment costs to the Group. The amount of cash distribution varies from time to time and depends on the toll road performance, the amount of operating expenses and capital expenditure incurred by the joint ventures.

(b) The Group has carried out impairment review on the carrying amount of interests in joint ventures at the end of the reporting period and recognised an impairment loss of HK$158,000,000 during the year. The amount of impairment losses is measured as the difference between the carrying amount of interests in joint ventures and the present value of the estimated future returns on investments from the joint ventures. Due to the reduction of traffic flow of certain toll road infrastructure projects, the Group has revised its cash flow forecasts and the carrying amounts of interests in certain joint ventures has therefore been reduced to the recoverable amount through the recognition of impairment losses.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

20. Interests in Joint Ventures (Continued)

Infrastructure joint ventures

All infrastructure joint ventures are co-operative joint ventures established and operating in the PRC, details of which at 31 December 2009 and 2008 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% #	Investment in, construction, operation and management of Hefei – Liuan 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% * #	Construction, operation and management of National Highway 206 Hehuai 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% * #	Construction, operation and management of National Highway 206 Hehuai Highway (Yangjin Section) in Anhui, the PRC
Anhui Road Universe Liuan Highway Development Co., Ltd. 安徽路宇六安公路開發有限公司	RMB92,400,000	50% #	Investment in, construction, operation and management of Hefei – Liuan Highway, (Liuan Section) in Anhui, the PRC
Bengbu Road King Huaihe Bridge Highway Development Co., Ltd. 蚌埠路勁淮河公路橋開發有限公司	RMB92,880,000	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	RMB68,040,000	35% #	Investment in and development, operation and management of Provincial Highway 307 Bengbu Huaiyuan – Mengcheng Highway in Anhui, the PRC

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

20. 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 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	RMB73,592,000	35% #	Investment in and construction, operation and management of Bengbu Chaoyanglu Huaihe Highway Bridge in Anhui, the PRC
Guangxi Hengjing Highway Development Co., Ltd. 廣西恒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	RMB99,562,400	70% * #	Investment in and development, operation and management of National Highway 324 (Yulin Section) 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, operation 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, operation and management of National Highway 309, Feixiang – Guantao Highway in Hebei, the PRC
Hebei Baofa Expressway Co., Ltd. 河北保發高速公路有限公司	RMB96,287,600	40% #	Investment in and operation and management of Hebei Baojin Expressway (Bazhou Dong Section) in Hebei, the PRC

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

20. 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 Baofeng Expressway Co., Ltd. 河北保豐高速公路有限公司	RMB95,700,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Rong Cheng – Xiong Xian Section) in Hebei, the PRC
Hebei Baohui Expressway Co., Ltd. 河北保惠高速公路有限公司	RMB96,007,600	40% #	Investment in and operation and management of Hebei Baojin Expressway (Bazhou Zhong Section) in Hebei, the PRC
Hebei Baojie Expressway Co., Ltd. 河北保捷高速公路有限公司	RMB97,262,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Xiongxian – Bazhou Section) in Hebei, the PRC
Hebei Baojin Expressway Co., Ltd. 河北保津高速公路有限公司	RMB96,843,600	40% #	Investment in and operation and management of Hebei Baojin Expressway (Xushui – Rongcheng Section) in Hebei, the PRC
Hebei Baoli Expressway Co., Ltd. 河北保利高速公路有限公司	RMB97,359,600	40% #	Investment in and operation and management of Hebei Baojin Expressway (Xiongxian East Section) in Hebei, the PRC
Hebei Baoming Expressway Co., Ltd. 河北保明高速公路有限公司	RMB90,030,400	40% #	Investment in and operation and management of Hebei Baojin Expressway (Bazhou – Tianjinjie Section) in Hebei, the PRC
Hebei Baosheng Expressway Co., Ltd. 河北保昇高速公路有限公司	RMB96,507,600	40% #	Investment in and operation and management of Hebei Baojin Expressway (Xiongxian Section) in Hebei, the PRC

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

20. 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 Baoyi Expressway Co., Ltd. 河北保怡高速公路有限公司	RMB96,575,200	40% #	Investment in and operation and management of Hebei Baojin Expressway (Rong Cheng Section) in Hebei, the PRC
Hebei Baoyu Expressway Co., Ltd. 河北保裕高速公路有限公司	RMB97,426,400	40% #	Investment in and operation and management of Hebei Baojin Expressway (Bazhou West Section) in Hebei, the PRC
Hebei Tanghui Expressway Co., Ltd. 河北唐惠高速公路有限公司	RMB287,324,000	45% #	Investment in and operation and management of Hebei Tangjin Expressway (Chenzhuang – Fengnan Section) in Hebei, the PRC
Hebei Tangjin Expressway Co., Ltd. 河北唐津高速公路有限公司	RMB250,300,000	45% #	Investment in and operation and management of Hebei Tangjin Expressway (Fengnan – Jijinjie Section) in Hebei, the PRC
Hebei Tangrun Expressway Co., Ltd. 河北唐潤高速公路有限公司	RMB172,524,000	45% #	Investment in and operation and management of Hebei Tangjin Expressway (Shuangmiao – Chenzhuang Section) in Hebei, the PRC
Hunan Changyi (Baining) Expressway Co., Ltd. 湖南長益(白寧)高速公路有限公司	RMB97,011,500	43.17% #	Investment in and development, operation and management of Hunan Changsha – Yiyang Expressway (Baining Section) in Hunan, the PRC

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

20. 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 (Cangyi) Expressway Co., Ltd. 湖南長益(滄益)高速公路有限公司	RMB98,985,400	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	RMB98,553,500	43.17% #	Investment in and development, operation and management of Hunan Changsha – Yiyang Expressway (Changbai Section) in Hunan, the PRC
Hunan Changyi (Hengcang) Expressway Co., Ltd. 湖南長益(衡滄)高速公路有限公司	RMB101,695,200	43.17% #	Investment in and development, operation and management of Hunan Changsha – Yiyang Expressway (Hengcang Section) in Hunan, the PRC
Hunan Changyi (Ningheng) Expressway Co., Ltd. 湖南長益(寧衡)高速公路有限公司	RMB98,458,100	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	RMB78,328,300	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% #	Investment in, construction, operation and management of Liuan – Yeji Highway (Western Section) in Anhui, the PRC

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

20. 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
Liuan Road Universe Pihe Bridge Development Co., Ltd. 六安路宇淠河大橋開發有限公司	RMB90,364,000	50% #	Investment in, construction, operation and management of Pihe Bridge in Anhui, 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 and Provincial Highway 103 Xunan 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 National Highway 311 and Provincial Highway 103 Xunan 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, operation and management of National Highway 108 Yuci Dongchangshou – Qixian Dongguan Highway in Shanxi, the PRC
Shanxi Lutong Taiyu Highway Co., Ltd. 山西路通太榆公路有限公司	RMB83,414,000	65% * #	Investment in, operation 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% * #	Investment in, operation and management of National Highway 108 Yuci City Bypass in Shanxi, the PRC

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

20. 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
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, operation 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, operation 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 Hongqiao Airport Highway (Suzhou Section) 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 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 are entitled to profit/cash sharing ratios higher than their respective proportion of registered capital held by them as contained in the joint venture agreements. Thereafter, the profit/cash sharing ratios of the joint ventures may be the same as the proportion of their registered capital or in accordance with a predetermined ratio stipulated in the joint venture agreements.

@ The Group's interests in these two joint ventures were disposed of in 2009.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

20. Interests in Joint Ventures (Continued)

Property development joint venture

Particulars of the Group's interest in a property development joint venture as at 31 December 2009 and 2008 are as follows:

Name of entity	Place of establishment	Principal place of business	Registered capital	Attributable interest to the Group	Principal activity
上海順馳方城置業有限公司 ("Shanghai Fengcheng")	PRC	PRC	RMB 50,000,000	31.5%	Property development

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:

	2009 **HK$'000**	2008 HK$'000
Income recognised in profit or loss	**1,239,397**	1,832,810
Expenses recognised in profit or loss	**(725,074)**	(923,051)
Other comprehensive income	**–**	–
Current assets	**666,075**	611,966
Non-current assets	**4,214,789**	5,160,216
Current liabilities	**(364,868)**	(482,499)
Non-current liabilities	**–**	–

21. Loan to a Joint Venture

At 31 December 2009, the loan to a joint venture of HK$64,286,000 (2008: HK$70,787,000) represented a loan to Shanghai Fengcheng, which was secured, carried interest at a fixed rate of 5.6% (2008: 8.4%) per annum and recoverable within one year.

During the year, the loan was renewed and the maturity date of the loan has been extended to September 2010.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

22. Loans to Related Companies

The loans to related companies represented the cash advances to former subsidiaries in which one of its shareholders is Wai Kee Holdings Limited ("Wai Kee"), which has significant beneficial interest in the Company. During the year, the loans have been renewed with revised repayment schedule and the maturity dates of the loans have been extended. During the renewal, an amount of HK$3,200,000 was repaid.

The loans to related companies are unsecured, interest bearing at the London Interbank Offered Rate ("LIBOR") or Hong Kong Interbank Offered Rate ("HIBOR") plus 1.75% per annum up to February 2010 and at a fixed rate of 6.25% per annum for the period from March 2010 to the maturity dates of the respective loans (2008: LIBOR or HIBOR plus 1.7% per annum).

	2009 **HK$'000**	2008 HK$'000
Maturity profile of loans to related companies repayable in:		
– August 2010	**3,300**	54,700
– August 2011	**16,700**	–
– August 2012	**31,500**	–
	51,500	54,700
Included in current assets	**(3,300)**	–
	48,200	54,700
The loans were denominated in:		
United States dollars	**31,500**	31,500
Hong Kong dollars	**20,000**	23,200
	51,500	54,700

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

23. Long-Term Receivables

	2009	2008
	HK$'000	HK$'000
Minimum income undertakings (note (a))	**4,995**	10,344
Deferred consideration on disposal of interest in a joint venture (note (b))	**27,211**	14,157
Amount due from Huge Rise Investments Limited ("Huge Rise") (note (c))	**510,397**	551,858
	542,603	576,359

Notes:

(a) Included in long-term receivables and debtors aged more than 90 days of the Group are the amounts of HK$4,995,000 (2008: HK$10,344,000) and HK$8,163,000 (2008: HK$5,911,000) respectively representing minimum income undertakings due from the PRC joint venture partners. Minimum income undertakings have been recognised in accordance with the terms set out in the relevant joint venture agreements and are settled according to the schedules agreed with the relevant PRC joint venture partners. The revised repayment schedule of minimum income undertakings was agreed with the PRC joint venture partners in 2007 and the amounts will be fully repaid in 2011.

(b) The balance of HK$14,157,000 at 31 December 2008, which represented the deferred consideration arisen from disposal of an infrastructure joint venture to the PRC joint venture partner in 2006, was fully repaid by the PRC joint venture partner in 2009. The balance of HK$27,211,000 at 31 December 2009 represented the deferred consideration which arose from disposal of an infrastructure joint venture to a PRC joint venture partner in the current year (see note 35(a)(ii)) which will be fully repaid in 2011. The consideration due within one year of HK$27,211,000 at 31 December 2009 has been included in other receivables of the Group (see note 27).

(c) The balance represented the cash advance to Huge Rise and its subsidiaries ("Huge Rise Group"), the independent third parties of the Group. On 4 January 2010, Huge Rise and the Company has revised the cash advance arrangement and agreed that the cash advance will be fully repaid by December 2014 and is interest bearing at 1% per annum over 3 month HIBOR. The credit risk on amount due from Huge Rise Group was disclosed in note 6(b)(ii).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

24. Available-For-Sale Financial Assets

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 in 2007. Upon the completion of the acquisition of additional interest in Sunco Property by the Group on 20 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, of which the Group would have 89.46% equity interests in them as at 31 December 2008.

As at 31 December 2008, although the Group's PRC legal counsel confirmed that the legal procedures in respect of the acquisition of the Tianjin Companies were completed and the acquisition was legally enforceable under the relevant laws in the PRC, the Group had not yet obtained effective control over the Tianjin Companies as the former management of the Tianjin Companies did not allow the representatives of the Group to access to the then office of the Tianjin Companies, and hand over the official seals, the books and records as well as other relevant documents of the Tianjin Companies. As the Group did not obtain effective control or exercise significant influence over the operating and financing policies of the Tianjin Companies, the Tianjin Companies were not then considered as subsidiaries or associates of the Company and therefore the financial statements of the Tianjin Companies had not been consolidated into or equity accounted for in the Group's consolidated financial statements for each of the two years ended 31 December 2008. Instead, the investments in the Tianjin Companies were accounted for as available-for-sale financial assets and had been recorded at cost less impairment as at 31 December 2008 and 2007 because the investments were unquoted equity shares whose range of reasonable fair value estimates was so significant that the Directors were of the opinion that the fair values could not 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 was considered necessary.

With the assistance provided by the Tianjin municipal government, the Group received the official seals of the Tianjin Companies on 24 August 2009 and was able to carry out the due diligence works on the books and records as well as other relevant documents of the Tianjin Companies in September 2009. In the opinion of the Directors, the Group obtained effective control to govern the financial and operating policies of the Tianjin Companies so as to obtain benefits from their activities in September 2009. Accordingly, the assets and liabilities of the Tianjin Companies and their results have been consolidated in the Group's consolidated financial statements since the date the Group obtained effective control. The assets and liabilities of the Tianjin Companies at the date of acquisition have been disclosed in note 34(a).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

25. Inventory of Properties

	2009 HK$'000	2008 HK$'000
Completed properties held for sale	**2,433,293**	1,511,717
Properties under development for sale (note)	**10,520,175**	10,517,533
	12,953,468	12,029,250

Note: Included in the amount are properties under development for sale of HK$1,664,383,000 (2008: HK$2,657,744,000) expected to be completed and delivered to the customers within twelve months from the end of the reporting period.

26. Prepayment for Land Leases

As at 31 December 2009, a total prepayment of HK$222,334,000 (2008: HK$107,865,000) 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".

27. Debtors, Deposits and Prepayments

	2009 HK$'000	2008 HK$'000
Aged analysis of debtors, presented based on invoice date (note (a)):		
Within 60 days	**11,227**	12,279
60 to 90 days	**6,267**	340
More than 90 days	**14,263**	11,139
	31,757	23,758
Deferred consideration on disposal of interest in a joint venture (notes 23(b) and 35(a)(ii))	**27,211**	14,719
Interest receivable	**1,439**	253
Prepayment of business tax and other taxes	**115,904**	101,573
Other receivables, deposits and prepayments (note (b))	**154,640**	545,760
	330,951	686,063

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

27. Debtors, Deposits and Prepayments (Continued)

Notes:

(a) Other than the minimum income undertakings as mentioned in note 23(a), the debtors are mainly arisen from sale of properties. Consideration in respect of properties sold is paid in accordance with the terms of the related sale and purchase agreements, normally within 60 days from the agreements. Consideration under pre-sale contracts will be fully received prior to the delivery of the properties to the purchasers.

(b) At 31 December 2009, included in other receivables, deposits and prepayments is an amount of HK$31,746,000 (2008: HK$31,461,000) representing the tender deposits paid to the local government or its agents for the tender of several pieces of land through public auctions. The tender deposits will be refunded if the Group fails 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 entered into a cooperative agreement ("Cooperative Agreement") for carrying out development to render several pieces of land in Jinan province. The prepayment as at 31 December 2008 was HK$381,573,000. In 2009, the Group entered into a settlement agreement dated 28 April 2009 to terminate the Cooperative Agreement. The prepayment would be refunded together with a fixed return of HK$18,140,000 by installment. As at 31 December 2009, an amount of HK$351,474,000 has already been settled and the outstanding balance of HK$51,700,000 will be settled before 30 June 2010.

The Group has insignificant trade receivable balances which are past due at the end of the reporting period. Included in trade debtors are minimum income undertakings of HK$8,163,000 (2008: HK$5,911,000) which are settled according to an agreed repayment schedule, the remaining trade debtor balance has been substantially settled subsequent to the end of the reporting period, 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 end of the reporting period. 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 at the end of the reporting period.

28. Pledged Bank Deposits/Bank Balances and Cash

Included in pledged bank deposits were bank balances of HK$206,553,000 (2008: HK$163,723,000) which are pledged as securities in favour of banks for mortgage facilities granted to the buyers of the Group and short-term facilities granted to the Group.

Bank balances carry interest at market rates which range from 0.01% to 1.17% (2008: 0.02% to 1.17%) per annum. The average effective interest rate of pledged bank deposits was 0.36% (2008: 0.36%) 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:

	2009	2008
	HK$'000	HK$'000
Hong Kong dollars	**353,122**	119,667
United States dollars	**60,544**	34,573

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

29. Share Capital

	2009 Number of shares	2008 Number of shares	2009 HK$'000	2008 HK$'000
Authorised:				
Ordinary shares of HK$0.1 each	**20,000,000,000**	20,000,000,000	**2,000,000**	2,000,000
7.5% convertible preference shares ("CP shares") of HK$0.1 each	**518,380**	518,380	**52**	52
Issued and fully paid:				
Ordinary shares				
At 1 January	**738,926,566**	752,646,566	**73,893**	75,265
Issue of shares upon exercise of share options	**190,000**	40,000	**19**	4
Shares repurchased and cancelled	**–**	(13,760,000)	**–**	(1,376)
At 31 December	**739,116,566**	738,926,566	**73,912**	73,893

As a result of the exercise of the Company's share options during the year, 190,000 (2008: 40,000) ordinary shares were issued by the Company as detailed in note 30.

During the year ended 31 December 2008, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of HK$0.1 each	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid HK$'000
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
	13,760,000			43,757

The above shares were cancelled upon repurchase.

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

30. Share Option Scheme

The share option scheme was adopted by the Company in 2003. The purpose of the 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 and the total number of options available for grant at 31 December 2009 under the share option scheme was 54,650,156. At 31 December 2009, the number of shares in respect of which options had been granted and remained outstanding under the scheme was 33,185,000, representing approximately 4.49% of the Company's issued share capital at that date. 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.

No share options were granted by the Group in 2008 and 2009.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

30. 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.

2009

Date of grant	Exercisable period	Exercise price HK$	Balance at 1.1.2009	Exercised during the year	Lapsed/ cancelled during the year	Balance at 31.12.2009
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	9,800,000	–	–	9,800,000
6 November 2007	6 November 2007 to 5 November 2012	14.85	10,200,000	–	–	10,200,000
			22,840,000	(140,000)	–	22,700,000
Employees						
26 August 2004	26 August 2004 to 25 August 2009	5.70	390,000	(50,000)	(340,000)	–
14 December 2005	14 December 2005 to 13 December 2010	5.80	100,000	–	–	100,000
20 December 2006	20 December 2006 to 19 December 2011	11.66	4,192,000	–	(517,000)	3,675,000
6 November 2007	6 November 2007 to 5 November 2012	14.85	7,360,000	–	(650,000)	6,710,000
			12,042,000	(50,000)	(1,507,000)	10,485,000
			34,882,000	(190,000)	(1,507,000)	33,185,000
Weighted average exercise price			12.70	5.70	11.69	12.79

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

30. Share Option Scheme (Continued)

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
			23,190,000	–	(350,000)	22,840,000
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
			15,525,000	(40,000)	(3,443,000)	12,042,000
			38,715,000	(40,000)	(3,793,000)	34,882,000
Weighted average exercise price			12.73	5.31	13.08	12.70

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$5.92 (2008: HK$9.51).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

31. Bank and Other Borrowings

	2009 HK$'000	2008 HK$'000
Senior notes (note (a))	**2,692,473**	2,681,952
Guaranteed notes (note (b))	**1,522,085**	1,558,978
Bank loans (note (c))	**2,186,720**	2,921,683
	6,401,278	7,162,613

The maturity of the above loans is as follows:

	2009 HK$'000	2008 HK$'000
Unsecured borrowings repayable:		
Within one year	**113,379**	268,539
More than one year but not exceeding two years	**1,522,085**	–
More than two years but not exceeding five years	**2,791,501**	2,709,890
More than five years	**–**	1,531,040
	4,426,965	4,509,469
Secured borrowings repayable:		
Within one year	**1,087,946**	1,156,346
More than one year but not exceeding two years	**559,119**	648,356
More than two years but not exceeding five years	**327,248**	848,442
	1,974,313	2,653,144
Total borrowings	**6,401,278**	7,162,613
Less: Amount due within one year shown under current liabilities	**(1,201,325)**	(1,424,885)
Amount due over one year shown under non-current liabilities	**5,199,953**	5,737,728

Notes:

(a) The senior notes are listed on the stock exchange in Singapore. The notes include carrying amount of HK$1,536,047,000 (2008: HK$1,531,040,000), 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$1,156,426,000 (2008: HK$1,150,912,000), which 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 2009 was HK$2,466,750,000 (2008: HK$1,493,700,000).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

31. Bank and Other Borrowings (Continued)

Notes: (Continued)

(b) 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 2009 was HK$1,482,975,000 (2008: HK$889,200,000).

(c) Bank loans with carrying amount of HK$1,025,582,000 (2008: HK$746,283,000) bear interest at a fixed rate of 4.86% to 7.08% (2008: 5.84% to 9.07%) per annum. Interest rates on the remaining bank loans, which carried at floating interest rates, range from 1.39% to 1.87% (2008: 2.50% to 3.10%) per annum.

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

	2009 HK$'000	2008 HK$'000
Hong Kong dollars	**99,028**	478,515
United States dollars	**5,276,669**	5,937,815

32. Deferred Taxation

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

	Tax losses HK$'000	Fair value adjustment on properties under development HK$'000	Undistributed earnings of subsidiaries and joint ventures in the PRC HK$'000	Change in fair value of investment properties HK$'000	Interest capitalised on properties under development HK$'000	Total HK$'000
At 1 January 2008	(129,211)	47,349	–	–	69,155	(12,707)
Charge (credit) for the year	61,263	(16,399)	46,000	–	32,671	123,535
Exchange adjustments	(7,956)	4,253	–	–	173	(3,530)
At 31 December 2008	(75,904)	35,203	46,000	–	101,999	107,298
Charge (credit) for the year	22,765	(13,234)	2,292	10,169	(6,765)	15,227
Exchange adjustments	(346)	10	57	35	99	(145)
At 31 December 2009	**(53,485)**	**21,979**	**48,349**	**10,204**	**95,333**	**122,380**

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; (iv) change in fair value of investment properties and (v) the tax losses.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

32. Deferred Taxation (Continued)

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

	2009 HK$'000	2008 HK$'000
Deferred tax assets	**(31,506)**	(40,700)
Deferred tax liabilities	**153,886**	147,998
	122,380	107,298

Deferred tax assets has not been recognised in the consolidated financial statements in respect of deductible temporary differences amounting to HK$342,472,000 (2008: HK$87,920,000) due to the unpredictability of future taxable profit streams.

At 31 December 2009, the Group has estimated unused tax losses of HK$1,214,351,000 (2008: HK$875,765,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK$213,938,000 (2008: HK$303,614,000) of such losses. No deferred tax asset has been recognised in respect of the remaining losses of HK$1,000,413,000 (2008: HK$572,151,000) due to the unpredictability of future taxable profit streams. Such remaining unrecognised tax losses of HK$1,000,413,000 (2008: HK$572,151,000) will expire within five years from the end of the reporting period.

33. Creditors and Accrued Charges

	2009 HK$'000	2008 HK$'000
Aged analysis of creditors, presented based on invoice date:		
Within 60 days	**9,299**	33,332
60 to 90 days	**11,339**	2,770
More than 90 days	**99,722**	105,386
	120,360	141,488
Accrued construction costs	**1,872,993**	1,157,891
	1,993,353	1,299,379
Interest payable	**66,385**	70,384
Accrued taxes (other than EIT and LAT)	**15,595**	13,750
Other accrued charges	**363,482**	373,298
	2,438,815	1,756,811

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

34. Acquisition of Subsidiaries

(a) Year ended 31 December 2009

As detailed in note 24, the Group received the official seals of the Tianjin Companies on 24 August 2009 and obtained the effective control over the Tianjin Companies by September 2009. The financial results of the Tianjin Companies were consolidated to the Group's consolidated financial statements since the date that the Group has obtained effective control over the Tianjin Companies. It was accounted for as purchase of assets.

The Group acquired and assumed the following assets and liabilities respectively through acquisition of the Tianjin Companies.

	HK$'000
Net assets acquired:	
Property, plant and equipment	831
Completed properties held for sale	268,749
Properties under development for sale	2,010,724
Debtors, deposits and prepayments	11,061
Prepaid income tax	28,379
Bank balances and cash	914
Creditors and accrued charges	(907,595)
Deposits from pre-sale of properties	(48,992)
Income tax payable	(9,112)
	1,354,959
Satisfied by:	
Transferred from available-for-sale financial assets and advances to investees	1,354,959
Net cash inflow arising on acquisition:	
Bank balances and cash acquired	914

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

34. Acquisition of Subsidiaries (Continued)

(b) 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 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 had 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)
	9,426
Satisfied by:	
Transferred from interest in a joint venture	1
Cash consideration	9,425
	9,426
Net cash outflow arising on acquisition:	
Cash consideration paid	(9,425)
Bank balances and cash acquired	1,578
	(7,847)

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 at the end of the reporting period.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

35. Disposal of Interests in Joint Ventures

(a) Year ended 31 December 2009

(i) Shenzhen Airport-Heao Expressway (Eastern Section) Co., Ltd.

On 1 June 2009, the Group entered into a sale and purchase agreement to dispose of its 45% equity interest in Shenzhen Airport-Heao Expressway (Eastern Section) Co., Ltd. to the PRC joint venture partner at a cash consideration of HK$1,207,684,000. The gain on disposal of the joint venture was recognised in profit or loss.

The disposal of the Group's interest in the joint venture during the year had the following effects:

	HK$'000
Cost of investment	584,864
Share of post-acquisition undistributed profits and other comprehensive income	253,130
Reduction of cost of investment	(202,364)
Carrying amount of interest in the joint venture disposed of	635,630
Expenses in connection with the disposal	8,640
Gain on disposal	563,414
Total consideration	1,207,684
Satisfied by:	
Cash consideration	1,207,684
Net cash inflow arising on disposal:	
Cash consideration	1,207,684
Expenses in connection with the disposal	(8,640)
	1,199,044

During the year, other than the consideration received from disposal of the interest in a joint venture, the disposed joint venture had contributed to the Group's profit after taxation of HK$99,743,000 and investing cash flow of HK$47,511,000.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

35. Disposal of Interests in Joint Ventures (Continued)

(a) Year ended 31 December 2009 (Continued)

(ii) Guangxi Hengjing Highway Development Co., Ltd.

On 31 March 2009, the Group entered into a sale and purchase agreement to dispose of its 70% equity interest in Guangxi Hengjing Highway Development Co., Ltd. to the PRC joint venture partner at a cash consideration of HK$124,270,000. The gain on disposal of the joint venture was recognised in profit or loss.

The Group's disposal of its interest in the joint venture during the year had the following effects:

	HK$'000
Cost of investment	118,365
Share of post-acquisition undistributed profits and other comprehensive income	81,929
Reduction of cost of investment	(91,995)
Carrying amount of interest in the joint venture disposed of	108,299
Expenses in connection with the disposal	788
Gain on disposal	15,183
Total consideration	124,270
Satisfied by:	
Cash consideration	52,841
Deferred consideration – current portion	44,218
Deferred consideration – non-current portion (note 23(b))	27,211
	124,270
Net cash inflow arising on disposal:	
Cash consideration	52,841
Expenses in connection with the disposal	(788)
	52,053

Notes:

(a) Included in the current portion of deferred consideration, HK$17,007,000 has been received up to 31 December 2009 and the remaining balance of HK$27,211,000 was included in other receivables as disclosed in note 27.

(b) During the year, other than the consideration received from disposal of the interest in the joint venture, the disposed joint venture 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 2009

35. Disposal of Interests in Joint Ventures (Continued)

(b) 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 joint venture was recognised in profit or loss.

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

	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 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 2009

36. 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 end of the reporting period.

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.

37. Operating Lease Commitments

As lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2009	2008
	HK$'000	HK$'000
Within one year	**6,402**	5,702
In the second to fifth year inclusive	**26,069**	22,521
Over five years	**85,723**	83,099
	118,194	111,322

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 2009

37. Operating Lease Commitments (Continued)

As lessee

At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2009	2008
	HK$'000	HK$'000
Within one year	**12,543**	20,167
In the second to fifth year inclusive	**3,790**	48,858
Over five years	**–**	125,826
	16,333	194,851

The commitments represent rentals payable by the Group for its offices and staff quarters with the lease periods ranging from one to five years. During the year, the lease of a hotel property with a lease term of twenty years was terminated.

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

38. Capital Commitments

At the end of the reporting period, the Group was committed to invest HK$562,675,000 (2008: HK$455,217,000) to develop a shopping mall in Changzhou for investment purpose.

39. Contingent Liabilities

(a) At 31 December 2009, the Group provided guarantees of HK$3,433,161,000 (2008: HK$3,095,774,000) 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.

(b) At 31 December 2008, the Group provided guarantees in favour of banks to provide credit facilities to the Tianjin Companies, of which the Group has obtained effective control in 2009 as described in note 24, amounting to HK$337,079,000. The bank loans were secured by a pledge of the properties including land and properties under development for sale held by the Tianjin Companies. The bank loans were fully repaid by the Group during the year and the guarantees provided by the Group were released accordingly.

At 31 December 2008, an amount of HK$20,337,000 had been recognised in the consolidated statement of financial position as liabilities and included in other accrued charges as set out in note 33.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

40. Litigation

Other than set out in note 24, the Group and Huge Rise filed a writ of summons against Sunco China Holdings Limited, Sunco Management Holdings Limited (both of which are beneficially owned by Mr. Sun) and Mr. Sun (collectively referred to as the "Defendants") in October 2007, 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 in connection with the acquisition of certain companies, including the Tianjin Companies, from the Defendants. These undisclosed liabilities have been recognised and recorded by the Group after the date of acquisition.

The processes for the discovery of evidence and preparation of witness statements have been completed and the trial will soon commence.

41. Pledge of Assets

At the end of the reporting period, other than the pledged bank deposits as disclosed in note 28, the Group's inventory of properties of HK$3,744,759,000 (2008: HK$2,074,124,000) were pledged and the shares of certain of the Company's subsidiaries were pledged to secure the banking facilities granted to the Group.

42. Related Party Transactions

Other than set out in notes 21, 22, 34(b), 35 and 45 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**	**2009** **HK$'000**	2008 HK$'000
Property construction joint venture	Construction cost paid	**–**	87,366
Property development joint venture	Interest income	**7,795**	2,071
Related companies (Note)	Interest income	**1,544**	2,581

Note: Loan interest income of HK$1,544,000 (2008: HK$2,581,000) was received from former subsidiaries in which Wai Kee is now having a significant beneficial interest.

Details of the connected transactions of the Group are set out under the heading of "Connected Transactions" in the Directors' Report.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

42. Related Party Transactions (Continued)

Compensation of key management personnel

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

	2009 HK$'000	2008 HK$'000
Short-term employment benefits	**65,262**	68,756
Post-employment benefits	**2,889**	3,049
	68,151	71,805

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

43. Principal Subsidiaries

Details of the Company's principal subsidiaries at 31 December 2009 and 2008 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 Directly %	Indirectly %	Principal activities
Changzhou Great Gallop Properties Developments Ltd.*	PRC	PRC	US$91,745,300	–	100	Development and sale of properties
Changzhou Great Superior Properties Developments Ltd.*	PRC	PRC	RMB123,500,000	–	100	Development and sale of properties
Changzhou Greatmind Properties Developments Ltd.*	PRC	PRC	RMB100,000,000	–	100	Development and sale of properties
Guangzhou Junde Real Estate Limited*	PRC	PRC	RMB60,000,000	–	100	Development and sale of properties
Guangzhou Junya Real Estate Limited*	PRC	PRC	RMB60,220,000	–	100	Development and sale of properties
Guangzhou Junyue Real Estate Limited*	PRC	PRC	RMB456,593,792	–	100	Development and sale of properties
RK Properties Finance (2007) Limited	British Virgin Islands ("BVI")	#	US$1	–	100	Provision of financial services
RK Properties Holdings Limited	BVI	#	US$1	–	100	Investment holding
RK Properties Management Limited	Hong Kong	Hong Kong	HK$1	–	100	Provision of management services

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

43. 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 Directly %	Indirectly %	Principal activities
RKI Finance Limited	BVI	#	US$1	100	–	Provision of financial services
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
Road King Infrastructure Management Limited	Hong Kong	Hong Kong	HK$2	–	100	Provision of management services
Sunco Property Holdings Company Limited	BVI	#	US$250	–	89.46	Investment holding
Tianjin Kingsvalue Real Estate Investment Management Limited*	PRC	PRC	RMB678,500,000	–	89.46	Investment holding
Tianjin Sunco Binhai Land Co., Ltd.*	PRC	PRC	RMB600,000,000	–	89.46	Investment holding
Tianjin Sunco Binhai Real Estate Investment Management Limited*	PRC	PRC	RMB760,000,000	–	89.46	Investment holding
天津順馳新地置業有限公司***	PRC	PRC	RMB300,000,000	–	89.46	Development and sale of properties
天津順馳融信置地有限公司***	PRC	PRC	RMB50,000,000	–	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
北京順馳置地達興房地產開發有限公司***	PRC	PRC	RMB90,000,000	–	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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

43. 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 Directly %	Indirectly %	Principal activities
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
河南順馳地產有限公司***	PRC	PRC	RMB55,000,000	–	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
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
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
Zhengzhou Keshu Real Estate Co., Ltd.**	PRC	PRC	RMB235,000,000	–	89.46	Development and sale of properties
濟南順成房地產開發有限公司***	PRC	PRC	RMB130,000,000	–	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
蘇州雋御地產有限公司**	PRC	PRC	RMB2,114,077,636	–	100	Development and sale of properties

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 registered as wholly foreign owned enterprises in the PRC.

** The subsidiaries of the Company are registered as sino-foreign equity joint venture enterprises in the PRC.

*** The subsidiaries of the Company are registered as limited liability companies in the PRC.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2009

43. Principal Subsidiaries (Continued)

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 assets 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$1,522,085,000 (2008: HK$1,558,978,000) of guaranteed notes and HK$2,692,473,000 (2008: HK$2,681,952,000) of senior notes respectively.

44. Total Assets less Current Liabilities/Net Current Assets

The Group's total assets less current liabilities at 31 December 2009 amounted to HK$15,386,182,000 (2008: HK$15,419,328,000). The Group's net current assets at 31 December 2009 amounted to HK$10,042,778,000 (2008: HK$8,590,609,000).

45. Event after the Reporting Period

On 1 December 2009, the Group entered into a sale and purchase agreement with Wai Kee, pursuant to which the Group will acquire 5.28% additional equity interest in Sunco Property, a subsidiary of the Company engaging in investment holding, from Wai Kee at a cash consideration of HK$88,310,000. The transaction was completed on 27 January 2010. Sunco Property has a number of subsidiaries engaging in property development business. After the acquisition, the Company's interest in Sunco Property has been increased from 89.46% to 94.74%. The cash consideration was fully paid by the Group before the end of the reporting period and included in the non-current assets of the consolidated statement of financial position.

Financial Summary

RESULTS

	For the year ended 31 December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**4,600,424**	4,630,672	2,407,770	552,239	78,250
Profit before taxation	**1,045,458**	1,043,327	1,208,952	785,853	388,452
Income tax expenses	**(302,281)**	(366,693)	(342,811)	(84,130)	27,649
Profit for the year	**743,177**	676,634	866,141	701,723	416,101
Attributable to:					
Owners of the Company	**728,080**	656,429	851,067	705,076	428,300
Minority interests	**15,097**	20,205	15,074	(3,353)	(12,199)
	743,177	676,634	866,141	701,723	416,101

ASSETS AND LIABILITIES

	As at 31 December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**22,222,589**	20,909,142	21,428,355	10,961,828	7,340,774
Total liabilities	**(12,190,246)**	(11,375,540)	(12,804,412)	(4,184,260)	(2,074,281)
	10,032,343	9,533,602	8,623,943	6,777,568	5,266,493
Attributable to:					
Owners of the Company	**9,851,565**	9,369,461	8,472,416	6,777,568	5,231,278
Minority interests	**180,778**	164,141	151,527	–	35,215
	10,032,343	9,533,602	8,623,943	6,777,568	5,266,493

Major Projects Information

As at 31 December 2009

Toll Road Business

Project		Location	Route	Project description	Length km	Equity interest %
T1	Baojin Expressway	Hebei Province	Baoding-Tianjin	– National Expressway G18 – 4-lane	105	40
T2	Tangjin Expressway	Hebei Province	Tangshan-Tianjin	– National Expressway G25 – 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 – 4-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 Chaoyanglu Huaihe Bridge	– National Highway 206 – Continuous rigid frame structure – 4-lane	2	35
T10	Jihe Expressway (Eastern Section)*	Guangdong Province	Shenzhen Airport-Heao	– Expressway – 6-lane	23	45
T11	Changyi Expressway	Hunan Province	Changsha-Yiyang	– National Expressway G5513 – 4-lane	76	43
T12	Taiyu Highway	Shanxi Province	Taiyuan-Yuci	– Super Class I Highway – 4/6-lane	17	65
T13	Yuci City Bypass	Shanxi Province	Yuci	– National Highway 108 – Class I Highway – 4-lane	17	65
T14	Dongguan Highway	Shanxi Province	Yuci Dongchangshou-Qixian Dongguan	– National Highway 108 – Class I Highway – 4-lane	38	65
T15	Airport Highway	Jiangsu Province	Suzhou-Shanghai Hongqiao Airport	– Provincial Highway 343 – Super Class II Highway – 4-lane	53	50
T16	Yulin City Highway	Guangxi Zhuang Autonomous Region	Yulin	– National Highway 324 – Class I Highway – 4/6-lane	11	70
T17	Xunan Highway	Henan Province	Xuchang-Nanyang	– National Highway 311 and Provincial Highway 103 – Class I Highway – 4-lane	80	50

* The disposal of the Group's interest in Jihe Expressway (Eastern Section) was completed in September 2009.

Major Projects Information (continued)

As at 31 December 2009

Property Business

	Project	Location	Target completion	Stage of completion	Nature	Land area	Attributable floor area	Approximate attributable interest
						Thousands sqm	Thousands sqm	%
				(Note 1)			(Note 2)	(Note 2)
P1	Songs & Sea	Beijing	2012	P/F/S/C	Residential & Commercial	309	148	94.74
P2	Forest Creek	Beijing	2009	C	Residential	361	20	94.74
P3	Jianguomen Project	Beijing	2013	M	Commercial	11	31	100.00
P4	Shine June Garden	Shanghai	2012	P/F/S/C	Residential	133	213	100.00
P5	The Riverside	Shanghai	2013	F/S/C	Residential & Commercial	315	36	29.84
P6	Parkvista Phase II	Guangzhou	2009	C	Residential & Commercial	7	52	100.00
P7	Huadu Project	Guangzhou	2014	M	Residential & Commercial	134	268	100.00
P8	Sun Town	Tianjin	2017	R/P/C	Residential & Commercial	820	546	94.74
P9	Mountain My Life	Tianjin	2015	P/S/C	Residential & Commercial	327	217	94.74
P10	Phoenix City	Suzhou	2016	P/F/S/C	Residential & Commercial	860	1,110	100.00
P11	The Heaven by Lakeside	Suzhou	2009	C	Residential & Commercial	153	36	94.74
P12	Royal City	Changzhou	2015	P/F/S/C	Residential & Commercial	487	762	100.00
P13	Vista Panorama	Changzhou	2013	F/S/C	Residential & Commercial	127	347	100.00
P14	Grand Metropolis (Note 3)	Changzhou	2013	F/C	Commercial	67	118	100.00
P15	Blue County	Shijiazhuang	2011	F/S/C	Residential	91	95	94.74
P16	Unusual Landscape	Qingdao	2015	P/F/S/C	Residential & Commercial	249	201	94.74
P17	Royal Panorama	Jinan	2014	P/F/S	Residential & Commercial	177	299	94.74
P18	Central Special Zone	Zhengzhou	2014	P/F/S/C	Residential & Commercial	219	246	94.74
P19	Sunco Town	Luoyang	2013	P/F/S/C	Residential & Commercial	111	197	94.74
P20	World & City	Luoyang	2012	P/F/S/C	Residential & Commercial	76	104	94.74
P21	Palen Villas	Wuhan	2011	S/C	Residential & Commercial	172	28	94.74

Notes:

1. "M" denotes "Master planning";
   "R" denotes "Relocation";
   "P" denotes "Planning and design";
   "F" denotes "Foundation";
   "S" denotes "Superstructure"; and
   "C" denotes "Completed".

2. The figures have included the pro-forma impact of the acquisition of 1,319 shares in Sunco Property from Elite Rich as announced by the Company on 1 December 2009. The transaction was completed in January 2010 and, as a result of which the Group's ownership in Sunco Property has increased from 89.46% to approximately 94.74%.

3. This project is held as investment properties.

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
"Directors"	Directors of the Company
"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
"km"	Kilometre(s)
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"PRC" or "China"	The People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	Ordinary share(s) of HK$0.10 each in the share capital of the Company
"sqm"	Square metres

Glossary (continued)

"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 Property"	Sunco Property Holdings Company Limited, a company incorporated in BVI with limited liability and a 89.46% owned subsidiary of the Company as at 31 December 2009
"Sunco Real Estate"	Sunco Real Estate Investment Limited, a company incorporated in BVI with limited liability and an independent third party
"Tianjin Companies"	Tianjin Sunco Xindi Property Company Limited and Tianjin Sunco Rongxin Land Company Limited
"United States" or "US"	The United States of America
"US$"	United States dollar(s), the lawful currency of the United States
"Wai Kee"	Wai Kee Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
"%"	Per cent

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"

$$\frac{\text{Interest bearing bank borrowings}}{\text{Shareholders' equity}}$$

"Interest coverage"

$$\frac{\text{EBITDA}}{\text{The aggregate of interest and financing costs}}$$

Glossary (continued)

"Net assets per Share attributable to shareholders"	$\frac{\text{Shareholders' equity}}{\text{Number of Shares in issue as at 31 December 2009}}$
"Net gearing ratio"	$\frac{\text{Total bank borrowings minus bank balances and cash (including pledged bank deposits)}}{\text{Shareholders' equity}}$
"Total bank borrowings"	The aggregate of long-term and short-term portion of total borrowings

Project Names

Toll Road Projects

Anhui Province

"Bengbu Huaihe Bridge Highway"	Provincial Highway 307 Bengbu Huaihe Bridge Highway
"Bengbu Huaimeng Highway"	Provincial Highway 307 Bengbu Huaiyuan-Mengcheng Highway
"Chaoyanglu Huaihe Bridge"	National Highway 206 Bengbu Chaoyanglu Huaihe Highway Bridge
"Hehuai Highway"	National Highway 206 Hefei-Huainan Highway
"Heye Highway"	National Highway 312 Hefei-Yeji Highway

Guangdong Province

"Jihe Expressway (Eastern Section)"	Shenzhen Airport-Heao Expressway (Eastern Section)

Guangxi Zhuang Autonomous Region

"Yugong Highway"	Yulin-Gongguan Highway, Yulin Section
"Yulin City Highway"	National Highway 324, Yulin Section
"Yulin City Ring Roads"	National Highway 324, Yulin Section and Inner-Ring Road

Glossary (continued)

Hebei Province

"Baojin Expressway"	National Expressway G18 Baoding-Tianjin Expressway
"Hanguan Highway"	National Highway 309 Handan-Guantao Highway
"Shijin Highway"	National Highway 307 Shijiazhuang-Jinzhou Highway
"Tangjin Expressway"	National Expressway G25 Tangshan-Tianjin Expressway

Henan Province

"Xunan Highway"	National Highway 311 and Provincial Highway 103 Xuchang-Nanyang Highway

Hunan Province

"Changyi Expressway"	National Expressway G5513 Changsha-Yiyang Expressway

Jiangsu Province

"Airport Highway"	Provincial Highway 343 Suzhou-Shanghai Hongqiao Airport Highway

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 locates at No. 299, Donggang Road, Yuhua District, Shijiazhuang City, Hebei Province, the PRC
"Blues International Apartments"	The project locates at No. 117, Caihuying West Street, Fengtai District, Beijing City, the PRC
"Central Special Zone"	The project locates at Junction of Shangding Road and Nongye Dong Road, Zhengdong New District, Zhengzhou City, Henan Province, the PRC
"First International"	The project locates at Junction of CBD Shangwu Waihuan Road and Zhongyi Road, Zhengdong New District, Zhengzhou City, Henan Province, the PRC
"Forest Creek"	The project locates at North of Baige Road, Baishan Town, Changping District, Beijing City, the PRC

Glossary (continued)

"Grand Metropolis"	The project locates at No. 33, Huayuan Street, Wujin District, Changzhou City, Jiangsu Province, the PRC
"Huadu Project"	The project locates at North of Sandong Da Road and East of Guangqing Expressway, Huadu District, Guangzhou City, Guangdong Province, the PRC
"Jianguomen Project"	The project locates at Courtyard No. 13, Waijiaobu Street, Dongcheng District, Beijing City, the PRC
"Luoyang 1st Street"	The project locates at Junction of Taikang Road and Longmen Da Road, Luoyang New District, Luoyang City, Henan Province, the PRC
"Mountain My Life"	The project locates at Chengquan Town, Ji County, Tianjin City, the PRC
"Palen Villas"	The project locates at No. 8, Huanhu Road, Jinyin Lake, Dongxihu District, Wuhan City, Hubei Province, the PRC
"Parkrise"	The project locates at No. 161, Tianfu Road, Tianhe District, Guangzhou City, Guangdong Province, the PRC
"Parkvista Phase I"	The project locates at No. 10, Xingsheng Road, Zhujiang New City, Tianhe District, Guangzhou City, Guangdong Province, the PRC
"Parkvista Phase II"	The project locates at No. 12, Xingsheng Road, Zhujiang New City, Tianhe District, Guangzhou City, Guangdong Province, the PRC
"Phoenix City"	The project locates at Junction of Susheng Road and Xieyu Road, Suzhou Industrial Park, Suzhou City, Jiangsu Province, the PRC
"Royal City"	The project locates at No. 88, Yanzheng Dong Road, Wujin District, Changzhou City, Jiangsu Province, the PRC
"Royal Panorama"	The project locates at No. 9, Weishier Road, Huaiyin District, Jinan City, Shandong Province, the PRC
"Shine June Garden"	The project locates at No. 1, Lane 998, Baoxiang Road, Nanxiang Town, Jiading District, Shanghai City, the PRC
"Songs & Sea"	The project locates at Lot No. 1, Northern District, Huangcun Town, Daxing District, Beijing City, the PRC

Glossary (continued)

"Sun Town"	The project locates at Junction of Weiguo Road and Helan Road, Hedong District, Tianjin City, the PRC
"Sunco Town"	The project locates at South of Nanchang Road, Jianxi District, Luoyang City, Henan Province, the PRC
"The Heaven by Lakeside"	The project locates at No. 669, Zhongyuan Road, Suzhou Industrial Park, Suzhou City, Jiangsu Province, the PRC
"The Riverside"	The project locates at Lane 2999, Baian Gong Road, Waigang Town, Jiading District, Shanghai City, the PRC
"Unusual Landscape"	The project locates at No. 207, Haier Da Road, Yinghai Town, Jiaozhou District, Qingdao City, Shandong Province, the PRC
"Vista Panorama"	The project locates at No. 8, Changhong Zhong Road, Hutang Town, Wujin District, Changzhou City, Jiangsu Province, the PRC
"World & City"	The project locates at East of Municipal Government Building, Luoyang New District, Luoyang City, Henan Province, the PRC
"Zhengzhou 1st Street"	The project locates 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 and Chief Executive Officer)*
Chan Kam Hung *(Chief Operating Officer)*
Fong Shiu Leung, Keter *(Finance Director)*
Zen Wei Peu, Derek

Non-executive Directors
Guo Limin
Xu Ruxin

Independent Non-executive Directors
Chow Shiu Kee, Stephen
Lau Sai Yung
Chow Ming Kuen, Joseph

Audit Committee
Lau Sai Yung *(Chairman)*
Chow Shiu Kee, Stephen
Chow Ming Kuen, Joseph

Remuneration Committee
Chow Shiu Kee, Stephen *(Chairman)*
Zen Wei Pao, William
Lau Sai Yung
Chow Ming Kuen, Joseph

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
Beijing Global Law Office

Principal Bankers
Agricultural Bank of China Limited
China Construction Bank Corporation
Industrial and Commercial Bank of China (Asia) Limited
CITIC Ka Wah Bank Limited
Hang Seng Bank Limited

Principal Share Registrar and Transfer Office
Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
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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

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