Road King Infrastructure Limited

(incorporated in Bermuda with limited liability)

(Stock Code:1098)

ANNUAL REPORT 2011

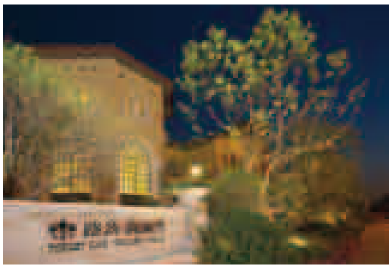
Corporate Profile

ROAD KING INFRASTRUCTURE LIMITED

Road King 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 approximately HK$4.2 billion, comprising 12 major toll road projects spanning approximately 732 kilometres in seven provinces of the PRC. Road King has also developed over 30 property projects with an existing asset portfolio of approximately HK$25 billion, comprising attributable land reserve of about 4.5 million sqm spanning across nine provinces and municipalities in the PRC.

This annual report is printed on recycled paper.

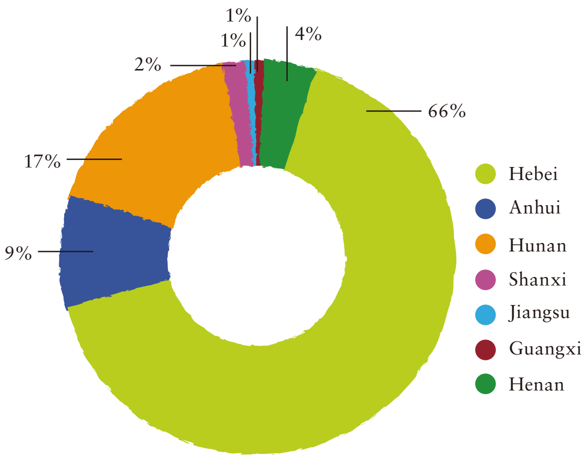
Contents

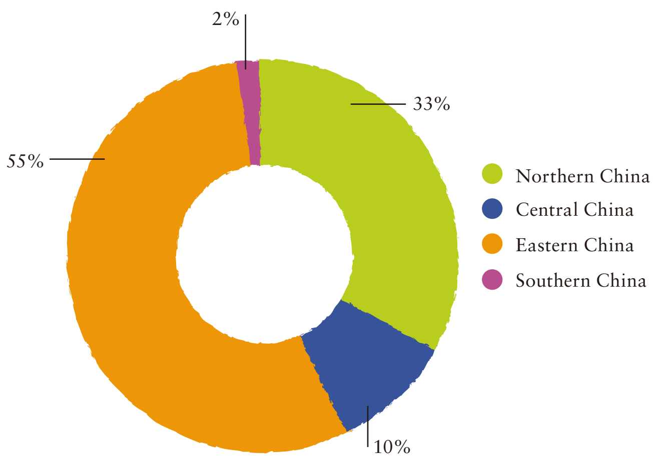
Financial Highlights

	For the year ended 31 December				
(HK$'million)	**2011**	2010	2009	2008	2007
Group's share of toll revenue	**844**	803	1,083	1,699	1,282
Revenue from property development	**6,833**	4,942	4,600	4,631	2,408
Cash received from toll road	**658**	751	539	1,083	767
Proceeds received from property development	**6,817**	7,475	5,600	2,568	2,598
Profit attributable to owners of the Company	**818**	625	728	656	851
Equity attributable to owners of the Company	**11,199**	10,288	9,852	9,369	8,472
Total assets	**31,732**	27,686	22,223	20,909	21,428
Dividend per Share (HK$)	**0.46**	0.43	0.50	0.25	0.52
Net gearing ratio (%)	**60**	32	34	66	55

Revenue contribution of toll road projects in 2011 by location

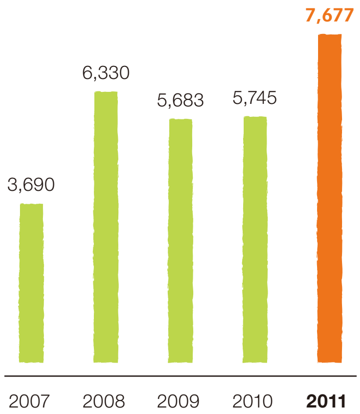


Revenue contribution of property projects in 2011 by location

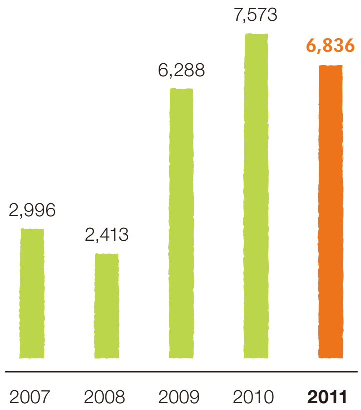


Financial Highlights (continued)

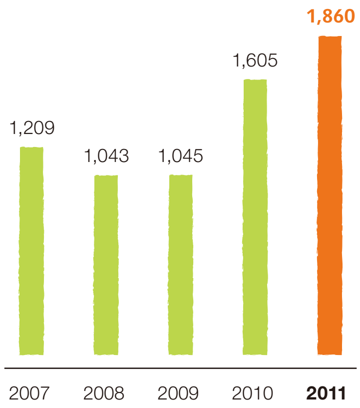
Revenue from property development and Group's share of toll revenue
(HK$'million)



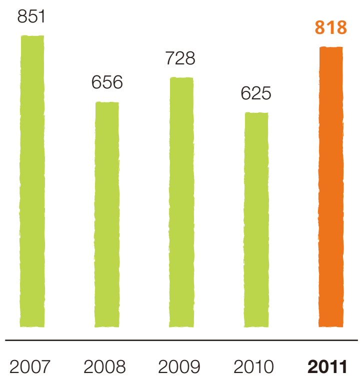
Sales from property development
(HK$'million)



Profit before taxation
(HK$'million)

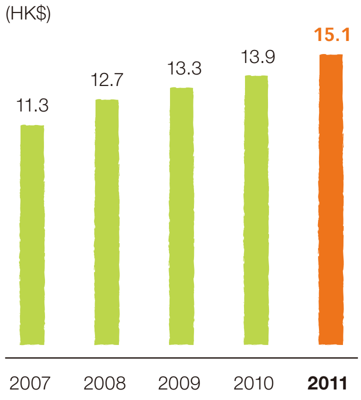


Profit attributable to owners of the Company
(HK$'million)



Earnings per Share
(HK$)

Net assets per Share
(HK$)



Chairman's Statement

ZEN Wei Pao, William
Chairman

Dear Shareholders,

In 2011, the Group continued to record satisfactory results as a whole despite the stable development of the toll road business and the stringent austerity measures imposed on the property industry in the PRC.

Profit attributable to the owners of the Company for 2011 was HK$818 million. The Board recommended a final dividend of HK$0.24 per Share. Together with the interim dividend of HK$0.22 per Share, the total dividend for 2011 will be HK$0.46 per Share (2010: HK$0.43 per Share).

The toll road business continued to contribute stable return to the Group in 2011. Driven by the increase in the traffic volume of expressway projects, the total traffic volume and toll revenue respectively reached 90 million vehicles and RMB2,045 million, representing an increase of 4% and 5% respectively over 2010. It is expected that with the commencement of Longcheng Expressway's operation in Shanxi Province and the two expressways in Hebei Province entering the third stage of profit distribution in the next few years, the contribution of the toll road business to the Group will further increase. Meanwhile, the Group will continue to seek new expressway projects.

The property business of the Group recorded a growth in 2011, with its turnover and profit increasing by 38% and 51% respectively to HK$6,833 million and HK$727 million. Property sales of RMB5,633 million were recorded, reflecting the prominent result of the Group's efforts to enhance its execution ability in the property business.

Chairman's Statement (continued)

The property business of the Group is now well established and will continue to generate stable profit together with the toll road business of the Group. We believe that there will not be significant changes to the environment of the property sector in the PRC in the short term. However, it is expected that the PRC property market still has substantial growth potential in a longer term. Therefore, it is the future strategy of the Group to continue replenishing its land bank and to optimise its highway portfolio.

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

Zen Wei Pao, William
Chairman

Hong Kong, 27 February 2012

Chief Executive Officer's Report

KO Yuk Bing
Chief Executive Officer

Dear Shareholders,

RESULTS FOR 2011

The profit attributable to the owners of the Company for 2011 was HK$818 million, representing an increase of 31% as compared with HK$625 million for 2010. Earnings per Share increased to HK$1.10 (2010: HK$0.84 per Share). In 2011, the toll road business recorded a steady growth of 5% in toll revenue. The revenue generated from delivery of properties of the property business increased by 38%, with profit surging by 51% to HK$727 million.

TOLL ROAD BUSINESS

Driven by the increase in the traffic volume of expressway projects in 2011, the total traffic volume and toll revenue respectively reached 90 million vehicles and RMB2,045 million, representing an increase of 4% and 5% respectively over 2010.

Toll revenue contributed by expressway projects increased from 67% of the entire toll road portfolio in 2007 to 82% in 2011. In 2011, the Group acquired 45% of the operating rights of Longcheng Expressway in Shanxi Province which will commence operation in mid 2012. Changyi Expressway in Hunan Province began road surface improvement works last year to increase traffic capacity. The Group's two major expressways in Hebei Province still fall in the stage where the joint venture partners are receiving a higher distribution percentage. It is expected that their contribution to the Group will increase from 2013 onwards.

The Group is also making preparation for the withdrawal from highway projects in accordance with the Group's strategy. In 2011, the Group withdrew from Taiyu Highway in Shanxi Province at the consideration of RMB25 million. The Group is still in discussion with local governments in respect of the compensation for withdrawing from other highway projects.

Chief Executive Officer's Report (continued)

PROPERTY BUSINESS

In 2011, as the austerity measures implemented by the PRC government dampened the property market, the Group focused on maintaining a robust financial position as its primary strategy. The Group is committed to improving the quality of projects, strengthening its project management and enhancing the utilisation of land resources, making preparations for coming pick up in the property market. Benefited from the geographic diversity of business, the Group recorded sales of RMB5,633 million in 2011, with the average selling price increased 8% year-on-year to RMB9,400 per sqm.

The disputes with the former major shareholders of Sunco Property have principally been settled through the mediation by Tianjin Municipal Government. Both parties have withdrawn their respective lawsuits. The former major shareholders of Sunco Property have reiterated their recognition that the Group is the lawful owner of the interests attributable to two subsidiaries in Tianjin.

PROSPECTS

In 2012, the Group will continue to dispose of certain Class I and Class II highways and increase the proportion of expressway assets in its portfolio, and to optimise and enhance the toll road business. The Group prepares to increase management efficiency and contain highway maintenance expenses by implementing a newly upgraded management system.

For the property business, the Group anticipates that the PRC government will continue to implement stringent austerity measures towards the property sector in 2012. The Group will continue to adopt a prudent investment strategy and professional management approach, and respond to relevant control measures by adjusting the pace and size of project development. In addition, the Group has further adjusted its management approach to increase efficiency and asset turnover. Therefore, the Group is confident to maintain the growth of the property business. The Group will continue to provide customers with quality products by improving the quality and awareness of products, and maximise the return to Shareholders by advancing the competence of its professional team and the recognition of brand name.

In light of the current economic and property market condition in the PRC, the demand for capital funding in the market has increased significantly, and new project opportunities have emerged. Given the right circumstances, the Group will further acquire new expressway projects and replenish its landbank when appropriate opportunities which fit into the Group's cashflow, return target and development strategies arise.

ACKNOWLEDGEMENT

I hereby express my sincere gratitude to all of our trustworthy, hardworking and creative staff, the Group's most valuable asset, for their effort and contribution in the past year, and thanks to our customers, business partners and Shareholders for their enduring support.

Ko Yuk Bing
Chief Executive Officer

Hong Kong, 27 February 2012

Major Awards

Corporate Level

Road King Infrastructure Limited

- **Top 50 Listed Real Estate Companies in China 2010**
《National Institute of Property and Finance /www.focus.cn》

RK Properties Holdings Limited

- **Top 10 Trustworthy Real Estate Brands in China 2011**
《Ministry of Commerce Credit Rating and Certification Centre/Chinese Academy of Management Science/China Association for the Promotion of Credit Economy》

- **Top 10 Trustworthy Enterprises of the Real Estate Industry in China 2011**
《Ministry of Commerce Credit Rating and Certification Centre/Chinese Academy of Management Science/China Association for the Promotion of Credit Economy》

- **Most Social Responsible Real Estate Enterprise in China 2011**
《Boao Real Estate Forum/www.guandian.cn》

- **Top 30 Valuable Real Estate Enterprises Brands in China 2011**
《China Academy of Real Estate/China Real Estate Association/China Real Estate Appraisal Centre》

- **Outstanding Real Estate Corporate Citizen of China Real Estate 2011**
《China Real Estate Chamber of Commerce/趨勢傳媒/Tsinghua Real Estate CEO Chamber of Commerce》

Project Level

Toll Road Business

- **Excellent Organisation in the Development of Political Ethos and Trade Ethos 2010**
《Transportation Department of Hebei Province》

- **Advanced Organisation in the Development of Harmonious Community 2010**
《Baoding Municipal Party Committee, People's Government of Baoding》

- **Excellent Organisation of Expressway Management and Maintenance in 2010**
《Hunan Expressway Administration Bureau》

Major Awards (continued)

Project Level (continued)

Property Business

Beijing

- **Outstanding Planning and Design of 2010 Elite Sci-Tech Award – Songs & Sea**
  《Beijing Elite Housing Sci-Tech Foundation》
- **Highest Investment Potential Project in China Real Estate 2011 – RK World City**
  《China Real Estate Chamber of Commerce/趨勢傳媒/Tsinghua Real Estate CEO Chamber of Commerce》

Tianjin

- **Commercial Project with Chinese Characteristics in 2011 – Joy Park**
  《SouFun》

Shijiazhuang

- **Landmark Building and Area in Provincial Capital 2011 – International City**
  《Shijiazhuang Urban and Rural Planning Bureau/Shijiazhuang Daily Press》

Jinan

- **Model Project of Low-Carbon Community in Shandong 2010 – Royal Panorama**
  《Shandong Business Daily》

Zhengzhou

- **Model Residential District in Property Management in Henan Province 2011 – Central Special Zone**
  《Housing and Urban-Rural Development Department of Henan Province》

Changzhou

- **Top 10 Property Developers in 2010**
  《Housing and Urban-Rural Development Bureau of Wujin District, Changzhou City》

Wuxi

- **Most Highly Expected Project in Wuxi 2011 – The Providence**
  《SouFun》

Suzhou

- **Most Popular Residence in Suzhou 2011 – Forest • Valley**
  《SouFun》

Shanghai

- **Most Popular Residence in Shanghai 2011 – Philippe Bay**
  《SouFun》

Guangzhou

- **Outstanding Contribution to the Promotion of High-End Service in Tianhe District, Guangzhou 2011**
  《The People's Government of Tianhe District, Guangzhou》

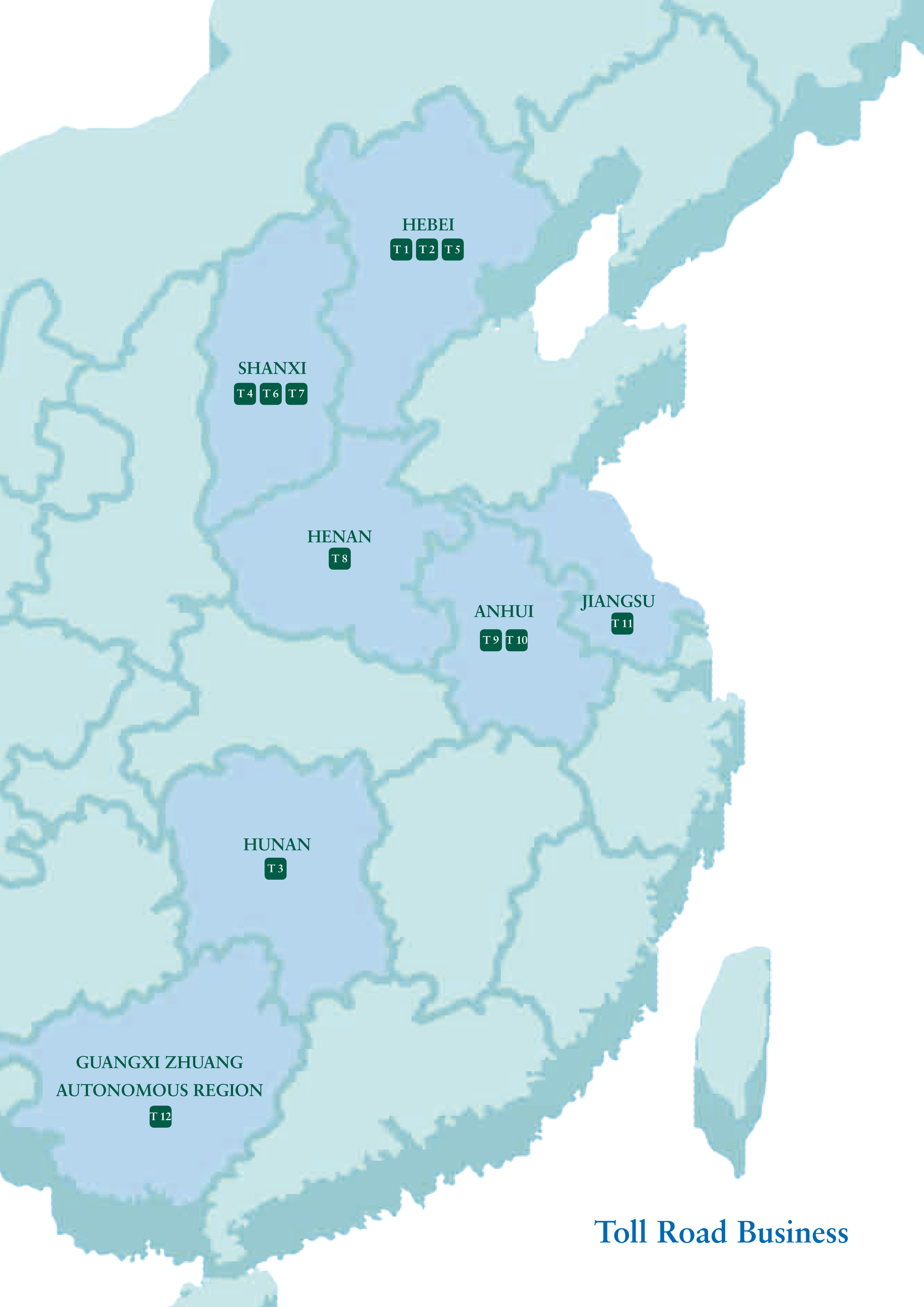
Paving a better journey with passion

Baojin Expressway

Changyi Expressway

Longcheng Expressway

Tangjin Expressway



Toll Road Business

Management Discussion and Analysis

Major Projects Information

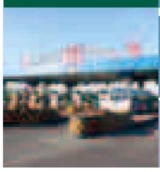
As at 31 December 2011

Expressways

T1

Project	Baojin Expressway	Route	National Expressway G18 Baoding-Tianjin ~ 4-lane		
Location	Hebei Province	Length (Kilometres)	105	Equity interest (%)	40
Road Rise Investments Limited					

T2

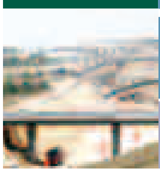


Project	Tangjin Expressway	Route	National Expressway G25 Tangshan-Tianjin ~ 4/6-lane		
Location	Hebei Province	Length (Kilometres)	58	Equity interest (%)	45
Ontex Investments Limited / Road Base Investments Limited / Road Bond Investments Limited					

T3

Project	Changyi Expressway	Route	National Expressway G5513 Changsha-Yiyang ~ 4-lane		
Location	Hunan Province	Length (Kilometres)	69	Equity interest (%)	43
Road Crown Investments Limited / Road Express Investments Limited / Road Famous Investments Limited / Road Glorious Investments Limited / Road Grand Investments Limited / Road Link Investments Limited					

T4



Project	Longcheng Expressway*	Route	Yuci Longbai Village-Chengzhao, Qixian ~ 6-lane		
Location	Shanxi Province	Length (Kilometres)	72	Equity interest (%)	45
Intersafe Investments Limited					

* Longcheng Expressway is currently under construction and will commence operation in mid 2012.

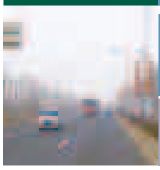
Management Discussion and Analysis (continued)

Major Projects Information (continued)

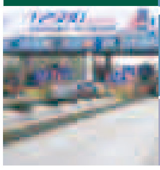
As at 31 December 2011

Highways

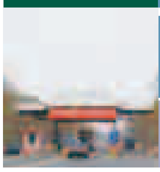
T5	Project	Shijin Highway	Route	National Highway 307 Shijiazhuang-Jinzhou ~ Class I/II Highway ~ 2/4-lane		
	Location	Hebei Province	Length (Kilometres)	40	Equity interest (%)	60
	Road Fly Investments Limited / Road Sincere Investments Limited					



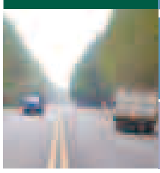
T6	Project	Dongguan Highway	Route	National Highway 108 Yuci Dongchangshou-Qixian Dongguan ~ Class I Highway ~ 4-lane		
	Location	Shanxi Province	Length (Kilometres)	38	Equity interest (%)	65
	Pondtai Investments Limited					



T7	Project	Yuci City Bypass	Route	National Highway 108 Yuci City Bypass ~ Class I Highway ~ 4-lane		
	Location	Shanxi Province	Length (Kilometres)	17	Equity interest (%)	65
	Road Gain Investments Limited					



T8	Project	Xunan Highway	Route	National Highway 311 and Provincial Highway 103 Xuchang-Nanyang ~ Class I Highway ~ 4-lane		
	Location	Henan Province	Length (Kilometres)	80	Equity interest (%)	50
	Lackson Investments Limited / Longdistance Investments Limited					



T9	Project	Hehuai Highway	Route	National Highway 206 Hefei-Huainan ~ Super Class II Highway ~ 4-lane		
	Location	Anhui Province	Length (Kilometres)	90	Equity interest (%)	60
	Road Keen Investments Limited / Road Success Investments Limited					

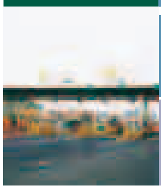
Management Discussion and Analysis (continued)

Major Projects Information (continued)

As at 31 December 2011

Highways (continued)

T10	Project	Heye Highway	Route	National Highway 312 Hefei-Yeji ~ Class I Highway ~ 4/6-lane		
	Location	Anhui Province	Length (Kilometres)	99	Equity interest (%)	50
	Road Giant Investments Limited / Road Mass Investments Limited / Road Team Investments Limited / Road Union Investments Limited					



T11	Project	Suzhou Shanghai Airport Highway	Route	Provincial Highway 343 Suzhou-Shanghai Hongqiao Airport (Suzhou Section) ~ Super Class II Highway ~ 4-lane		
	Location	Jiangsu Province	Length (Kilometres)	53	Equity interest (%)	50
	Anwell Investment Limited					

T12	Project	Yulin Highway	Route	National Highway 324 Yulin Section ~ Class I Highway ~ 4/6-lane		
	Location	Guangxi Zhuang Autonomous Region	Length (Kilometres)	11	Equity interest (%)	70
	Tonston Investments Limited					

Management Discussion and Analysis (continued)

TOLL ROAD BUSINESS

Economic and Operating Environment in 2011

In 2011, the overall PRC economy was challenged both by the slow down of export growth and the PRC government's contracting monetary policy but the annual GDP still reached a growth rate of 9.2%. The accelerated pace of economic restructuring imposed by the PRC government, relocation of industries to inland provinces, continual increase of disposable personal income and national economic development have generated new passenger and freight transport demand in the coming years.

In response to mounting public demand for reducing the cost of goods movement, five regulatory departments; namely, Ministry of Transport, National Development and Reform Commission, Ministry of Finance, Ministry of Supervision and State Council Office for the Correcting Malpractice, launched a one-year national toll charge inspection and rectification campaign in June 2011. The potential impacts to the Group confined only to the Class I and II projects, with several toll stations possibly be restructured due to new government policy. Since all the Group's toll road projects have obtained all necessary government approvals, the restructuring offers a good chance for the Group to divest the Class I and Class II highway portfolio. The Group has, on a regular basis, assessed the potential impacts of the new government policies to the toll road projects and takes appropriate steps to minimise the relevant impacts.

Anti-overloading policy continued to impact the operating practice of cargo vehicles and the logistic industry in 2011. The State Council issued the "Highway Safety Protection Ordinance" that took effect from July 2011. Under the new regulations, vehicles that have violated the loading limit for more than three times could be subject to revocation of operating license or the drivers' transport business licenses could be suspended. The proportion of overloading vehicles is expected to decrease gradually in light of the increasing number of containers and regulated heavy trucks. As a result of the regulated load-carrying pattern, this policy will bring benefits to the toll road business in the long term, including the increment of toll revenue as well as reduction of repair and maintenance cost.

Management Discussion and Analysis (continued)

Financial Review

	2011 HK$'million	2010 HK$'million
Share of results of joint ventures before amortisation and taxation	607	544
Less: Share of amortisation of toll road operation rights and taxation	(309)	(264)
Withholding tax	(15)	(14)
Share of operating profits of joint ventures	283	266
Compensation on the alignment of toll station, net of withholding tax	–	110

Analysis of toll income and expenses of infrastructure joint ventures attributable to the Group

	2011 RMB'million	2010 RMB'million	Change %
Share of income			
Expressways	555	526	6
Highways	163	155	5
Total expenses			
Expressways	105	122	(14)
Highways	107	94	14

Traffic Volume and Toll Revenue

Project	2011 Average Daily Traffic Vehicles	Change %	2011 Toll Revenue RMB'million	Change %
Expressways (Note)				
Baojin Expressway	40,000	1	710	1
Tangjin Expresway	42,000	26	635	21
Changyi Expressway	34,000	11	342	(1)
	116,000	12	1,687	7
Highways	132,000	(3)	358	(2)
	248,000	4	2,045	5

Note: Longcheng Expressway is expected to commence operation in mid 2012.

Management Discussion and Analysis (continued)

Driven by the increase in the traffic volume of expressway projects, the total traffic volume and toll revenue in 2011 respectively reached 90 million vehicles and RMB2,045 million, representing an increase of 4% and 5% respectively over 2010.

Toll revenue contributed by expressway projects increased from 67% of the entire toll road portfolio in 2007 to 82% in 2011. In 2011, the Group acquired 45% of the operating rights of Longcheng Expressway in Shanxi Province which will commence operation in mid 2012. Changyi Expressway in Hunan Province began road surface improvement works last year to increase traffic capacity. The Group's two major expressways in Hebei Province still fall in the stage where the joint venture partners are receiving a higher distribution percentage. It is expected that their contribution to the Group will increase from 2013 onwards.

Review of Expressway Projects

Baojin Expressway

Baojin Expressway is part of the National Truck Highway System (NTHS, 7918 Network) G18 Yongcheng – Wuhai Expressway. It is the main corridor connecting Shijiazhuang, the capital city of Hebei Province and the Bohai Rim region.

In 2011, Baojin Expressway achieved a record of a total toll revenue of approximately RMB710 million, despite some diversion of vehicles to a nearby highway after completion of its major maintenance works. The newly completed Binbao Expressway in Tianjin helped to connect Baojin Expressway with other expressways heading the north-eastern provinces, making Baojin Expressway a more convenient route for long distance travelling freight vehicles.

In the coming years, the traffic and revenue of Baojin Expressway are expected to be further boosted up after completion of the construction of the western portion of G18 Yongcheng – Wuhai Expressway, which will result in an increase in the demand of vehicles travelling between Shanxi and other western provinces.

Tangjin Expressway

Tangjin Expressway is part of the NTHS G25 Changchun – Shenzhen Expressway connecting Tianjin, the north-eastern provinces, and the central and southern China. It also serves as the outer ring road of the east of Tangshan City.

Traffic volume and toll revenue of the expressway recorded an annual growth of 26% and 21% respectively in 2011, partly due to the major repair and maintenace works of Beijing-Shenyang Expressway and Jintang Expressway (Tianjin portion) that commenced in the second half of 2010. An expansion plan of the toll stations will be implemented in the first half of 2012 which will help to ease certain congestion and boost further traffic growth.

Benefited by the robust economic development in the Bohai Rim region, as well as being the most convenient route connecting the north-eastern provinces and the Central and Southern China, this project has a promising future prospect.

Management Discussion and Analysis (continued)

Changyi Expressway

Changyi Expressway is part of the NTHS G5513 Changsha – Changde Expressway. It serves as the western entrance to Changsha, the capital city of Hunan Province and an important gateway to Zhangjiajie, one of the national scenery spots in the PRC.

In 2011, traffic volume increased by 11% as a result of the natural growth from the regional economic development. However, surface improvement works commenced in the second half of 2011 diverted certain traffic and reduced the average travelling distance of the vehicles and therefore offset the growth driven by the increasing traffic volume. A traffic-management scheme will be implemented to ease the adversion effect in 2012.

The performance of Changyi Expressway is expected to be further enhanced after completion of the surface improvement works together with adoption of weight-based tolling scheme and the completion of the connection between Jishou in Hunan Province and Chongqing in the second half of 2012.

Longcheng Expressway

In 2011, the Group completed the acquisition of 45% of the equity interest in Longcheng Expressway.

Longcheng Expressway is a 71.6 kilometres 6-lane expressway located at the southeast of Taiyuan City, Shanxi Province. It starts at Yuci Longbai Village which locates at the east of Taiyuan City and connects with Taijiu Expressway, and ends at Chengzhao in Qixian which connects with Dayun Expressway. At present, construction of Longcheng Expressway is in an advance stage. It is expected that the expressway will commence operation in mid 2012.

Upon completion, Longcheng Expressway will become the southeast section of the outer-ring road of the city centre of Taiyuan and Jinzhong, carrying the eastbound freight transport traffic from southern Shanxi Province and Shaanxi Province to the Bohai Rim region.

Disposal of Highway Projects

The national toll charge inspection and rectification campaign created a good platform for the Group to optimise the portfolio of toll road business. In 2011, the Group withdrew from Taiyu Highway in Shanxi Province at a consideration of RMB25 million. The Group is also making preparation for the withdrawal from highway projects in accordance with the Group’s strategy and is in discussion with local governments in repect of the compensation from withdrawing from other highways.

Constructing a **better quality** of life with **passion**

Shine June Garden

RK World City

Royal City

Phoenix City

凤凰新天地
PHOENIX WORLD

forest valley
路勁主场II森邻

Philippe Bay
路勁|翡|丽|湾

路勁雋悅豪庭
J·o·Y HEIGHTS

兰郡·九里
ORCHID COUNTY

路勁又一城
GRAND METROPOLIS
又一城，又一个世界

THE AURORA CITY OF CHARM
屿東城

Banyan Riverside
雋瀧園

FOREST AND VALLEY VILLA
路劲·尚澜湾

蓝水假期
Unusual Landscape

世界城
路劲 RK WORLD CITY

Château du Nord
北郊庄园

路勁·領山

国际城四期
GRAND TOWN

御城
ROYAL CITY

Blue County
|蓝|郡|

雋峰苑
PARKVISTA
CBD的登峰之道

LONG MAN MANSION
领海·朗文世家

SUNCO TOWN 路劲顺驰城 3期

Jianguomen Project
建國門項目

VISTA PANORAMA
天雋峰

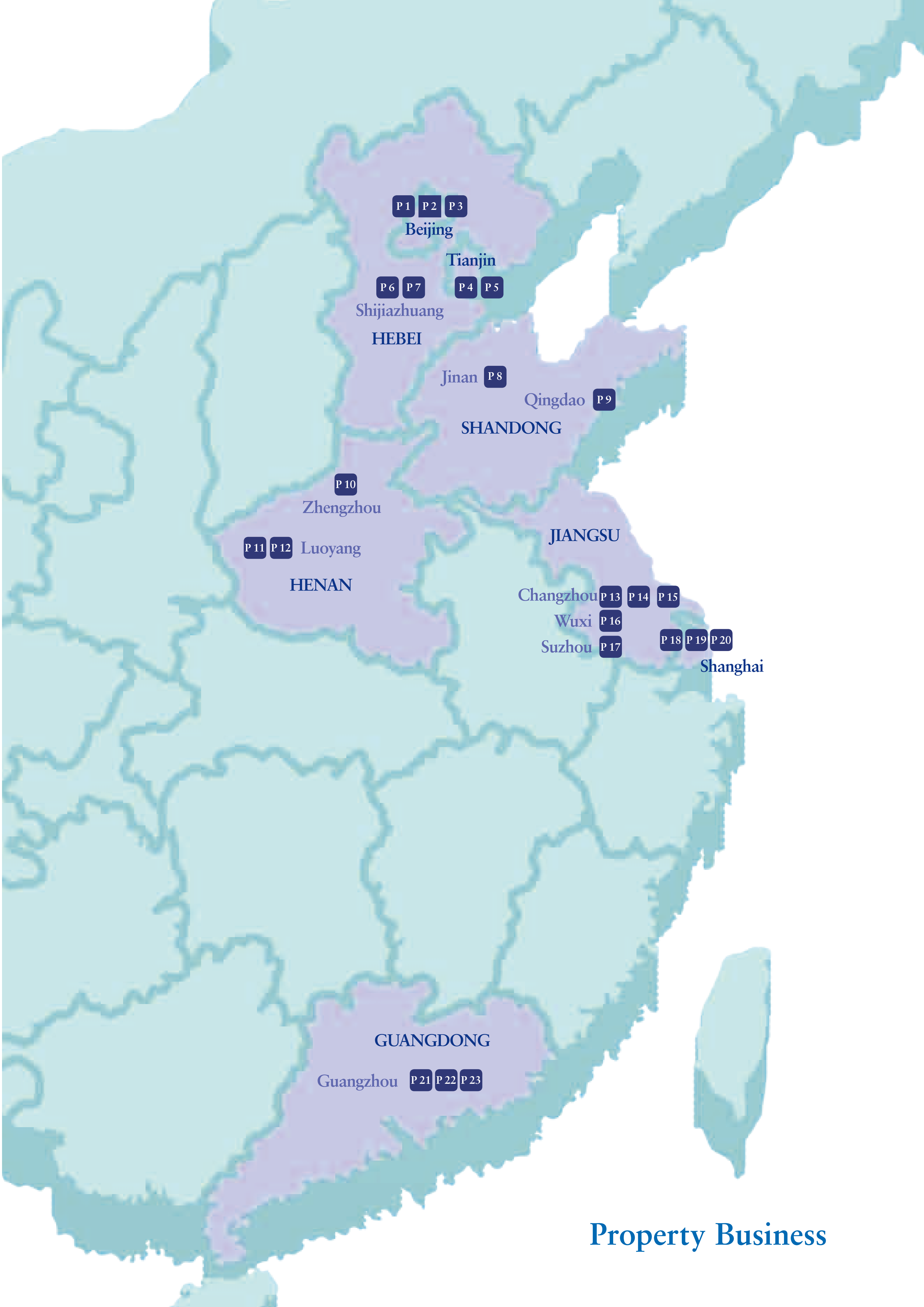
路勁御景城3期
ROYAL PANORAMA
寧 适 净 生 活

THE PROVIDENCE
路劲|天御

FOREST AND VALLEY VILLA
澜庭

中央特区

路勁地產
RK Properties
Constructing a better quality of life with passion



Property Business

Management Discussion and Analysis (continued)

Major Projects Information

As at 31 December 2011

Beijing

S P1

Project	Songs & Sea	Stage of completion (Note)	F/S/C	Attributable floor area (Thousand sqm)	73
Location	Beijing	Nature	Residential	Approximate attributable interest (%)	94.74
Target completion	2012	Land area (Thousand sqm)		309	
Beijing Sunco Land Daxing Real Estate Development Co., Ltd.					

S P2

Project	Jianguomen Project	Stage of completion (Note)	M	Attributable floor area (Thousand sqm)	31
Location	Beijing	Nature	Commercial	Approximate attributable interest (%)	100.00
Target completion	2013	Land area (Thousand sqm)		11	
Beijing Wuyuetian Properties Development Co., Ltd.					

S P3

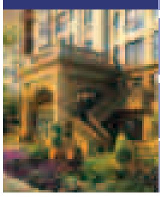
Project	RK World City	Stage of completion (Note)	P	Attributable floor area (Thousand sqm)	182
Location	Beijing	Nature	Residential	Approximate attributable interest (%)	100.00
Target completion	2014	Land area (Thousand sqm)		78	
Beijing RK Junyu Properties Developments Ltd.					

I P3

Project	RK World City	Stage of completion (Note)	P	Attributable floor area (Thousand sqm)	68
Location	Beijing	Nature	Commercial	Approximate attributable interest (%)	100.00
Target completion	2014	Land area (Thousand sqm)		30	
Beijing RK Junyu Properties Developments Ltd.					

Tianjin

S P4



Project	The Aurora City of Charm	Stage of completion (Note)	R/P/F/S/C	Attributable floor area (Thousand sqm)	507
Location	Tianjin	Nature	Residential	Approximate attributable interest (%)	94.74
Target completion	2015	Land area (Thousand sqm)		811	
Tianjin Sunco Xindi Property Co., Ltd.					

I P4

Project	Joy Park	Stage of completion (Note)	C	Attributable floor area (Thousand sqm)	9
Location	Tianjin	Nature	Commercial	Approximate attributable interest (%)	94.74
Target completion	Not applicable	Land area (Thousand sqm)		9	
Tianjin Sunco Xindi Property Co., Ltd.					

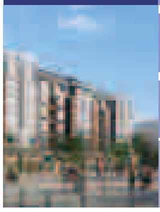
Management Discussion and Analysis (continued)

Major Projects Information (continued)

As at 31 December 2011

Tianjin (continued)

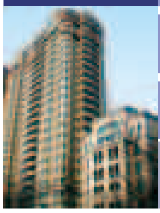
P5



Project	Leader of Life	Stage of completion (Note)	P/S/C	Attributable floor area (Thousand sqm)	184
Location	Tianjin	Nature	Residential	Approximate attributable interest (%)	94.74
Target completion	2015	Land area (Thousand sqm)		327	
Tianjin Sunco Rongxin Land Co., Ltd.					

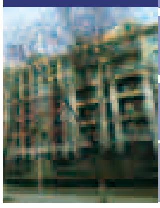
Hebei

P6



Project	Blue County	Stage of completion (Note)	S/C	Attributable floor area (Thousand sqm)	17
Location	Shijiazhuang	Nature	Residential	Approximate attributable interest (%)	94.74
Target completion	2012	Land area (Thousand sqm)		91	
Hebei Sunco Property Development Co., Ltd.					

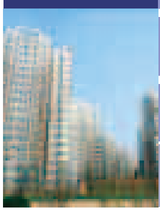
P7



Project	International City	Stage of completion (Note)	P/F/S/C	Attributable floor area (Thousand sqm)	153
Location	Shijiazhuang	Nature	Residential	Approximate attributable interest (%)	100.00
Target completion	2013	Land area (Thousand sqm)		80	
Hebei RK Properties Developments Ltd.					

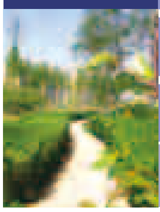
Shandong

P8



Project	Royal Panorama	Stage of completion (Note)	P/F/S/C	Attributable floor area (Thousand sqm)	192
Location	Jinan	Nature	Residential	Approximate attributable interest (%)	94.74
Target completion	2014	Land area (Thousand sqm)		177	
Jinan Shuncheng Real Estate Development Co., Ltd.					

P9



Project	Unusual Landscape	Stage of completion (Note)	P/F/S/C	Attributable floor area (Thousand sqm)	170
Location	Qingdao	Nature	Residential	Approximate attributable interest (%)	94.74
Target completion	2015	Land area (Thousand sqm)		249	
Shandong Sunco Rongsheng Land Co., Ltd.					

Management Discussion and Analysis (continued)

Major Projects Information (continued)

As at 31 December 2011

Henan

S P10

Project	Central Special Zone	Stage of completion (Note)	P/F/S/C	Attributable floor area (Thousand sqm)	186
Location	Zhengzhou	Nature	Residential	Approximate attributable interest (%)	94.74
Target completion	2014	Land area (Thousand sqm)		219	
Zhengzhou Keshu Real Estate Co., Ltd.					

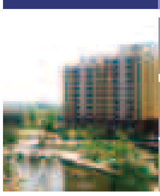
I P10

Project	Central Special Zone	Stage of completion (Note)	C	Attributable floor area (Thousand sqm)	6
Location	Zhengzhou	Nature	Commerical	Approximate attributable interest (%)	94.74
Target completion	Not applicable	Land area (Thousand sqm)		7	
Zhengzhou Keshu Real Estate Co., Ltd.					

S P11

Project	Sunco Town	Stage of completion (Note)	P/F/S/C	Attributable floor area (Thousand sqm)	138
Location	Luoyang	Nature	Residential	Approximate attributable interest (%)	94.74
Target completion	2013	Land area (Thousand sqm)		111	
Luoyang Sunco Real Estate Development Co., Ltd.					

S P12



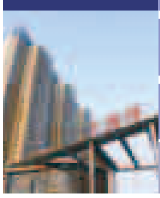
Project	World & City	Stage of completion (Note)	P/F/S/C	Attributable floor area (Thousand sqm)	53
Location	Luoyang	Nature	Residential	Approximate attributable interest (%)	94.74
Target completion	2012	Land area (Thousand sqm)		76	
Luoyang Sunco Real Estate Development Co., Ltd.					

Jiangsu

S P13

Project	Royal City	Stage of completion (Note)	P/F/S/C	Attributable floor area (Thousand sqm)	525
Location	Changzhou	Nature	Residential	Approximate attributable interest (%)	100.00
Target completion	2015	Land area (Thousand sqm)		487	
Changzhou Great Gallop Properties Developments Ltd.					

S P14



Project	Vista Panorama	Stage of completion (Note)	F/S/C	Attributable floor area (Thousand sqm)	132
Location	Changzhou	Nature	Residential	Approximate attributable interest (%)	100.00
Target completion	2013	Land area (Thousand sqm)		127	
Changzhou Great Superior Properties Developments Ltd.					

Management Discussion and Analysis (continued)

Major Projects Information (continued)

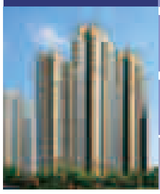
As at 31 December 2011

Jiangsu (continued)

I P15

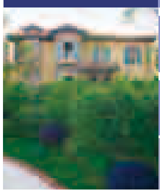
Project	Grand Metropolis	Stage of completion (Note)	S/C	Attributable floor area (Thousand sqm)	131
Location	Changzhou	Nature	Commercial	Approximate attributable interest (%)	100.00
Target completion	2012	Land area (Thousand sqm)		67	
Changzhou Greatmind Properties Developments Ltd.					

S P16



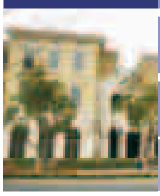
Project	The Providence	Stage of completion (Note)	M	Attributable floor area (Thousand sqm)	194
Location	Wuxi	Nature	Residential	Approximate attributable interest (%)	100.00
Target completion	2015	Land area (Thousand sqm)		88	
Wuxi RK Liyuan Properties Limited					

S P17



Project	Phoenix City	Stage of completion (Note)	P/F/S/C	Attributable floor area (Thousand sqm)	960
Location	Suzhou	Nature	Residential	Approximate attributable interest (%)	100.00
Target completion	2016	Land area (Thousand sqm)		850	
Suzhou Junyu Properties Ltd.					

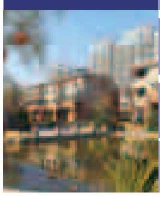
I P17



Project	Phoenix City	Stage of completion (Note)	C	Attributable floor area (Thousand sqm)	14
Location	Suzhou	Nature	Commercial	Approximate attributable interest (%)	100.00
Target completion	Not applicable	Land area (Thousand sqm)		10	
Suzhou Junyu Properties Ltd.					

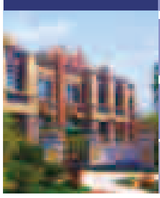
Shanghai

S P18



Project	Shine June Garden	Stage of completion (Note)	F/S/C	Attributable floor area (Thousand sqm)	99
Location	Shanghai	Nature	Residential	Approximate attributable interest (%)	100.00
Target completion	2013	Land area (Thousand sqm)		133	
Shanghai Junxiang Properties Development Co., Ltd.					

S P19



Project	The Riverside	Stage of completion (Note)	P/F/S/C	Attributable floor area (Thousand sqm)	20
Location	Shanghai	Nature	Residential	Approximate attributable interest (%)	29.84
Target completion	2013	Land area (Thousand sqm)		315	
Shanghai Sunco Fangcheng Property Co., Ltd. (Joint Venture)					

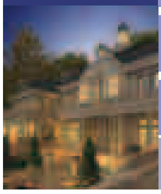
Management Discussion and Analysis (continued)

Major Projects Information (continued)

As at 31 December 2011

Shanghai (continued)

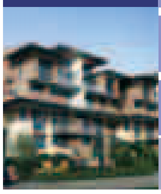
S P20



Project	Château du Nord	Stage of completion (Note)	P	Attributable floor area (Thousand sqm)	73
Location	Shanghai	Nature	Residential	Approximate attributable interest (%)	55.00
Target completion	2014	Land area (Thousand sqm)		133	
Shanghai Juncheng Real Estate Ltd.					

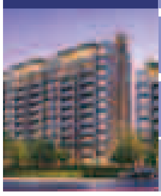
Guangdong

S P21



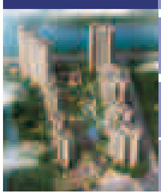
Project	J·o·Y Heights	Stage of completion (Note)	F/S	Attributable floor area (Thousand sqm)	259
Location	Guangzhou	Nature	Residential	Approximate attributable interest (%)	100.00
Target completion	2014	Land area (Thousand sqm)		130	
Guangzhou Junyue Real Estate Limited					

I P21



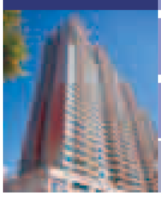
Project	J·o·Y Heights	Stage of completion (Note)	F/S	Attributable floor area (Thousand sqm)	9
Location	Guangzhou	Nature	Commercial	Approximate attributable interest (%)	100.00
Target completion	2014	Land area (Thousand sqm)		4	
Guangzhou Junyue Real Estate Limited					

S P22



Project	Banyan Riverside	Stage of completion (Note)	P	Attributable floor area (Thousand sqm)	105
Location	Guangzhou	Nature	Residential	Approximate attributable interest (%)	100.00
Target completion	2013	Land area (Thousand sqm)		35	
Guangzhou Junhua Real Estate Limited					

I P23



Project	Parkvista Phase II	Stage of completion (Note)	C	Attributable floor area (Thousand sqm)	6
Location	Guangzhou	Nature	Commercial	Approximate attributable interest (%)	100.00
Target completion	Not applicable	Land area (Thousand sqm)		1	
Guangzhou Junde Real Estate Limited					

Notes:

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

S Properties for Sales

I Investment Properties

Management Discussion and Analysis (continued)

PROPERTY BUSINESS

Overview

The PRC government continued to enforce a series of austerity measures with the priority to curb inflation and imposed new measures to regulate the property market, including the enforcement of restrictions on property purchasing and the granting of mortgage loans, as well as the increases in initial down payment ratio and interest rates. These policies posed serious impacts on the property market. Nonetheless, the Group managed to maintain a stable sales income through its diversified geographical and business portfolio.

Inflation rate in the PRC dropped to 4.1% at the end of 2011 from a year high of 6.5%, reflecting the impact made by the austerity measures. In response to changes in the economic market and the operating environment, the Renminbi required reserve ratio for deposit taking institutions was lowered in December 2011 for the first time in the last three years and compounded by another decrease in February 2012. These moves would increase the liquidity in the market and help the property market restoring to stable development.

Financial Review

	For the year ended 31 December	
	2011	2010
	HK$'million	HK$'million
Revenue	**6,833**	4,942
Gross profit	**1,911**	1,544
Profit after taxation	**727**	482

Revenue generated mainly by the delivery of properties in 2011 (including car parking spaces) increased 38% to HK$6,833 million, of which more than half was contributed from projects in the Eastern China region. Benefited by the consolidation and enhancement of the property team over the past few years, total area delivered in 2011 was 733,000 sqm, representing a growth of 48% as compared with that in 2010. The profit of the property business also increased to HK$727 million.

Management Discussion and Analysis (continued)

Sales and Delivery of Properties

Set out below is an analysis of the Group's property sales and delivery (excluding car parking spaces) by region for 2011:

	Sales		Delivery	
Regions	**Amount**	**GFA**	**Amount**	**GFA**
(Notes)	RMB'million	Sqm	RMB'million	Sqm
Northern China	2,065	206,000	1,902	214,000
Eastern China	2,501	254,000	3,153	385,000
Central China	822	111,000	611	128,000
Southern China	7	1,000	89	6,000
Total	5,395	572,000	5,755	733,000

Notes:
Northern China comprises Beijing, Tianjin, Hebei Province and Shandong Province.
Eastern China comprises Shanghai and Jiangsu Province.
Central China comprises Henan Province and Hubei Province.
Southern China represents Guangdong Province.

In 2011, as the macroeconomic controlling policies implemented by the PRC government dampened the property market, the Group focused on maintaining a robust financial position as its primary strategy. The Group is committed to improve the quality of projects, strengthening its project management and enhancing the utilisation of land resources, making preparations for coming pick up in the property market. Benefited from the geographic diversity of business, the Group recorded property sales (including car parking spaces) of RMB5,633 million in 2011, with the average selling price increased 8% year-on-year to RMB9,400 per sqm.

Management Discussion and Analysis (continued)

Land Bank

The Group's land bank includes properties under planning and construction, properties held for sale and properties held for investment. As at 31 December 2011, the Group's landbank had an attributable GFA of about 4.5 million sqm and was mainly located in the following region:

Provinces/Municipalities	Number of Projects Units	GFA Sqm
Beijing	3	354,000
Tianjin	2	700,000
Shanghai	3	192,000
Jiangsu Province	5	1,956,000
Hebei Province	2	170,000
Henan Province	3	383,000
Shandong Province	2	362,000
Guangdong Province	3	379,000

For 2011, there was GFA of 958,000 sqm of area commenced construction works while properties with GFA of 768,000 sqm were completed. It is expected that new construction area and completion area in 2012 are 1,424,000 sqm and 1,258,000 sqm respectively.

Overview of Major Projects

Songs & Sea, Beijing

In 2011, the property sales of Songs & Sea was RMB688 million, with an average selling price of over RMB16,100 per sqm. In 2011, the amount and GFA of properties delivered were RMB521 million and 31,000 sqm respectively. It is expected that a total area of 49,000 sqm will be delivered in 2012, of which 27,000 sqm had already been pre-sold as of 31 December 2011. The remaining retail area of 12,000 sqm is expected to be completed in the second half of 2012.

RK World City, Beijing

Located in the centre of Changping New Town, Beijing, RK World City (formerly known as Beijing Changping Project) has a site area of 108,000 sqm, with GFA of 250,000 sqm, and is expected to be developed in three phases. The project is an urban complex comprising boutique apartments, SOHO (i.e. Small Office/Home Office) and commercial properties. The design and planning work of Phase 1 of the project which focuses on high-rise residential buildings and limited price housing, with a total area of 108,000 sqm, had been commenced in 2011. The pre-sale is expected to be launched in mid 2012 and the delivery is expected to take place by the end of 2012 and/or early 2013.

Management Discussion and Analysis (continued)

The Aurora City of Charm, Tianjin

Located in Tianjin Hedong District, The Aurora City of Charm is part of Tianjin Sun Town Project. According to the municipal plan, certain stations of Line 2 and Line 7 of Tianjin Metro will be situated next to this project. The project's site area is 820,000 sqm with GFA of 1,153,000 sqm and it comprises eight phases of low-rise and high-rise residential buildings, coupled with a 30,000 sqm commercial complex, an 8,000 sqm clubhouse as well as one primary school and one kindergarten.

In 2011, the recorded sales of the residential properties of The Aurora City of Charm was RMB224 million, with an average selling price of approximately RMB11,800 per sqm. Multi-storey and high-rise residential buildings with a total area of 120,000 sqm are expected to be launched in 2012. It is also expected that a total area of 95,000 sqm will be delivered in 2012.

Joy Park, the commercial project of The Aurora City of Charm with an area of approximately 20,000 sqm, commenced business in the second quarter of 2011. The project has housed a number of renowned restaurants and retail shops.

International City, Shijiazhuang

In 2011, the property sales of International City was RMB282 million, with an average selling price of more than RMB10,700 per sqm, representing an increment of over 20% comparing to that of 2010. In 2011, the value and GFA of properties delivered were RMB434 million and 51,000 sqm respectively. It is expected that a total area of 34,000 sqm will be delivered in 2012, of which 13,000 sqm had already been pre-sold as of 31 December 2011. Part of the residential buildings of International City Phase 3 with a total saleable area of 43,000 sqm is expected to be launched in 2012.

Royal Panorama, Jinan

The project, which comprises five phases, is located in Huaiyin District, Jinan with a site area and GFA of 177,000 sqm and 325,000 sqm respectively. As of 31 December 2011, Phase 1 with a total area of 59,000 sqm had been completed and delivered. The project comprises high-rise residential buildings and service apartments, coupled with 16,000 sqm retail shops, a 20,000 sqm scenic forest garden and one kindergarten.

In 2011, the property sales of Royal Panorama was RMB324 million, with an average selling price of more than RMB7,700 per sqm. In 2011, the value and GFA of properties delivered were RMB454 million and 55,000 sqm respectively. It is expected that a total area of 85,000 sqm will be delivered in 2012, of which 45,000 sqm had already been pre-sold as of 31 December 2011. High-rise residential buildings of Phase 4 with a saleable area of 20,000 sqm is expected to be launched in 2012.

Management Discussion and Analysis (continued)

Shine June Garden, Shanghai

The project, which comprises four phases, is located in Jiading District, Shanghai and is close to Metro's Nanxiang Station of Line 11. It has a site area and GFA of 133,000 sqm and 217,000 sqm respectively. As at 31 December 2011, the Group has delivered three phases with a total GFA of 118,000 sqm. The project comprises semi-detached villas and high-rise residential buildings, coupled with a 2,000 sqm of clubhouse.

In 2011, the property sales of Shine June Garden was RMB749 million, with an average selling price of approximately RMB23,600 per sqm for semi-detached villas and approximately RMB14,900 per sqm for high-rise residential buildings, representing an increment of 16% respectively over that of 2010. In 2011, the value and GFA of properties delivered were RMB981 million and 68,000 sqm respectively. It is expected that a total area of 48,000 sqm will be delivered in 2012, of which 26,000 sqm had already been pre-sold as of 31 December 2011. High-rise residential buildings of Phase 4 with a saleable area of 68,000 sqm are expected to be launched in 2012.

Château du Nord, Shanghai

Located in Jiading District, Shanghai, Château du Nord (formerly known as Shanghai Waigang Project) lies in close proximity to the south of The Riverside, another property project of the Group. The Group owns 55% interests in the project. The project has a site area of 133,000 sqm and GFA of 133,000 sqm and is expected to be developed in three phases. The project is a low-density residence project with a focus on villas. The construction of Phase 1 together with the mock-up area with a total area of 51,000 sqm had commenced in 2011. Phase 1 is expected to be launched in the fourth quarter of 2012 and will be delivered in 2013.

Phoenix City, Suzhou

The project is located in Suzhou Industrial Park with a site area and GFA of 860,000 sqm and 1,560,000 sqm respectively. The project comprises three major developments, namely Phoenix City Garden, i-Zone and Forest & Valley Villa. The development of Phoenix City Garden with GFA of 325,000 sqm has already been completed and delivered. i-Zone focuses on high-rise residential buildings, targeting the middle-class customers within the district. Forest & Valley Villa comprises semi-detached villas and high-rise residential buildings. The Group plans to develop it as a high-end residential area. With Xietang River on its south, Forest & Valley Villa enjoys a 788-metre riverside. Phoenix City is designed to develop 100,000 sqm commercial street, a 10,000 sqm clubhouse, one primary school and three kindergartens.

In 2011, the property sales of i-Zone was RMB651 million, with an average selling price of approximately RMB8,700 per sqm. The contracted sales of Forest & Valley Villa was RMB152 million, with an average selling price of more than RMB17,200 per sqm. Phase 3 of i-Zone will be launched in the second quarter of 2012, and Phase 2 of Forest & Valley Villa will be launched in succession following the second quarter of 2012. In 2011, the value and GFA of properties delivered were RMB717 million and 99,000 sqm respectively for i-Zone, and RMB206 million and 12,000 sqm respectively for Forest & Valley Villa. It is expected that a total area of 118,000 sqm of i-Zone will be delivered in 2012, of which 98,000 sqm had already been pre-sold as of 31 December 2011. Phase 2 of Forest & Valley Villa is expected to be delivered at the end of 2013.

Management Discussion and Analysis (continued)

Royal City, Changzhou

Located in Wujin District, Changzhou, Royal City is an eight-phase project with a site area and GFA of 487,000 sqm and 872,000 sqm respectively. As at 31 December 2011, the development of the first two phases with a total GFA of 303,000 sqm had been completed and delivered. The project comprises villas, low-rise and high-rise residential buildings. The Group has positioned the project as a "sports neighbourhood" with a clubhouse consisting of an indoor swimming pool, tennis courts and golf practice facilities. The project also includes 16,000 sqm shops and one kindergarten.

In 2011, the property sales of Royal City was RMB682 million, with an average selling price of more than RMB16,100 per sqm for villas and more than RMB6,700 per sqm for high-rise residential buildings, representing an increment of 14% over that of 2010. Part of Phase 3 and Phase 6 of the project are expected to be launched in the first quarter and the third quarter of 2012 respectively. In 2011, the value and GFA of properties delivered were RMB342 million and 48,000 sqm respectively. It is expected that a total area of 78,000 sqm will be delivered in 2012, of which 48,000 sqm had already been pre-sold as of 31 December 2011.

Vista Panorama, Changzhou

The project is located in Wujin District, Changzhou, next to the Group's investment property, Grand Metropolis, with a site area and GFA of 127,000 sqm and 395,000 sqm respectively. The project is developed in three phases and the first two phases with a total area of 261,000 sqm had been completed and delivered as of 31 December 2011. The project focuses on high-rise residential buildings, coupled with a 4,000 sqm clubhouse.

In 2011, the property sales of Vista Panorama was RMB210 million, with an average selling price of more than RMB8,900 per sqm, representing an increment of 35% over 2010. In 2011, the value and GFA of properties delivered were RMB892 million and 156,000 sqm respectively. It is expected that a total area of 88,000 sqm will be delivered in 2012, of which 19,000 sqm had already been pre-sold as of 31 December 2011.

The Providence, Wuxi

Located in Binhu District of Wuxi, The Providence (formerly known as Wuxi Lihu Project) has a site area and GFA of 88,000 sqm and 194,000 sqm respectively and is expected to be developed in three phases. The project, as a burgeoning upscale residence, is located in Taihu Lake Tourist Resort Area, adjacent to the planned metro station. The project is positioned as a high-end residence with distinctive high-rise residential buildings and semi-detached villas, combining garden villas, lake view apartment, clubhouse, etc. The project is expected to be launched at the end of 2012 or early 2013.

Management Discussion and Analysis (continued)

Central Special Zone, Zhengzhou

The project is located in Zhengdong New District, with a site area and GFA of 219,000 sqm and 551,000 sqm respectively. The project is developed in four phases, with Phases 1 to 3 focused on high-rise residential buildings, coupled with 37,000 sqm retail shops. Phase 4 consists of commercial street and office buildings. At of 31 December 2011, a total area of 342,000 sqm had been completed and delivered.

In 2011, the property sales of Central Special Zone was RMB470 million, with an average selling price of over RMB9,100 per sqm for residential buildings, representing an increment of 30% over that of 2010. The average selling price for office buildings was more than RMB12,800 per sqm. In 2011, the value and GFA of properties delivered were RMB188 million and 32,000 sqm respectively. It is expected that a total area of 96,000 sqm will be delivered in 2012, of which 61,000 sqm had already been pre-sold as of 31 December 2011.

J·o·Y Heights, Guangzhou

Located in the centre of the planned future CBD of Huadu District, Guangzhou, J·o·Y Heights (formerly known as Huadu Project) has a site area and GFA of 134,000 sqm and 268,000 sqm respectively, and is expected to be developed in three phases. The project comprises villas, high-rise apartments and scenic apartments. The construction of Phase 1 and part of Phase 2 with a total area of 121,000 sqm had commenced in 2011. Sales of the two phases are expected to be launched in the second and fourth quarters of 2012 respectively. Delivery of Phase 1 is expected to take place at the end of 2012.

Banyan Riverside, Guangzhou

Located in Liwan District, Guangzhou, the project (formerly known as Liwan Project) has a site area of 35,000 sqm and GFA of 105,000 sqm, and is expected to be developed in two phases. The eastern and northern sides of the land are facing the Gehua River while the Kuilian Ecological Zone is just across the River. The project enjoys a beautiful environment and convenient access. The project focuses on high-rise residential buildings. The construction of both phases had commenced in 2011, and the sales is expected to be launched towards the end of 2012 and/or early 2013.

Investment Property

Grand Metropolis, Changzhou

The project is located in Wujin District, Changzhou next to the Vista Panorama Project with a site area and GFA of 67,000 sqm and 131,000 sqm respectively. With a total of two phases, the Group has completed Phase 1 of the development with a total GFA of 26,000 sqm and leased to and operated by a well-known supermarket chain. The GFA of Phase 2 is 105,000 sqm, comprising a commercial complex, commercial street and an office building, and is expected to be delivered in the second quarter of 2012. The Group has entered into tenancy agreements for part of Phase 2 with a number of well-known tenants including major retail chain, cinema and fitness centre.

Disputes in relation to Sunco Property

The disputes with the former major shareholders of Sunco Property have principally been settled through the mediation by Tianjin Municipal Government. Both parties have withdrawn their respective lawsuits. The former major shareholders of Sunco Property have reiterated their recognition that the Group is the lawful owner of the interests attributable to two subsidiaries in Tianjin.

Management Discussion and Analysis (continued)

FINANCIAL REVIEW

Consolidated Income Statement

The table below extracted major items from the consolidated income statement of the Group for each of the years ended 31 December 2011 and 2010.

	2011 **HK$'million**	2010 HK$'million
Revenue	**6,833**	4,942
Gross profit	**1,911**	1,544
Interest and other income/expenses, net	**446**	360
Selling and operating expenses	**(700)**	(575)
Share of results of joint ventures	**335**	391
Finance costs	**(132)**	(115)
Profit before taxation	**1,860**	1,605
Income tax expenses	**(1,034)**	(972)
Profit after taxation	**826**	633
Minority Interests	**(8)**	(8)
Profit after taxation and minority interests	**818**	625

Revenue and Gross Profit

The details of revenue and gross profit for 2011 and 2010 are included in the subsection headed "Financial Review" under "Property Business".

Interest and Other Income/Expenses, Net

The increment was mainly due to the recognition of net gains on the exchange rate fluctuations and increase in fair value gains on the investment properties during the year. The increment was partly offset by the impairment provision made for certain infrastructure joint venture projects.

Selling and Operating Expenses

The increase in the selling and operating expenses was mainly due to the increase in selling and marketing activities, additional operating expenses incurred for several new projects and was accelerated by inflation over the year.

Share of Results of Joint Ventures

This represented mainly the share of results of the infrastructure joint ventures of the Group for the year under review. The details could be referred to the subsection headed "Financial Review" under "Toll Road Business".

Management Discussion and Analysis (continued)

Finance Costs

The increase in the finance costs was mainly attributable to higher interest expenses incurred after the issue of US$350 million 9.5% guaranteed senior notes due 2015 and RMB1,300 million 6.0% guaranteed senior notes due 2014 in September 2010 and February 2011 respectively. The increment was partly offset by the reduction in the interest expenses after the redemption of the outstanding principal of the US$200 million 6.25% guaranteed notes due 2011 in July 2011.

Income Tax Expenses

Income tax expenses comprised mainly profit tax and land appreciation tax. The increase of income tax expenses was mainly due to the increase in profits generated by the properties delivered during the year.

Consolidated Statement of Financial Position

The table below summarised the major items of the consolidated statement of financial position of the Group as at 31 December 2011 and 2010.

	2011 HK$'million	2010 HK$'million
Non-current assets		
– Interests in joint ventures	**4,208**	3,855
– Investments in investment properties (including prepayment for land leases)	**2,346**	715
– Other non-current assets	**198**	177
	6,752	4,747
Current assets		
– Inventory of properties (including prepayment for land leases)	**20,670**	16,280
– Bank balances and cash (including pledged bank deposits)	**3,421**	5,420
– Other current assets	**889**	1,239
	24,980	22,939
Current Liabilities		
– Creditors and accrued charges	**(3,293)**	(2,419)
– Deposits from pre-sale of properties	**(4,940)**	(5,214)
– Bank and other borrowings – due within one year	**(3,500)**	(3,003)
– Other current liabilities	**(1,183)**	(676)
	(12,916)	(11,312)
Non-current liabilities	**(7,340)**	(5,970)
Total equity	**11,476**	10,404

Management Discussion and Analysis (continued)

Interests in Joint Ventures

Interests in joint ventures mainly represented our interests in the joint ventures relating to our toll road business. The increase was mainly due to the acquisition of a total of 45% equity interest in the project company of Longcheng Expressway during the year, but partly offet by the disposal of a highway project.

Investments in Investment Properties (including Prepayment for Land Leases)

This comprised carrying value of the investment properties, details of which were set out in notes 18 and 24 of the consolidated financial statements. The increment was mainly due to the inclusion of the investment properties to be developed in Beijing as well as the development of existing investment properties in Changzhou. As of 31 December 2011, the GFA for the investment properties attributable to the Group was around 243,000 sqm.

Inventory of Properties (including Prepayment for Land Leases)

The increases of the balances were mainly due to the payment of the land premiums of the new projects located in Beijing, Shanghai and Wuxi.

Bank Balances and Cash (including Pledged Bank Deposits)

The significant decrease in the balance was mainly due to the settlement of the land premiums of several new projects. The details of the decrease of the balance could be referred to the section headed "Consolidated Statement of Cash Flows" of "Financial Review".

Other Current Assets

The decrease of other current assets mainly represented the refund of deposits paid for tendering several pieces of land; but offset by the increase in prepaid income tax.

Creditors and Accrued Charges

They represented mainly the payable on the construction costs. The increase of the balance as at 31 December 2011 was in line with the higher volume of the construction work and operations.

Deposits for Pre-sale of Properties

The decrease in the balance was mainly attributable to the decrease in pre-sale of properties in 2011. At 31 December 2011, the total area pre-sold yet to be delivered was 538,000 sqm.

Management Discussion and Analysis (continued)

Bank and Other Borrowings – Due within One Year and Non-current Liabilities

They represented mainly the guaranteed senior notes that the Group issued in the past few years and the project development loans. The details for the increase of the balance could be referred to the section headed "Net Cash from Financing Activities" under "Consolidated Statement of Cash Flows" of "Financial Review". Details of the loan profile are set out as follows:

	At 31 December	
	2011	2010
	HK$'million	HK$'million
Repayable:		
Within one year	**3,500**	3,003
After one year but within two years	**385**	1,510
After two years but within five years	**6,266**	4,177
Total Borrowings	**10,151**	8,690

The gross gearing ratio, representing interest bearing borrowings to the equity attributable to the owners of the Company, was about 91% at 31 December 2011 whereas the net gearing ratio, representing the difference of Group's total interest bearing borrowings and the bank balances and cash (including pledged bank deposits) to the owners' equity of the Company, was about 60% as at 31 December 2011.

Other than the following notes, the Group's borrowings are mainly on a floating rate basis:
(a) RMB1,300 million 6.0% guaranteed senior notes due 2014;
(b) US$200 million 7.625% guaranteed notes due 2014; and
(c) US$350 million 9.5% guaranteed senior notes due 2015.

Interest coverage for the year under review was 17.5 times (2010: 17.6 times).

Management Discussion and Analysis (continued)

Consolidated Statement of Cash Flows

The table below summarised the major items of the consolidated statement of cash flows of the Group for the years ended 31 December 2011 and 2010.

	2011	2010
	HK$'million	HK$'million
Payments for land leases	**(4,151)**	(1,673)
Net cash from operating activities, other than payments for land leases	**1,264**	1,853
Net cash (used in) from investing activities, other than payments for land leases	**(405)**	273
Net cash from financing activities	**709**	1,564
Effect of changes in foreign exchange rates	**267**	53
Cash and cash equivalents at 1 January	**4,957**	2,887
Cash and cash equivalents at 31 December	**2,641**	4,957

Payments for Land Leases

Please refer to the section under "Inventory of Properties (including Prepayment for Land Leases)" of the "Financial Review".

Net Cash from Operating Activities, other than Payments for Land Leases

The decrease in net cash from operating activities for the year was mainly due to the increased construction cost payments arising from the increased areas under development.

Net Cash (used in) from Investing Activities, other than Payments for Land Leases

The net cash used in investing activities for the year under review represented mainly the capital contribution to the joint venture company of Longcheng Expressway project as well as the payments of the development costs of the investment properties in Changzhou and was offset by the cash distributed or dividends received from the joint venture infrastructure projects.

The receipts of cash from the joint venture projects for last year were set off by the consideration paid for a property subsidiary in Shijiazhuang.

Net Cash from Financing Activities

The net cash from financing activities for the year was mainly attributable to the issue of RMB1,300 million 6.0% guaranteed senior notes due 2014 and draw down of several bank loans in Hong Kong and project loans in the PRC amounting to HK$3,027 million in aggregate. These new borrowings were partially used to repay certain bank loans and redemption of senior notes.

Management Discussion and Analysis (continued)

Liquidity and Financial Resources

As at 31 December 2011, the equity attributable to the owners of the Company increased to HK$11,199 million (2010: HK$10,288 million). The increase was mainly attributable to the profit generated during the year. Net assets per Share attributable to the owners of the Company increased to HK$15.1 (2010: HK$13.9).

As at 31 December 2011, the Group's total assets were HK$31,732 million (2010: HK$27,686 million) and bank balances and cash were HK$3,184 million (2010: HK$5,230 million), of which 77% was denominated in Renminbi and the remaining 23% was mainly denominated in US dollars or HK dollars.

The Group continues to adopt prudent financing and treasury policies. The entire Group's financing and treasury activities are centrally managed and controlled. Implementation of the Group's related policies is made under collective but extensive considerations on liquidity risk, financing cost and exchange rate risk.

Charges on Assets

As at 31 December 2011, bank balances of HK$237 million (2010: HK$190 million) were pledged as security in favour of banks for certain 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 bank deposits, properties valued at HK$1,830 million (2010: HK$1,322 million) were pledged as securities for certain loan facilities.

Exposure on Foreign Exchange Fluctuations and Interest Rates

The Group's borrowings are mainly denominated in US dollars and Renminbi but the cash flow is generated from projects whose earnings were denominated principally in Renminbi. As a result, the Group is exposed to foreign currency risk on the fluctuation of US dollars and Renminbi.

The Group's exposure to interest rate risk results mainly from fluctuation in interest rates relating to its borrowings denominated in US dollars and Renminbi. Although the monetary policies implemented by the PRC and the US governments continue to have a major impact on the Group's results and operations, the Directors consider that the interest rate fluctuation caused by the fluidity and instability of the global economy and financial systems also has an impact on the operations of the Group.

Save for the aforesaid, the Group has no significant exposure to foreign exchange risk and interest rate risk. The Group will continue to monitor its exposure to these risks closely and may arrange hedging against the risks exposed when necessary and appropriate.

Management Discussion and Analysis (continued)

Contingent Liabilities

As at 31 December 2011, the Group had provided guarantees of HK$4,696 million (2010: HK$4,490 million) to banks in favour of its customers in respect of the mortgage loans provided by the banks to such customers for purchase of the Group's properties. The guarantees would be released after the customers have pledged their property certificates as securities to the banks for the mortgage loans granted.

Employees

Excluding the staff of joint ventures, the Group had 1,832 employees as at 31 December 2011 (2010: 1,540). Expenditure on staff (excluding Directors' emoluments and share based payment) amounted to HK$341 million (2010: HK$258 million). Employees are remunerated according to their performance and contribution. Other employee benefits include provident fund, insurance, medical cover and training programs, as well as a share option scheme. During the year under review, no share option was granted.

PROSPECTS

In 2012, the Group will continue to dispose of certain Class I and Class II highways and increase the proportion of expressway assets in its portfolio, and to optimise and enhance the toll road business. The Group prepares to increase management efficiency and contain highway maintenance expenses by implementing a newly upgraded management system.

For the property business, the Group anticipates that the PRC government will continue to implement stringent austerity measures towards the property sector in 2012. The Group will continue to adopt a prudent investment strategy and professional management approach, and respond to relevant control measures by adjusting the pace and size of project investment. In addition, the Group has further adjusted its management approach to increase efficiency and asset turnover rate. Therefore, the Group is confident to maintain the growth of the property business. The Group will continue to provide customers with quality products by improving the quality and awareness of products, and maximise the return to Shareholders by advancing the competence of its professional team and the recognition of brand name.

In light of the current economic and property market condition in the PRC, the demand for capital funding in the market has increased significantly, and new project opportunities have emerged. Given the right circumstances, the Group will further acquire new expressway projects and replenish its landbank when appropriate opportunities which fit into the Group's cashflow, return target and development strategies arise.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Zen Wei Pao, William

(aged 64, Chairman)

Mr. Zen has been the Chairman of the Company since its establishment. He is also the Chairman of Wai Kee Holdings Limited (HK stock code: 610), the controlling shareholder of the Company. Mr. Zen holds a Bachelor of Science degree and a Master of Business Administration degree. He is a member of both The Hong Kong Institution of Engineers and The Institute of Quarrying, the 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 56, 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, the United Kingdom, The Institution of Structural Engineers, the 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 22 years of experience in business development and operation in the PRC. He is the spouse of Ms. Chuk Wing Suet, Josephine.

Mr. Chan Kam Hung

(aged 53, 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 (HK stock code: 773). 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 30 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 49, 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 25 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.

Directors and Senior Management (continued)

EXECUTIVE DIRECTORS (continued)

Mr. Zen Wei Peu, Derek

(aged 59)

Mr. Zen has been a Director of the Company since its establishment. He is also the Vice Chairman of Wai Kee Holdings Limited (HK stock code: 610) and the Chairman of Build King Holdings Limited (HK stock code: 240). 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, the United Kingdom and a fellow of The Institute of Quarrying, the United Kingdom. Mr. Zen has over 35 years of experience in civil engineering industry. He is the brother of Mr. Zen Wei Pao, William and the uncle of Mr. Zen Chung Hei, Hayley.

Mr. Xu Ruxin

(aged 58)

Mr. Xu was appointed as a Non-executive Director of the Company in December 2009 and has been re-designated as an Executive Director since 1 January 2012. He was the President of Shum Yip Holdings Company Limited, an Executive Director and the President of Shenzhen Investment Limited (HK stock code: 604) up to his resignation on 21 June 2011, and a Non-executive Director of Coastal Greenland Limited (HK stock code: 1124) up to his resignation on 18 July 2011. Mr. Xu holds a Master degree in Economics from Guangdong Academy of Social Sciences and is a Senior Engineer in the PRC. He has over 20 years of experience in architectural technology, property development as well as corporate management.

Directors and Senior Management (continued)

NON-EXECUTIVE DIRECTORS

Mr. Guo Limin

(aged 49)

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 and Shenzhen Investment Limited (HK stock code: 604), a Non-executive Director of Ping An Insurance (Group) Company of China, Ltd. (HK stock code: 2318) and Coastal Greenland Limited (HK stock code: 1124). 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. Lam Wai Hon, Patrick

(aged 49)

Mr. Lam has been appointed as a Non-executive Director of the Company since May 2010. He is the Assistant General Manager of New World Development Company Limited (HK stock code: 17), an Executive Director of NWS Holdings Limited (HK stock code: 659), the Vice Chairman and Non-executive Director of Newton Resources Ltd. (HK stock code: 1231), and a Non-executive Director of Wai Kee Holdings Limited (HK stock code: 610). Moreover, he was a Non-executive Director of Haitong International Securities Group Limited (formerly known as Taifook Securities Group Limited) (HK stock code: 665) and a Director of Guangdong Baolihua New Energy Stock Co., Ltd. (Shenzhen stock code: 000690) up to his resignation on 13 January 2010 and 1 April 2011 respectively. Mr. Lam is a Chartered Accountant by training and holds a Master of Business Administration Degree from The University of Edinburgh and a Bachelor degree from The University of Essex, the United Kingdom. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales, and a member of the Institute of Chartered Accountants of Ontario, Canada.

Directors and Senior Management (continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chow Shiu Kee, Stephen

(aged 63)

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 the Chairman of Appeal Tribunal (Buildings) and a member of Appeal Panel (Housing).

Mr. Lau Sai Yung

(aged 64)

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 Managing Director of Union Alpha CAAP Certified Public Accountants Limited, an Honorary Fellow of The Chinese University of Hong Kong and an Affiliated Fellow of Wu Yee Sun College, The Chinese University of Hong Kong. He 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, Certified Tax Adviser, 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.

Dr. Chow Ming Kuen, Joseph

(aged 70)

Dr. Chow, *OBE, JP*, has been appointed as an Independent Non-executive Director since April 2008. He is the Chairman of Joseph Chow & Partners Limited, a firm of independent civil and structural consulting engineers. He is also an Independent Non-executive Director of Chevalier International Holdings Limited (HK stock code: 25), Harbour Centre Development Limited (HK stock code: 51) and Build King Holdings Limited (HK stock code: 240). He retired as an Independent Non-executive Director of PYI Corporation Limited (HK stock code: 498) at the conclusion of its annual general meeting held on 16 September 2011 and also ceased to be the Chairman of its board. 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 an 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 and the Hong Kong Country Club.

Directors and Senior Management (continued)

SENIOR MANAGEMENT

Mr. Yu Kam Fat, James

(aged 56)

Mr. Yu, joined the Group in 1998, is the Chief Operating Officer – Toll Road Division of the Group overseeing the toll road operations. He holds a Bachelor and a Master of Science degree in Civil Engineering. He is a Chartered Engineer, the United Kingdom, a member of The Association of Professional Engineers of Ontario, Canada, The Institution of Civil Engineers, the United Kingdom, The Institution of Structural Engineers, the United Kingdom, The Chartered Institution of Highways and Transportation, the United Kingdom and a fellow of The Hong Kong Institution of Engineers. Mr. Yu is also a Registered Structural Engineer, Hong Kong and a Registered Professional Engineer, Hong Kong. He has over 32 years of experience in civil engineering and project management.

Ms. Chuk Wing Suet, Josephine

(aged 40)

Ms. Chuk, joined the Group in 1994, is a Deputy Chief Operating Officer of the Group and a Director of RK Properties Holdings Limited. With the additional land parcel acquired in Shanghai, Ms. Chuk keeps her focus on the property development projects in Shanghai and Changzhou. She holds a Bachelor of Social Science degree and a Master of Business Administration degree. Ms. Chuk has over 18 years of experience in business investment, operation, development and promotion in Hong Kong and the PRC. She is the spouse of Mr. Ko Yuk Bing.

Mr. Wang Hao

(aged 41)

Mr. Wang, joined the Group in 2007, is the Deputy Chief Executive Officer of the Property Division and a Director of RK Properties Holdings Limited. In addition, Mr. Wang is also responsible for property development projects in Beijing. He holds a Bachelor and a Master of Structural Engineering degree. Mr. Wang has over 16 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.

Mr. Zen Chung Hei, Hayley

(aged 37)

Mr. Zen, joined the Group in 2006, is a Director of RK Properties Holdings Limited and a Deputy Chief Operating Officer of the Group responsible for the property development projects in Shijiazhuang and Central China, including Zhengzhou, Luoyang and Wuhan. Prior to that, Mr. Zen was responsible for property development project in Wuxi and 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 16 years of 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.

Directors and Senior Management (continued)

SENIOR MANAGEMENT (continued)

Mr. Liu Han

(aged 40)

Mr. Liu, joined the Group in 2007, is the Director-in-charge of the property development projects in Tianjin and Shandong. Prior to that, Mr. Liu was the general manager of the property development projects in Changzhou overseeing the then operations. He holds a Bachelor of Economic degree, is a Registered Senior Structural Engineer and has over 14 years of experience in property development and management in the PRC. He was the Deputy Chief Executive Officer of the Sunco Property group.

Mr. Zhang Nan

(aged 39)

Mr. Zhang, joined the Group in 2007, is the Director-in-charge of the property development projects in Suzhou and Wuxi. Prior to that, Mr. Zhang was the general manager of the property development projects in Suzhou overseeing the then operations. He holds a Bachelor of Engineering Management degree and an Executive Master of Business Administration degree, and is a Registered Costing Engineer in the PRC. Mr. Zhang has over 16 years of experience in property development and management in the PRC involving more than 20 property projects in the PRC including residential and commercial office buildings. He was the General Manager of the property projects in Zhengzhou and Luoyang of the Sunco Property group.

Mr. Leung Chin Wan

(aged 57)

Mr. Leung, joined the Group in 1997, is the Engineering Director 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 33 years of experience in civil engineering with more than 23 years of experience in the PRC project management.

Ms. Diao Lu, Amy

(aged 37)

Ms. Diao, joined the Group in 2007, is the Human Resources Director of the Group and Associate Director of the Property Division. She holds a Bachelor of International Finance degree and an Executive Master of Business Administration degree. Ms. Diao has over 14 years of experience in human resources management, corporate communication and public affairs, including experience in managerial positions for Fortune 500 multi-national companies. She was the General Manager of Human Resources and External Affairs of Sunco Property group.

Directors and Senior Management (continued)

SENIOR MANAGEMENT (continued)

Mr. Ho Ting Fung, Albert

(aged 58)

Mr. Ho, joined the Group in 2011, is the Associate Director of the Property Division. He holds a Bachelor of Architecture degree and a Bachelor of Arts in Architectural Studies degree. He is an Authorised Person (List 1), a Registered Architect in Hong Kong and a fellow of the Hong Kong Institute of Architects. He has over 32 years of experience in the property development industry including experience in managerial positions. Prior to joining the Group, Mr. Ho worked in an international renowned architectural firm for 14 years and in well-known property development companies for a total of 17 years.

Mr. Lee Tak Fai, Kennedy

(aged 46)

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 over 20 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 from 1990 to 2003 and was previously the financial controller and the assistant general manager of the corporate finance department of several companies listed on the main board of the Stock Exchange.

Mr. Li Jian Jun

(aged 44)

Mr. Li, joined the Group in 1999, is the General Manager of the Toll Road Division. He holds a Bachelor of Financial Accountancy degree and a Master of Business Administration degree. Mr. Li is a Registered Accountant in the PRC and has over 12 years of experience in toll road operations in the PRC. Prior to joining the Group, he has over seven years of experience in financial and accounting management both in the PRC and overseas.

Directors' Report

The Directors present herewith the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2011.

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 projects in the PRC. Details of the Group's principal subsidiaries and joint ventures are set out in notes 43 and 19 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 2011 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages A-03 and A-04 respectively.

An interim dividend of HK$0.22 per Share amounting to HK$163 million was paid to the Shareholders in September 2011.

The Directors recommend the payment of a final dividend of HK$0.24 per Share to the Shareholders whose names appear on the register of members on Wednesday, 23 May 2012 amounting to approximately HK$178 million subject to the approval by the Shareholders at the forthcoming annual general meeting ("AGM"). It is expected that final dividend will be paid on or before 15 June 2012.

Closures of Register of Members

To be eligible to attend and vote in the forthcoming AGM

The register of members of the Company will be closed from Monday, 14 May 2012 to Tuesday, 15 May 2012, both days inclusive, during which period no transfer of Shares will be registered. In order for the Shareholders to be eligible to attend and vote at the forthcoming AGM, 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, 11 May 2012 for registration.

To qualify for the proposed final dividend

The register of members of the Company will also be closed from Tuesday, 22 May 2012 to Wednesday, 23 May 2012, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on Monday, 21 May 2012 for registration.

Directors' Report (continued)

Share Capital and Share Options

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

Reserves

Movements during the year in the reserves of the Group are set out in the consolidated statement of changes in equity on page A-07 of this annual report.

Distributable Reserves of the Company

In addition to the accumulated profits, under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution to the Shareholders. 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.

The reserves of the Company which were available for distribution to the Shareholders as at 31 December 2011 were approximately HK$3,095,105,000.

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 and Properties for Sale

Details of movements during the year in the investment properties of the Group are set out in note 18 to the consolidated financial statements. Particulars of investments properties and properties for sale are shown under the section of "Major Projects Information".

Bank and Other Borrowings

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

Retirement Benefit Plans

Particulars of 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 A-85 of this annual report.

Directors' Report (continued)

Directors and Directors' Service Contracts

The Directors during the year and up to the date of this annual 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
Xu Ruxin (re-designated from a Non-executive Director to an Executive Director on 1 January 2012)

Non-executive Directors:

Guo Limin
Lam Wai Hon, Patrick

Independent Non-executive Directors:

Chow Shiu Kee, Stephen
Lau Sai Yung
Chow Ming Kuen, Joseph

In accordance with Bye-law 87 of the Company's Bye-laws, Messrs. Xu Ruxin, Guo Limin, Lau Sai Yung and Dr. Chow Ming Kuen, Joseph will retire by rotation at the forthcoming AGM. All retiring Directors, being eligible, will offer themselves for re-election at the forthcoming AGM.

Other than statutory compensation, none of the Directors proposed for re-election at the forthcoming AGM has a service contract with the Group which is not determinable by the Group within one year without payment of compensation.

Directors' Report (continued)

Directors' Interests in Contracts of Significance

There were no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director 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 2011 required to be disclosed pursuant to Rule 8.10 of the Listing Rules were as follows:

Name of Directors	Name of entities	Description of principal activities	Nature of interest of the Directors in the entities
Guo Limin	Shenzhen Investment Limited and its subsidiaries	Property development, investment and management	Director
	Coastal Greenland Limited and its subsidiaries	Property development, investment and management	Director
Lam Wai Hon, Patrick	NWS Holdings Limited and its subsidiaries	Toll road and infrastructure	Director

As the above-mentioned entities do not have significant influence on the Board, 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 2011, the interests and short positions of the Directors in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required 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 for Securities Transaction by Directors of Listed Companies (the "Model Code") were as follows:

(I) Shares

			Number of Shares held		
Name of Directors	**Capacity/ nature of interest**	**Notes**	**Long position**	**Short position**	**Percentage of holding** % (Note 4)
Zen Wei Pao, William	Personal	1	6,048,000	–	0.82
		2	3,900,000	–	0.53
Ko Yuk Bing	Personal	1 & 3	1,070,000	–	0.14
		2 & 3	5,600,000	–	0.75
Chan Kam Hung	Personal	1	1,000,000	–	0.13
		2	2,500,000	–	0.34
Fong Shiu Leung, Keter	Personal	1	700,000	–	0.09
		2	2,500,000	–	0.34
Zen Wei Peu, Derek	Personal	1	7,227,000	–	0.97
		2	2,350,000	–	0.32
Xu Ruxin	Personal	2	150,000	–	0.02
Guo Limin	Personal	2	150,000	–	0.02
Chow Shiu Kee, Stephen	Personal	1	461,000	–	0.06
		2	250,000	–	0.03
Lau Sai Yung	Personal	1	305,000	–	0.04
		2	250,000	–	0.03
Chow Ming Kuen, Joseph	Personal	2	150,000	–	0.02

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 the Directors are included in this category, the particulars of which are set out in (II) below.

3. 160,000 Shares and 2,000,000 share options of the Company (excluding 1,000,000 share options at the exercise price of HK$11.66 lapsed on 20 December 2011) are held by Ms. Chuk Wing Suet, Josephine, the spouse of Mr. Ko Yuk Bing.

4. The percentage was calculated based on 741,934,566 Shares in issue as at 31 December 2011.

Directors' Report (continued)

Disclosure of Interests (continued)

(II) Underlying Shares – Share Options

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

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

		Number of share options					
Name	Notes	Balance at 01.01.2011	Granted during the year	Exercised during the year	Re-categorised during the year (Note 4)	Lapsed during the year	Balance at 31.12.2011
Directors							
Zen Wei Pao, William	1	2,500,000	–	–	–	(2,500,000)	–
	2	2,500,000	–	–	–	–	2,500,000
	3	1,400,000	–	–	–	–	1,400,000
Ko Yuk Bing	1	2,300,000	–	–	1,000,000	(3,300,000)	–
	2	2,300,000	–	–	1,200,000	–	3,500,000
	3	1,300,000	–	–	800,000	–	2,100,000
Chan Kam Hung	1	1,800,000	–	–	–	(1,800,000)	–
	2	1,600,000	–	–	–	–	1,600,000
	3	900,000	–	–	–	–	900,000
Fong Shiu Leung, Keter	1	1,400,000	–	–	–	(1,400,000)	–
	2	1,600,000	–	–	–	–	1,600,000
	3	900,000	–	–	–	–	900,000
Zen Wei Peu, Derek	1	800,000	–	–	–	(800,000)	–
	2	1,500,000	–	–	–	–	1,500,000
	3	850,000	–	–	–	–	850,000
Xu Ruxin	3	150,000	–	–	–	–	150,000
Guo Limin	3	150,000	–	–	–	–	150,000
Chow Shiu Kee, Stephen	1	250,000	–	–	–	(250,000)	–
	2	100,000	–	–	–	–	100,000
	3	150,000	–	–	–	–	150,000
Lau Sai Yung	1	250,000	–	–	–	(250,000)	–
	2	100,000	–	–	–	–	100,000
	3	150,000	–	–	–	–	150,000
Chow Ming Kuen, Joseph	3	150,000	–	–	–	–	150,000
Total		25,100,000	–	–	3,000,000	(10,300,000)	17,800,000

Directors' Report (continued)

Disclosure of Interests (continued)

(II) Underlying Shares – Share Options (continued)

Name	Notes	Number of share options: Balance at 01.01.2011	Granted during the year	Exercised during the year	Re-categorised during the year (Note 4)	Lapsed during the year	Balance at 31.12.2011
Others							
Employees	1	3,590,000	–	–	(1,000,000)	(2,590,000)	–
	2	6,380,000	–	–	(1,200,000)	(230,000)	4,950,000
	3	8,533,000	–	–	(800,000)	(655,000)	7,078,000
		18,503,000	–	–	(3,000,000)	(3,475,000)	12,028,000
Grand Total		43,603,000	–	–	–	(13,775,000)	29,828,000

Notes:
1. 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.
2. 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.
3. The share options under this issue were granted on 9 April 2010 with an exercisable period from 9 April 2010 to 8 April 2015 and an exercise price of HK$6.79.
4. 1,000,000 share options at the exercise price of HK$11.66, 1,200,000 share options at the exercise price of HK$14.85 and 800,000 share options at the exercise price of HK$6.79 held by Ms. Chuk Wing Suet, Josephine, the spouse of Mr. Ko Yuk Bing, was re-categorised from Section "Others" to Mr. Ko Yuk Bing under Section "Directors" in May 2011.

(III) Debentures of the Company

Name of Director	Capacity/ nature interest	Type of debenture	Principal amount held
Zen Wei Peu, Derek	Personal	US$350 million 9.5% guaranteed senior notes due 2015	US$5,400,000 (long position)

Directors' Report (continued)

Disclosure of Interests (continued)

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 required 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 herein, none of the Directors or their spouses or children under 18 years of age was granted or had exercised any rights to subscribe for any securities of the Company or any of its associated corporation.

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 the Shares in, or debenture of, the Company or any other body corporate.

Substantial Shareholders' Interests

As at 31 December 2011, 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 by the Company under section 336 of the SFO were as follows:

Name of Shareholders	Capacity/ nature of interest	Number of Shares held: Long position (Note 1)	Number of Shares held: Short position	Percentage of holding % (Note 11)
Wai Kee (Note 2)	Corporate	286,317,428	–	38.59
Wai Kee (Zens) Holding Limited (Note 3)	Corporate	286,317,428	–	38.59
Groove Trading Limited (Note 4)	Personal/Beneficiary	65,918,000	–	8.88
Wai Kee China Investments (BVI) Company Limited (Note 4)	Corporate	217,399,428	–	29.30
Wai Kee China Investments Company Limited (Note 5)	Corporate	217,399,428	–	29.30
ZWP Investments Limited (Note 6)	Personal/Beneficiary	217,399,428	–	29.30

Directors' Report (continued)

Substantial Shareholders' Interests (continued)

Name of Shareholders	Capacity/ nature of interest	Number of Shares held: Long position (Note 1)	Number of Shares held: Short position	Percentage of holding % (Note 11)
深業集團有限公司 (Shum Yip Holdings Company Limited) (Note 7)	Corporate	202,334,142	–	27.27
Shum Yip Holdings Company Limited (Note 8)	Corporate	202,334,142	–	27.27
Shenzhen Investment Limited (Note 9)	Corporate	202,334,142	–	27.27
Hover Limited (Note 10)	Personal/Beneficiary	202,334,142	–	27.27

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 Holdings Limited, 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 (incorporated in Hong Kong).

8. Shum Yip Holdings Company Limited (incorporated in Hong Kong) is deemed to be interested in the Shares through its 43.09% interest in Shenzhen Investment Limited.

9. Shenzhen Investment Limited is deemed to be interested in the Shares through its interests in its wholly-owned subsidiary, namely Hover Limited.

10. Hover Limited is a direct wholly-owned subsidiary of Shenzhen Investment Limited.

11. The percentage was calculated based on 741,934,566 Shares in issue as at 31 December 2011.

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

Directors' Report (continued)

Repurchase, Sale or Redemption of the Listed Securities of the Group

Redemption

During the year ended 31 December 2011, Road King Infrastructure Finance (2004) Limited, a wholly-owned subsidiary of the Company, redeemed all the outstanding principal amount of US$200 million 6.25% guaranteed notes due 2011 ("2011 Notes") on 15 July 2011 (being the maturity date of the 2011 Notes) at the redemption price equal to 100% of the outstanding principal amount of the 2011 Notes, which was US$162,231,000 plus accrued interest of US$5,069,718.75 (the "Redemption").

Subsequent to the Redemption, the 2011 Notes were cancelled and delisted from the official list of the Singapore Exchange Securities Trading Limited.

Repurchase

In addition, the Group repurchased various notes during the year. Details of the repurchases are as follows:

Notes	Month of repurchase	Total principal amount of notes repurchased US$	Method of repurchase
US$150 million floating rate guaranteed notes due 2012	October 2011	1,000,000	Over the counter
US$350 million 9.5% guaranteed senior notes due 2015	October 2011	13,420,000	Over the counter
US$350 million 9.5% guaranteed senior notes due 2015	November 2011	3,000,000	Over the counter

All of the above notes repurchased were cancelled.

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

Directors' Report (continued)

Donations

During the year, donations made by the Group were HK$2,587,000.

Pre-emptive Rights

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

Sufficiency of Public Float

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

Emolument Policy

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

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

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

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) As at 31 December 2011, there were altogether 38 infrastructure joint ventures and one property development joint venture. All these companies were regarded as joint ventures irrespective of the Group's equity interests. The Group's investments were made 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 was in proportion to the respective interests in each joint venture.

    (b) During the year, the Group did not provide any guarantee in respect of the banking facilities utilised by the joint ventures.

Directors' Report (continued)

Continuing Disclosure of the Listing Rules (continued)

1. Pursuant to Rule 13.16 of the Listing Rules: (continued)

   (c) The total amount of loans to the joint ventures were about HK$2,770 million which exceeds 8% of the Group's adjusted total assets of HK$31,554 million (being the Group's total assets as at 31 December 2011 adjusted for the dividend proposed for the year ended 31 December 2011 by the Company) as at 31 December 2011. Except for the loan to Hunan Changyi Expressway Co., Ltd., details of which are disclosed in note 20 to the consolidated financial statements, the loans are part of the investments and unsecured, interest free and have no definite repayment terms.

   (d) Except for the loan to Hunan Changyi Expressway Co., Ltd. as disclosed above (c), the loans to the joint ventures were reflected in the consolidated financial statements as part of the cost of investments and were funded by equities raised at the listing of the Company, bank and other borrowings, or internal resources of the Group.

2. Pursuant to Rule 13.18 of the Listing Rules:

   Notes

   The Company is obliged to make an offer to repurchase all US$150 million floating rate guaranteed notes due 2012, US$200 million 7.625% guaranteed notes due 2014, RMB1,300 million 6.0% guaranteed senior notes due 2014 and US$350 million 9.5% guaranteed senior notes due 2015 (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.

   Loan facility

   On 4 July 2011, RKP Finance (2011) Limited ("RKP Finance"), a wholly-owned subsidiary of the Company, was granted a three-year term loan facility up to HK$390 million (the "Loan Facility"). For so long as the Loan Facility is made available to RKP Finance, Wai Kee is required to maintain as the single largest Shareholder.

Directors' Report (continued)

Continuing Disclosure of the Listing Rules (continued)

3. Pursuant to Rule 13.22 of the Listing Rules:

(a) A summary of aggregate financial information of the joint ventures, based on the financial statements prepared under the accounting principles generally accepted in Hong Kong as at 31 December 2011, is as follows:

	At 31 December 2011 HK$'000
Statement of Financial Position	
Non-current assets	11,550,998
Current assets	2,525,566
Current liabilities	(1,357,733)
Net current assets	1,167,833
Non-current liabilities	(1,974,515)
Amounts due to joint venture partners	(188,696)
Net assets	10,555,620

Directors' Report (continued)

Continuing Disclosure of the Listing Rules (continued)

3. Pursuant to Rule 13.22 of the Listing Rules: (continued)

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

	% of interest held indirectly by the Company	Loans to joint ventures HK$'000
Infrastructure Joint Ventures		
Anhui Road Universe Hefei Highway Development Co., Ltd.	50%	124,677
Anhui Road Universe Hehuai Highway Dayang Section Development Company Limited	60%	80,118
Anhui Road Universe Hehuai Highway Yangjin Section Development Company Limited	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 Development Co., Ltd.	35%	43,253
Bengbu Road King Huaiyuan-Mengcheng Highway Development Co., Ltd.	35%	31,686
Guangxi Lutong Highway Development Co., Ltd.	70%	81,800
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 Company Limited	45%	182,778
Hebei Tangjin Expressway Company Limited	45%	159,225
Hebei Tangrun Expressway Company Limited	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%	191,568
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 Company Limited	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
		2,769,767

Directors' Report (continued)

Continuing Disclosure of the Listing Rules (continued)

4. Pursuant to Rule 13.51B(1) of the Listing Rules:

   Upon specific enquiry by the Company, save as disclosed below, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published interim report:

Name of Directors	**Details of changes**
Mr. Zen Wei Pao, William	His annual basic salary will be revised from HK$5,850,000 to HK$6,201,000 with effect from 1 April 2012. Mr. Zen has been appointed as a member of the Nomination Committee since its establishment on 27 February 2012.
Mr. Ko Yuk Bing	His annual basic salary will be revised from HK$5,000,000 to HK$5,300,000 with effect from 1 April 2012.
Mr. Chan Kam Hung	His annual basic salary will be revised from HK$3,350,000 to HK$3,551,000 with effect from 1 April 2012.
Mr. Fong Shiu Leung, Keter	His annual basic salary will be revised from HK$2,700,000 to HK$2,916,000 with effect from 1 April 2012.
Mr. Zen Wei Peu, Derek	His annual basic salary will be revised from HK$3,700,000 to HK$3,922,000 with effect from 1 April 2012. His discretionary bonus for the year ended 31 December 2011 is HK$1,180,383.
Mr. Xu Ruxin	Mr. Xu has been re-designated from a Non-executive Director to an Executive Director of the Company since 1 January 2012. A service contract was entered into with the Company commencing from 1 January 2012 to 31 March 2014 in respect of his re-designation as an Executive Director. Under the service contract, he is entitled to receive an annual salary of HK$1,800,000 plus a bonus of not less than HK$700,000 after successful completion of the first 12 months of service. The annual bonus will be determined on a discretionary basis thereafter.

Directors' Report (continued)

Continuing Disclosure of the Listing Rules (continued)

4. Pursuant to Rule 13.51B(1) of the Listing Rules: (continued)

Name of Directors	**Details of changes**
Mr. Chow Shiu Kee, Stephen	Mr. Chow has been appointed as a member of the Nomination Committee since its establishment on 27 February 2012 with the fee of HK$30,000 for the period from the following date of the forthcoming AGM to the AGM next year.
Mr. Lau Sai Yung	Mr. Lau has been appointed as a member of the Nomination Committee since its establishment on 27 February 2012 with the fee of HK$30,000 for the period from the following date of the forthcoming AGM to the AGM next year.
Dr. Chow Ming Kuen, Joseph	Dr. Chow retired as an Independent Non-executive Director of PYI Corporation Limited (HK stock code: 498) at the conclusion of its annual general meeting held on 16 September 2011 and also ceased to be the Chairman of its board. He has been appointed as the Chairman of the Nomination Committee since its establishment on 27 February 2012 with the fee of HK$40,000 for the period from the following date of the forthcoming AGM to the AGM next year.

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

Auditor

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

On behalf of the Board
Zen Wei Pao, William
Chairman

Hong Kong, 27 February 2012

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 as well as safeguard Shareholders' interests.

Throughout the year of 2011, the Company 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 team and evaluate its performance. The Board is directly accountable to the Shareholders and responsible for preparing the consolidated financial statements.

The Board currently comprises 11 Directors including six 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 at least four times each year. In addition to this, ad hoc Board meetings are held for major and important matters in which Board resolutions are required. The attendance records of individual Directors at the Board meetings and two other Board Committees (the Audit Committee and the Remuneration Committee) held in 2011 are set out below:

Corporate Governance Report (continued)

Board of Directors (continued)

	Board Meeting	Number of Attendance/ Number of Meetings held: Audit Committee Meeting	Remuneration Committee Meeting
Number of Meetings held	**6**	**2**	**2**
Executive Directors			
Zen Wei Pao, William	6/6	–	2/2
Ko Yuk Bing	6/6	–	–
Chan Kam Hung	5/6	–	–
Fong Shiu Fong, Keter	6/6	–	–
Zen Wei Peu, Derek	6/6	–	–
Xu Ruxin (re-designated from a Non-executive Director to an Executive Director on 1 January 2012)	5/6	–	–
Non-executive Directors			
Guo Limin	1/6	–	–
Lam Wai Hon, Patrick	5/6	–	–
Independent Non-executive Directors			
Chow Shiu Kee, Stephen	6/6	2/2	2/2
Lau Sai Yung	6/6	2/2	2/2
Chow Ming Kuen, Joseph	6/6	2/2	1/2

Notice of regular Board meetings is given to all Directors at least 14 days before each 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.

Corporate Governance Report (continued)

Non-executive Directors

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

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

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

Following the establishment of Nomination Committee in February 2012, the Board has delegated responsibilities to three Board Committees, namely Audit, Nomination and Remuneration Committees, to oversee particular aspects of the Company's affairs and Management Committees led by the Chief Executive Officer at both corporate and divisional levels to deal with the day-to-day operations. Particulars of these Committees are set out below.

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. The terms of reference of the Audit Committee were revised and approved by the Board in February 2012 to enhance and strengthen the corporate governance standard. The revised version will be published on the websites of the Company and the Stock Exchange in due course.

In 2011, the Audit Committee approved the terms of engagement of external auditor, reviewed the effectiveness of the Group's internal control system and the published consolidated financial statements prior to recommending them to the Board for approval.

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

Corporate Governance Report (continued)

Nomination Committee

The Nomination Committee was established in February 2012 and currently comprises four members, namely, Dr. Chow Ming Kuen, Joseph (Chairman of the Nomination Committee), Mr. Zen Wei Pao, William, Mr. Chow Shiu Kee, Stephen and Mr. Lau Sai Yung. Except for Mr. Zen Wei Pao, William, an Executive Director, all other members, including the Chairman of the Nomination Committee, are Independent Non-executive Directors.

The main responsibilities of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, and identify individuals suitably qualified to become Directors and select, or make recommendations to the Board on the selection of, individuals nominated for directorships. Details of its terms of reference will be published on the websites of the Company and the Stock Exchange in due course.

Prior to its establishment, the above responsibilities were performed via the collective decision of the Board. In December 2011, the Board approved the re-designation of Mr. Xu Ruxin from a Non-executive Director to an Executive Director with effect from 1 January 2012.

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. Except for Mr. Zen Wei Pao, William, an Executive Director, all other members, including the Chairman of the Remuneration Committee, are Independent Non-executive Directors.

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. The terms of reference of the Remuneration Committee were revised and approved by the Board in February 2012 to enhance and strengthen the corporate governance standard. The revised version will be published on the websites of the Company and the Stock Exchange in due course.

In 2011, 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 senior departure staff. It also reviewed the level of pay-rise, fringe benefits and discretionary bonus to the general staff.

Management Committees

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

To oversee the expanding property business, a separate Management Committee at the divisional level was also established to supervise and monitor major matters arising from the daily operations of the property development business in various cities in the PRC.

Corporate Governance Report (continued)

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 2011.

During the year, the internal audit team conducts systematic reviews of the Group's internal control system by using a risk-based audit approach and reviews the effectiveness of the Group's system of internal control against the framework of the Committee of Sponsoring Organization of the Treadway Commission in order to provide reasonable assurance of the effectiveness of the system. The team reports directly to the Audit Committee and has free access to review all aspects of the Group's activities and controlling system. The team summarises audit findings and control weaknesses and reports to the Audit Committee on a quarterly basis.

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 2011. The Company paid to external auditor HK$3,800,000 as audit services fee, HK$1,200,000 as interim review fee and HK$810,000 as other non-audit services fee in 2011.

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 A-01 and A-02.

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 2011.

Corporate Governance Report (continued)

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.

Glossary

GENERAL TERMS

"Board"	the board of directors of the Company
"BVI"	British Virgin Islands
"Company", "Road King", "we" or "us"	Road King Infrastructure Limited, a company incorporated in Bermuda with limited liability
"Directors"	the directors of the Company
"former major shareholders"	Sunco China and Sunco Management
"GDP"	gross domestic product
"GFA"	gross floor area
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Infrastructure joint ventures"	the sino-foreign co-operative joint ventures registered in the PRC which develop or construct or operate and manage the toll road projects in which the Group has an interest
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"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) HK$0.10 each in the share capital of the Company
"Shareholder(s)"	shareholder(s) 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 China"	Sunco China Holdings Limited, to the best knowledge and belief of the Directors, a company incorporated in the Cayman Islands with limited liability and a minority shareholder of Sunco Property
"Sunco Management"	Sunco Management Holdings Limited, to the best knowledge and belief of the Directors, a company incorporated in the BVI with limited liability and a minority shareholder of Sunco Property
''Sunco Property"	Sunco Property Holdings Company Limited, a company incorporated in the BVI with limited liability and an approximately 94.74% owned subsidiary of the Company
"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

Glossary (continued)

FINANCIAL TERMS

"Earnings per Share" or "EPS"	$\frac{\text{Profit attributable to owners of the Company}}{\text{Weighted average number of Shares in issue during the year}}$
"EBITDA"	Earnings before interest, tax, depreciation and amortisation
"Gearing ratio"	$\frac{\text{Total bank and other borrowings}}{\text{Total equity attributable to owners of the Company}}$
"Interest coverage"	$\frac{\text{EBITDA}}{\text{The aggregate of interest and finance costs}}$
"Net assets per Share attributable to owners of the Company"	$\frac{\text{Total equity attributable to owners of the Company}}{\text{Number of Shares in issue as at 31 December 2011}}$
"Net gearing ratio"	$\frac{\text{Total bank and other borrowings – bank balances and cash (including pledged bank deposits)}}{\text{Total equity attributable to owners of the Company}}$
"Total borrowings"	The aggregate of long-term and short-term portion of total borrowings

TOLL ROAD PROJECTS

Anhui Province

"Hehuai Highway"	National Highway 206 Hefei-Huainan Highway
"Heye Highway"	National Highway 312 Hefei-Yeji Highway

Guangxi Zhuang Autonomous Region

"Yulin Highway"	National Highway 324 Yulin Section

Hebei Province

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

Glossary (continued)

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

"Suzhou Shanghai Airport Highway"	Provincial Highway 343 Suzhou-Shanghai Hongqiao Airport Highway (Suzhou Section)

Shanxi Province

"Dongguan Highway"	National Highway 108 Yuci Dongchangshou-Qixian Dongguan Highway
"Longcheng Expressway"	Yuci Longbai Village-Chengzhao, Qixian Expressway
"Yuci City Bypass"	National Highway 108 Yuci City Bypass

PROPERTY PROJECTS

"Banyan Riverside"	The project locates at Jiulongxi Road, Liwan District, Guangzhou City, Guangdong Province, the PRC
"Blue County"	The project locates at No. 47, Donggang Road, Yuhua District, Shijiazhuang City, Hebei Province, 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
"Château du Nord"	The project locates at West of Baian Gong Road and South of Hengrong Road, Waigang Town, Jiading District, Shanghai City, the PRC
"Grand Metropolis"	The project locates at No. 33, Huayuan Street, Wujin District, Changzhou City, Jiangsu Province, the PRC
"International City"	The project locates at No. 473, Yuhua Dong Road, Yuhua District, Shijiazhuang City, Hebei Province, the PRC
"Jianguomen Project"	The project locates at Courtyard No. 13 & Courtyard Side, Waijiaobu Street, Dongcheng District, Beijing City, the PRC

Glossary (continued)

"J·o·Y Heights"	The project locates at North of Sandong Da Road and East of Guangqing Expressway, Huadu District, Guangzhou City, Guangdong Province, the PRC
"Joy Park"	The project locates at Junction of Longshan Road and Tianshan Bei Road, Hedong District, Tianjin City, the PRC
"Leader of Life"	The project locates at Chengguan Town, Ji County, Tianjin City, 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
"RK World City"	The project locates at East of Heying Road, West of Heying Xi Road, South of Changhuai Road Southern Line and North of Changhuai Road, Nanshao Town, Changping District, Beijing City, 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
"Sunco Town"	The project locates at South of Nanchang Road, Jianxi District, Luoyang City, Henan Province, the PRC
"The Aurora City of Charm"	The project locates at Junction of Weiguo Road and Helan Road, Hedong District, Tianjin City, the PRC

Glossary (continued)

"The Providence"	The project locates at Southwest of the Junction of Zhongnan Xi Road and Lixi Road, Binhu District, Wuxi 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, Jiaozhou District, 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 Building, Luoyang New District, Luoyang 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
Xu Ruxin

NON-EXECUTIVE DIRECTORS

Guo Limin
Lam Wai Hon, Patrick

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

NOMINATION COMMITTEE

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

MANAGEMENT COMMITTEE

Ko Yuk Bing *(Convenor)*
Chan Kam Hung
Fong Shiu Leung, Keter
Xu Ruxin
Yu Kam Fat, James

COMPANY SECRETARY

Fong Shiu Leung, Keter

AUDITOR

Deloitte Touche Tohmatsu

SOLICITORS

Reed Smith Richards Butler
Conyers, Dill & Pearman
Beijing Global Law Office

PRINCIPAL BANKERS

The PRC
Agricultural Bank of China Limited
China Construction Bank Corporation
Industrial and Commercial Bank of China Limited

Hong Kong
CITIC Bank International Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

Corporate Information (continued)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

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

WEBSITES

http://www.roadking.com.hk
http://www.rkph.com

SHARE LISTING

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

STOCK CODES

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

INVESTOR RELATIONS

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

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 A-03 to A-84, which comprise the consolidated statement of financial position as at 31 December 2011, 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 information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 of the consolidated financial statements that give a true and fair view 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 2011, 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
27 February 2012

Consolidated Income Statement

For the year ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Revenue	7	6,832,508	4,942,028
Cost of sales		(4,921,765)	(3,398,281)
Gross profit		1,910,743	1,543,747
Interest income		30,441	33,428
Other income		18,581	46,476
Other gains and losses	9	396,569	279,628
Selling expenses		(246,131)	(167,581)
Operating expenses		(453,457)	(407,393)
Share of results of joint ventures	10	335,219	391,478
Finance costs	11	(132,379)	(115,272)
Profit before taxation	12	1,859,586	1,604,511
Income tax expenses	14	(1,033,880)	(971,790)
Profit for the year		825,706	632,721
Profit attributable to:			
Owners of the Company		818,000	625,008
Non-controlling interests		7,706	7,713
		825,706	632,721
Earnings per share	16		
– Basic		HK$1.10	HK$0.84
– Diluted		HK$1.10	HK$0.84

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
Profit for the year	**825,706**	632,721
Other comprehensive income		
Exchange differences arising on translation to presentation currency	**433,100**	145,272
Total comprehensive income for the year	**1,258,806**	777,993
Total comprehensive income attributable to:		
Owners of the Company	**1,245,008**	768,492
Non-controlling interests	**13,798**	9,501
	1,258,806	777,993

Consolidated Statement of Financial Position

At 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	56,093	60,043
Investment properties	18	1,697,470	715,386
Prepayment for land leases	24	648,220	–
Interests in joint ventures	19	4,207,599	3,855,047
Deferred tax assets	31	3,144	6,500
Loan to a joint venture	20	45,202	–
Long-term receivables	22	94,559	110,634
		6,752,287	4,747,610
Current assets			
Inventory of properties	23	17,085,092	14,496,917
Prepayment for land leases	24	3,585,282	1,783,378
Loan to a joint venture	20	–	43,649
Loan to a related company	21	–	23,400
Debtors, deposits and prepayments	25	583,525	974,810
Prepaid income tax		305,296	196,694
Pledged bank deposits	26	236,881	189,546
Bank balances and cash	26	3,183,826	5,230,371
		24,979,902	22,938,765
Total assets		31,732,189	27,686,375
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	27	74,193	74,193
Reserves		11,125,079	10,213,942
		11,199,272	10,288,135
Non-controlling interests		276,912	115,663
Total equity		11,476,184	10,403,798
Non-current liabilities			
Bank and other borrowings – due after one year	29	6,651,422	5,686,644
Loans from non-controlling interests of a subsidiary	30	268,689	–
Deferred tax liabilities	31	419,854	283,470
		7,339,965	5,970,114

Consolidated Statement of Financial Position (continued)

At 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Current liabilities			
Creditors and accrued charges	32	**3,292,837**	2,419,010
Deposits from pre-sale of properties		**4,939,851**	5,213,949
Income tax payable		**1,099,539**	676,081
Bank and other borrowings – due within one year	29	**3,499,636**	3,003,423
Other financial liabilities	33	**84,177**	–
		12,916,040	11,312,463
Total equity and liabilities		**31,732,189**	27,686,375

The consolidated financial statements on pages A-03 to A-84 were approved and authorised for issue by the Board of Directors on 27 February 2012 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 2011

	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	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2010	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
Profit for the year	–	–	–	–	–	–	625,008	625,008	7,713	632,721
Exchange differences arising on translation to presentation currency	–	–	143,484	–	–	–	–	143,484	1,788	145,272
Total comprehensive income for the year	–	–	143,484	–	–	–	625,008	768,492	9,501	777,993
Sub-total	73,912	3,143,206	1,341,988	1,260,000	82,641	37,548	4,680,762	10,620,057	190,279	10,810,336
Issue of ordinary shares upon exercise of share options	281	16,080	–	–	–	–	–	16,361	–	16,361
Lapse or cancellation of share options	–	–	–	–	(4,437)	–	4,437	–	–	–
Transfer upon exercise of share options	–	679	–	–	(679)	–	–	–	–	–
Recognition of equity – settled share based payments	–	–	–	–	20,000	–	–	20,000	–	20,000
Released upon strike-off of subsidiaries of the Company	–	–	25,852	–	–	–	(25,852)	–	–	–
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	1,895	1,895	(90,205)	(88,310)
Capital contributions from non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	15,589	15,589
Dividends	–	–	–	–	–	–	(370,178)	(370,178)	–	(370,178)
Appropriation	–	–	–	–	–	7,515	(7,515)	–	–	–
Balance at 31 December 2010	74,193	3,159,965	1,367,840	1,260,000	97,525	45,063	4,283,549	10,288,135	115,663	10,403,798
Profit for the year	–	–	–	–	–	–	818,000	818,000	7,706	825,706
Exchange differences arising on translation to presentation currency	–	–	427,008	–	–	–	–	427,008	6,092	433,100
Total comprehensive income for the year	–	–	427,008	–	–	–	818,000	1,245,008	13,798	1,258,806
Sub-total	74,193	3,159,965	1,794,848	1,260,000	97,525	45,063	5,101,549	11,533,143	129,461	11,662,604
Release of reserve upon liquidation of a jointly controlled entity	–	–	(33,086)	–	–	–	33,086	–	–	–
Lapse or cancellation of share options	–	–	–	–	(24,588)	–	24,588	–	–	–
Capital contributions from non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	147,451	147,451
Dividends	–	–	–	–	–	–	(333,871)	(333,871)	–	(333,871)
Balance at 31 December 2011	74,193	3,159,965	1,761,762	1,260,000	72,937	45,063	4,825,352	11,199,272	276,912	11,476,184

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 then 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 2011

	2011 HK$'000	2010 HK$'000
Operating activities		
Profit before taxation	1,859,586	1,604,511
Adjustments for:		
Depreciation of property, plant and equipment	10,657	17,521
Impairment losses on interests in joint ventures	118,343	162,103
Fair value gains on transfer of completed properties held for sale to investment properties	(292,562)	(91,013)
Change in fair value of investment properties	(62,467)	(179,749)
Change in fair value of other financial liabilities	84,177	–
Interest income	(30,441)	(33,428)
Finance costs	132,379	115,272
Share of results of joint ventures	(335,219)	(391,478)
(Gains) losses on disposal of property, plant and equipment, net	(32,288)	2,082
Equity-settled share based payments	–	20,000
Operating cash flows before movements in working capital	1,452,165	1,225,821
Decrease (increase) in debtors, deposits and prepayments	412,907	(630,469)
Decrease in completed properties held for sale	136,740	953,541
Increase in properties under development for sale	(316,638)	(1,339,806)
Increase (decrease) in creditors and accrued charges	763,343	(187,095)
(Decrease) increase in deposits from pre-sale of properties	(539,859)	2,256,222
Payment for land leases for properties to be developed for sales	(3,503,045)	(1,672,523)
Cash (used in) generated from operations	(1,594,387)	605,691
Income tax paid	(644,186)	(425,184)
Net cash (used in) from operating activities	(2,238,573)	180,507

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Investing activities			
Cash distributions/dividends received from joint ventures		657,553	780,970
Additions to investment properties		(260,985)	(155,599)
(Increase) decrease in pledged bank deposits		(37,674)	20,823
Interest received		30,776	34,559
Proceeds on disposal of property, plant and equipment		42,070	3,360
Repayment of long-term loan receivables		21,302	222,683
Purchases of property, plant and equipment		(13,997)	(10,828)
Net cash outflow from acquisition of subsidiaries	34	–	(426,442)
Receipt of loan settlement from a related company		23,400	28,100
Receipt of loan settlement from a joint venture		43,649	20,637
Receipt of deferred consideration on disposal of interest in a joint venture		27,713	27,211
Increase in restricted bank balances		(270,516)	(272,806)
Payment for land leases for investment properties		(648,220)	–
Capital contributions to infrastructure joint ventures		(623,668)	–
Loan to a joint venture		(45,202)	–
Net cash (used in) from investing activities		(1,053,799)	272,668
Financing activities			
New borrowings raised		4,584,260	3,924,442
Repayment of borrowings		(3,292,725)	(1,674,434)
Capital contributions from non-controlling interests of a subsidiary		147,451	15,589
Loans from non-controlling interests of a subsidiary		268,689	–
Issue of ordinary shares		–	16,361
Dividends paid		(333,871)	(370,178)
Interest paid		(665,090)	(347,821)
Net cash from financing activities		708,714	1,563,959
Net (decrease) increase in cash and cash equivalents		(2,583,658)	2,017,134
Cash and cash equivalents at beginning of the year		4,957,565	2,887,090
Effect of foreign exchange rate changes		266,597	53,341
Cash and cash equivalents at end of the year, represented by bank balances and cash	35	2,640,504	4,957,565

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

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 and investment business in the PRC. The principal activities of the major subsidiaries and joint ventures are detailed in notes 43 and 19 respectively.

The functional currency of the Company and its major subsidiaries and the Group's jointly controlled entities 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, for the first time, the following new and revised 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"):

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

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 and interpretation that have been issued but are not yet effective.

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2012.
3 Effective for annual periods beginning on or after 1 July 2012.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2014.
6 Effective for annual periods beginning on or after 1 January 2015.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 32 "Offsetting Financial Assets and Financial Liabilities" and amendments to HKFRS 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities"

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011). Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK (SIC)-Int 12 "Consolidation – Special Purpose Entities". HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures" and HK (SIC)-Int 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures (continued)

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The Directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The Group is in the process of assessing and quantifying the potential financial impact on the application of HKFRS 11.

HKFRS 13 "Fair Value Measurement"

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial Instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Amendments to HKAS 12 "Deferred Tax – Recovery of Underlying Assets"

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012. The Directors anticipate that the application of the amendments to HKAS 12 in future accounting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties of which the carrying amounts are presumed to be recovered through sale. The Group is in the process of assessing and quantifying the potential financial impact on deferred tax recognised for investment properties that are measured using the fair value model.

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES

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

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the carrying amount of the share of net assets acquired or disposed of and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The policy described above is applied to all business combinations that take place on or after 1 January 2010.

Acquisition of subsidiaries which are not businesses

The cost of the acquisition is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of acquisition. No goodwill or discount on acquisition is recognised upon the acquisition of interest in a subsidiary.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

Revenue from the sale of goods and provision of services are recognised when the goods are delivered and titles have passed and services are provided, at which time all the following conditions are satisfied:

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

Sale of properties

Revenue from sale of properties is recognised when the development of the relevant properties have been completed and the properties have been 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.

Property rentals

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

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Others

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. 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 on initial recognition.

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 including leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

An inventory of properties is transferred to property, plant and equipment when the change in use is evidenced by commencement of owner occupation. The carrying amount of the property at the date of transfer, which is the cost of the property, is subsequently accounted for in accordance with HKAS 16 "Property, Plant and Equipment".

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

Investment properties are initially 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. 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 profit or loss in the period in which the item is derecognised.

For a transfer from inventory of properties to investment property (which is evidenced by commencement of an operating lease) that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

Joint ventures

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

The Group's infrastructure joint ventures are Sino-foreign co-operative joint ventures registered in the PRC in respect of which the partners' cash/profit sharing ratios until 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.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint ventures (continued)

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. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of a jointly controlled entity that results in the Group losing joint control over that jointly controlled entity, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the jointly controlled entity attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the jointly controlled entity. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that jointly controlled entity on the same basis as would be required if that jointly controlled entity had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that jointly controlled entity would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses joint control over that jointly controlled entity.

When a group entity transacts with its jointly controlled entities, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group' consolidated financial statements only to the extent of interests in joint ventures that are not related to the Group.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint ventures (continued)

Toll road operation right of joint ventures

When applying the equity method of accounting, 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. The expected useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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.

Inventory of properties

Properties under development for sale and completed properties held 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 anticipated selling expenses and costs to completion, if applicable.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as 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.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities and its joint ventures 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 under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

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

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

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and buildings

When a lease includes both land and buildings elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and buildings element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Current and 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 current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated 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 (other than financial assets or liabilities at fair value through profit or loss) 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 as loans and receivables.

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 of initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

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 a joint venture and a related company, 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).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

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 considered to be 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.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as debtors, assets that are assessed not to be impaired individually are, in addition, 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, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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 2011

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.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

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 (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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at fair value through profit or loss ("FVTPL")

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or it is those designated at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities (including creditors and accrued charges, bank and other borrowings and loans from non-controlling interests of a subsidiary) are subsequently measured at amortised cost using the effective interest method.

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 of obligation under the contract, as 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 the revenue recognition policy.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, 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.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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 2011

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. 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.

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 ventures 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 roads. Adjustments may need to be made to the carrying amounts of the Group's interest in infrastructure joint ventures should there be a material difference between the projected total traffic volume and the actual volume. The carrying amount of interest in infrastructure joint ventures at 31 December 2011 was HK$4,151,958,000 (2010: HK$3,838,124,000).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

4. 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. The carrying amount of properties under development for sale at 31 December 2011 was HK$15,893,238,000 (2010: HK$13,047,098,000).

Impairment of interests in infrastructure joint ventures

The assessment of the recoverable amount of the interests in infrastructure joint ventures was based on estimated net cash inflows derived from these infrastructure joint ventures from the development, operation and management of toll roads in the PRC over the remaining joint venture periods discounted by a suitable discount rate per annum to arrive at their present value. Should the actual net cash inflows be less than that projected as a result of a reduction of toll road usage and/or toll fees, an impairment loss may arise. The carrying amount of interest in infrastructure joint ventures at 31 December 2011 was HK$4,151,958,000 (2010: HK$3,838,124,000).

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 debts and equity balance.

The capital structure of the Group consists of debts, which includes the borrowings disclosed in note 29, and equity attributable to owners 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 debts or the redemption of existing debts.

The management of the Group monitors the utilisation of bank and other 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 2011

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2011 HK$'000	2010 HK$'000
Financial assets		
Loans and receivables at amortised cost (including cash and cash equivalents)	**3,884,728**	6,353,510
Financial liabilities		
Liabilities at amortised cost	**13,712,584**	11,109,077
Other financial liabilities – derivatives classified as held for trading	**84,177**	–

(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.

There has been no material 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 2011

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 have a formal foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States dollars	**676,022**	1,537,894	**5,660,634**	7,340,630
Hong Kong dollars	**73,579**	343,556	**793,385**	371,760

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	
	2011	2010
	HK$'000	HK$'000
United States dollars	**249,231**	290,137
Hong Kong dollars	**35,990**	1,410

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

6. FINANCIAL INSTRUMENTS (continued)

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

(i) Market risk (continued)

Interest rate risk management

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on long-term receivables, loan to a related company and bank and other borrowings which carry interest at prevailing market interest rates.

The Group's fair value interest rate risk relates primarily to loan to a joint venture, bank and other borrowings and loans from non-controlling interests in a subsidiary which carry interest at fixed interest rates. The Group currently does not have an interest rate hedging policy. 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 variable rate bank and other borrowings 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 and all other variables were held constant, the Group's profit for the year ended 31 December 2011 would decrease by HK$5,754,000 (2010: HK$6,104,000) after capitalisation of additional finance costs in properties under development for sale of HK$18,126,000 (2010: HK$14,899,000). No sensitivity analysis on the decrease in interest rates is presented because the Directors consider that the future decrease in interest rates will not have a significant impact on the consolidated financial statements of the Group.

Other price risk

During the year, the Group entered into cross-currency interest rate swap contracts with certain financial institutions. The Group is exposed to the price risk of the financial derivatives. The Group's profit for the year will increase/decrease by approximately HK$81,947,000 where Renminbi strengthens/weakens by 5% against United States dollars.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

6. FINANCIAL INSTRUMENTS (continued)

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

(ii) Credit risk management

As at 31 December 2011, the Group's maximum exposure to credit risk which would 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; and

- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 39.

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, loan to a related company, long-term receivables and other receivables as mentioned in notes 20, 21, 22 and 25 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 as disclosed in note 22 are receivables of HK$94,559,000 (2010: HK$110,634,000) due from an independent third party, which is engaged in the property development business in the PRC. The Directors considered that the credit risk exposure is satisfactory because the independent third party has made repayments continuously prior to the maturity date and it possess certain land and property projects which generate operating cash continuously.

For the loan to a joint venture as disclosed in note 20, the management of the Group closely monitors the financial position and repayment status of the joint venture, and considered that the credit risk exposure is satisfactory.

For the loan to a related company as disclosed in note 21, the balance was fully settled during the year and there is no credit risk exposure.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

6. FINANCIAL INSTRUMENTS (continued)

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

(ii) Credit risk management (continued)

For properties that are still under construction, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance for a maximum 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 generally 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.

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.

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

6. FINANCIAL INSTRUMENTS (continued)

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

(iii) Liquidity risk management (continued)

Liquidity and interest risk tables (continued)

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted gross (inflows) outflows on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average effective interest rate %	On demand or less than 6 months HK$'000	6-12 months HK$'000	1-2 years HK$'000	2-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2011							
Creditors and accrued charges	-	3,292,837	-	-	-	3,292,837	3,292,837
Bank and other borrowings							
– fixed rate	7.74	838,090	1,848,349	466,930	6,358,374	9,511,743	7,763,021
– variable rate	3.00	1,396,650	64,914	428,068	618,243	2,507,875	2,388,037
Loans from non-controlling interests of a subsidiary	7.32	9,826	9,826	276,275	-	295,927	268,689
Financial guarantee contracts	-	4,696,053	-	-	-	4,696,053	-
		10,233,456	1,923,089	1,171,273	6,976,617	20,304,435	13,712,584
Cross-currency interest rate swap contracts							
– gross settlement							
– inflows		(51,181)	(50,438)	(118,421)	(1,788,798)	(2,008,838)	N/A
– outflows		61,305	60,398	138,498	1,814,409	2,074,610	N/A
		10,124	9,960	20,077	25,611	65,772	84,177

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

6. FINANCIAL INSTRUMENTS (continued)

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

(iii) Liquidity risk management (continued)

Liquidity and interest risk tables (continued)

	Weighted average effective interest rate %	On demand or less than 6 months HK$'000	6-12 months HK$'000	1-2 years HK$'000	2-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2010							
Creditors and accrued charges	-	2,419,010	-	-	-	2,419,010	2,419,010
Bank and other borrowings							
– fixed rate	7.8	327,003	2,542,054	443,901	5,259,264	8,572,222	6,566,315
– variable rate	2.04	487,370	240,623	1,509,846	-	2,237,839	2,123,752
Financial guarantee contracts	-	4,490,163	-	-	-	4,490,163	-
		7,723,546	2,782,677	1,953,747	5,259,264	17,719,234	11,109,077

Bank loan with a repayment on demand clause is included in the “on demand or less than 6 months” time band in the above maturity analysis. As at 31 December 2011, the aggregate undiscounted principal amount of the bank loans amounted to HK$199,694,000 (2010: HK$149,361,000). Taking into account the Group’s financial position, the Directors did not believe that it is probable that the banks would exercise their discretionary rights to demand immediate repayment. The Directors believe that such bank loans would be repaid during the “6 – 12 months” (2010: “1 – 2 years”) time band after the reporting date in accordance with the scheduled repayment dates set out in the loan agreement. At that time, the aggregate principal and interest cash outflows will amount to HK$203,957,000 (2010: HK$157,409,000).

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 2011

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; and

- the fair value of financial guarantee contracts at initial recognition is determined to be insignificant, 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; and

- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, fair value determined based on the discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

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.

Fair value measurements recognised in the statement of financial position

The other financial liabilities comprising cross-currency interest rate swap contracts of HK$84,177,000 (2010: nil) are measured subsequent to initial recognition at fair value which is grouped into Level 2 fair value measurements.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

7. REVENUE

	2011 HK$'000	2010 HK$'000
Revenue of the Group		
Sale of completed properties held for sale	6,812,478	4,935,890
Gross rental income from properties	20,030	6,138
	6,832,508	4,942,028
Group's share of toll revenue of infrastructure joint ventures	844,157	802,617
Revenue of the Group and Group's share of toll revenue of infrastructure joint ventures	7,676,665	5,744,645

8. SEGMENT INFORMATION

The Group's operating segments, based on the information reported to the Group's chief operating decision maker for the purpose of resources allocation and assessment of performance are follows:

Toll road	–	development, operation and management of toll roads through the infrastructure joint ventures
Property development and investment	–	development of properties for sale and for rental income potential and/or capital appreciation

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

8. SEGMENT 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:

	2011			2010		
	Toll road HK$'000	Property development and investment HK$'000	Total HK$'000	Toll road HK$'000	Property development and investment HK$'000	Total HK$'000
Segment revenue	–	6,832,508	6,832,508	–	4,942,028	4,942,028
Segment profit	89,350	727,213	816,563	144,990	482,435	627,425
Segment assets (including interests in joint ventures)	4,231,055	25,068,574	29,299,629	3,992,321	18,816,164	22,808,485
Segment liabilities	(34,658)	(17,560,075)	(17,594,733)	(57,557)	(14,627,160)	(14,684,717)
Other segment information						
Amounts included in the measure of segment profit or segment assets:						
Interest income	1,233	25,150	26,383	2,608	25,723	28,331
Impairment losses on interests in joint ventures	(118,343)	–	(118,343)	(162,103)	–	(162,103)
Fair value gains on transfer of completed properties held for sale to investment properties	–	292,562	292,562	–	91,013	91,013
Change in fair value of investment properties	–	62,467	62,467	–	179,749	179,749
Depreciation	(142)	(10,091)	(10,233)	(71)	(16,984)	(17,055)
Finance costs	(3,385)	(87,122)	(90,507)	(4,192)	(75,727)	(79,919)
Income tax expenses	(15,335)	(1,018,545)	(1,033,880)	(20,230)	(951,560)	(971,790)
Share of results of joint ventures	298,305	36,914	335,219	395,634	(4,156)	391,478
Interests in joint ventures	4,151,958	55,641	4,207,599	3,838,124	16,923	3,855,047
Additions to non-current assets during the year	624,338	920,774	1,545,112	30	166,127	166,157

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

8. SEGMENT INFORMATION (continued)

(a) Measurement

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

Segment profit represents profit earned by each segment, which includes share of results of joint ventures, fair value gain on transfer of completed properties held for sale to investment properties, change in fair value of investment properties, impairment losses on interests in joint ventures, depreciation of property, plant and equipment, relevant interest income and finance costs and income tax expenses attributable to the relevant segment but without allocation of headquarter income and expenses.

Segment revenue comprises revenue from external customers. There was no inter-segment revenue.

Segment assets include property, plant and equipment, investment properties, interests in joint ventures, long-term receivables, 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, loans from non-controlling interests of a subsidiary 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, investment properties (including prepayment for land leases for investment properties) and capital contributions to joint ventures directly attributable to the segment.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

8. SEGMENT INFORMATION (continued)

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

	2011 HK$'000	2010 HK$'000
Total segment profit	**816,563**	627,425
Unallocated items:		
Interest income	**4,058**	5,097
Corporate income	**63,707**	62,990
Corporate expenses	**(16,750)**	(27,438)
Finance costs	**(41,872)**	(35,353)
Consolidated profit for the year	**825,706**	632,721
Total segment assets	**29,299,629**	22,808,485
Unallocated assets:		
Property, plant and equipment	**2,128**	789
Loan to a related company	**–**	23,400
Deposits and prepayments	**1,755**	3,067
Bank balances and cash	**2,428,677**	4,850,634
Consolidated total assets	**31,732,189**	27,686,375
Total segment liabilities	**(17,594,733)**	(14,684,717)
Unallocated liabilities:		
Accrued charges	**(133,423)**	(144,929)
Bank and other borrowings	**(2,443,672)**	(2,452,931)
Other financial liabilities	**(84,177)**	–
Consolidated total liabilities	**(20,256,005)**	(17,282,577)

(c) Revenue from major products and services

The Group's revenue for the year comprises sale of completed properties developed by the Group for sale purposes and rental income.

(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 (excluding deferred tax assets and long-term receivables) are located in the PRC and the remaining non-current assets are located in Hong Kong.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

8. SEGMENT INFORMATION (continued)

(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 development and investment business.

9. OTHER GAINS AND LOSSES

	2011 HK$'000	2010 HK$'000
Impairment losses on interests in joint ventures	**(118,343)**	(162,103)
Gains (losses) on disposal of property, plant and equipment	**32,288**	(2,082)
Fair value gains on transfer of completed properties held for sale to investment properties	**292,562**	91,013
Change in fair value of investment properties	**62,467**	179,749
Change in fair value of other financial liabilities	**(84,177)**	–
Net exchange gains	**211,772**	173,051
	396,569	279,628

10. SHARE OF RESULTS OF JOINT VENTURES

	2011 HK$'000	2010 HK$'000
Share of profits of infrastructure joint ventures before amortisation and taxation	**607,124**	687,723
Less share of: Amortisation of toll road operation rights	**(202,696)**	(188,043)
Income tax expenses	**(106,123)**	(104,046)
	298,305	395,634
Share of profit (loss) of other joint venture	**36,914**	(4,156)
	335,219	391,478

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

11. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest on borrowings wholly repayable within five years	**617,839**	395,794
Other finance costs	**55,344**	40,693
	673,183	436,487
Less: Capitalised in properties under development for sale	**(540,804)**	(321,215)
	132,379	115,272

Borrowing costs capitalised during the year are calculated by applying an average capitalisation rate of 6.77% (2010: 5.30%) per annum to expenditure on qualifying assets.

12. PROFIT BEFORE TAXATION

	2011 HK$'000	2010 HK$'000
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**11,690**	18,255
Less: Capitalised in properties under development for sale	**(1,033)**	(734)
	10,657	17,521
Minimum lease payments paid under operating lease rentals in respect of land and buildings	**13,462**	12,876
Less: Capitalised in properties under development for sale	**(207)**	(147)
	13,255	12,729
Salaries and other benefits	**295,527**	227,766
Equity-settled share based payments	**–**	11,926
Provident fund scheme contributions, net of forfeited contributions of HK$19,000 (2010: HK$341,000)	**45,698**	30,257
Less: Capitalised in properties under development for sale	**(90,081)**	(54,075)
Total staff costs (excluding Directors' emoluments)	**251,144**	215,874
Audit fee	**3,800**	3,800
Cost of inventory of properties recognised as an expense	**4,921,765**	3,398,281
and after crediting:		
Bank interest income	**26,694**	23,837
Rental income in respect of investment properties with insignificant rental outgoings	**20,030**	6,138

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

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	2011 Total HK$'000
Executive Directors					
Zen Wei Pao, William	–	5,763	10,102	576	16,441
Ko Yuk Bing	–	5,838	8,180	494	14,512
Chan Kam Hung	–	3,313	2,863	331	6,507
Fong Shiu Leung, Keter	–	2,650	2,446	265	5,361
Zen Wei Peu, Derek	–	3,650	1,180	12	4,842
Non-executive Directors					
Guo Limin	206	–	–	–	206
Xu Ruxin*	206	–	–	–	206
Lam Wai Hon, Patrick	206	–	–	–	206
Independent Non-executive Directors					
Chow Shiu Kee, Stephen	381	–	–	–	381
Lau Sai Yung	386	–	–	–	386
Chow Ming Kuen, Joseph	360	–	–	–	360
	1,745	21,214	24,771	1,678	49,408

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

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	2010 Total HK$'000
Executive Directors					
Zen Wei Pao, William	–	5,500	7,719	550	13,769
Ko Yuk Bing	–	4,441	6,250	444	11,135
Chan Kam Hung	–	2,947	2,188	295	5,430
Fong Shiu Leung, Keter	–	2,310	1,563	231	4,104
Zen Wei Peu, Derek	–	3,500	–	12	3,512
Non-executive Directors					
Guo Limin	200	–	–	–	200
Xu Ruxin*	200	–	–	–	200
Lam Wai Hon, Patrick	123	–	–	–	123
Independent Non-executive Directors					
Chow Shiu Kee, Stephen	357	–	–	–	357
Lau Sai Yung	366	–	–	–	366
Chow Ming Kuen, Joseph	341	–	–	–	341
	1,587	18,698	17,720	1,532	39,537

* Mr. Xu Ruxin has been redesignated from a non-executive director to an executive director of the Company since 1 January 2012.

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 2011 and 2010 are shown in the Directors' report.

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

14. INCOME TAX EXPENSES

	2011 HK$'000	2010 HK$'000
Current tax:		
PRC enterprise income tax ("EIT")	396,602	280,823
PRC land appreciation tax ("LAT")	485,322	431,401
PRC withholding tax	29,456	30,970
	911,380	743,194
Underprovision of EIT in prior years (note)	–	80,000
Deferred tax (note 31):		
Current year	122,500	148,596
	1,033,880	971,790

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 which is charged at progressive rates ranging from 30% to 60% of the appreciation value, with certain allowable deductions.

Note: After the tax assessment carried out by the local tax authority on two property companies in prior year, certain tax adjustments related to prior years' assessable profits were made during the year ended 31 December 2010, resulting in an underprovision of EIT in respect of prior years, which was previously unforeseen by the Group.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

14. INCOME TAX EXPENSES (continued)

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

	2011 HK$'000	2010 HK$'000
Profit before taxation	**1,859,586**	1,604,511
Tax at the applicable income tax rate of 25% (2010: 25%) (note)	**464,897**	401,128
LAT provision	**485,322**	431,401
Tax effect of LAT	**(121,331)**	(107,850)
Tax effect of expenses not deductible for tax purpose	**274,875**	246,157
Tax effect of income not taxable for tax purpose	**(63,287)**	(64,221)
Tax effect of share of results of joint ventures	**(83,805)**	(97,869)
Tax effect of tax losses not recognised	**19,454**	19,093
Tax effect of temporary differences not recognised	**29,586**	40,384
Tax effect of utilisation of tax losses previously not recognised	**(41,045)**	(35,010)
Deferred tax on undistributed earnings of PRC subsidiaries and joint ventures	**29,666**	34,765
PRC withholding tax	**29,456**	30,970
Underprovision of EIT in prior years	**–**	80,000
Others	**10,092**	(7,158)
Income tax for the year	**1,033,880**	971,790

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

15. DIVIDENDS PAID

	2011 HK$'000	2010 HK$'000
2010 final dividend paid of HK$0.23 (2010: 2009 final dividend of HK$0.30) per share	170,645	222,035
2011 interim dividend paid of HK$0.22 (2010: 2010 interim dividend of HK$0.20) per share	163,226	148,143
	333,871	370,178

Subsequent to the end of the reporting period, a final dividend in respect of 2011 of HK$0.24 per share amounting to a total of approximately HK$178 million has been proposed by the Board on 27 February 2012. The amount has not been included as a liability in the consolidated financial statements as it was not declared before the end of the reporting period.

The amount of the proposed final dividend has been calculated on the basis of 741,934,566 shares in issue as at 27 February 2012.

16. EARNINGS PER SHARE

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

	2011 HK$'000	2010 HK$'000
Earnings for the purposes of basic and diluted earnings per share attributable to owners of the Company	818,000	625,008

	2011 Number of shares '000	2010 Number of shares '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	741,935	740,205
Effect of dilutive potential ordinary shares:		
Share options	4	122
Weighted average number of ordinary shares for the purpose of diluted earnings per share	741,939	740,327

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold 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 2010	939	21,467	24,100	110	18,374	64,990
Additions	57	–	4,507	–	6,264	10,828
Disposals	(6,276)	(1,072)	(2,429)	–	(3,266)	(13,043)
Transfer from inventory of properties	53,086	–	–	–	–	53,086
Acquisition of subsidiaries (note 34)	–	–	102	–	287	389
Exchange adjustments	5	260	641	(98)	402	1,210
At 31 December 2010	47,811	20,655	26,921	12	22,061	117,460
Additions	–	–	6,223	–	7,774	13,997
Disposals	(11,592)	(3,152)	(3,482)	–	(2,752)	(20,978)
Exchange adjustments	2,423	996	1,391	1	1,780	6,591
At 31 December 2011	38,642	18,499	31,053	13	28,863	117,070
Depreciation						
At 1 January 2010	389	20,055	16,270	47	8,877	45,638
Charge for the year	9,745	864	3,670	3	3,973	18,255
Eliminated on disposals	(1,060)	(1,072)	(2,353)	–	(3,116)	(7,601)
Exchange adjustments	140	286	406	(38)	331	1,125
At 31 December 2010	9,214	20,133	17,993	12	10,065	57,417
Charge for the year	2,415	530	4,286	–	4,459	11,690
Eliminated on disposals	(3,284)	(3,152)	(3,244)	–	(2,338)	(12,018)
Exchange adjustments	531	981	1,076	1	1,299	3,888
At 31 December 2011	8,876	18,492	20,111	13	13,485	60,977
Carrying values						
At 31 December 2011	29,766	7	10,942	–	15,378	56,093
At 31 December 2010	38,597	522	8,928	–	11,996	60,043

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

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:

Leasehold 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 leasehold land and buildings are situated in the PRC and are held under medium term leases.

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

18. INVESTMENT PROPERTIES

	2011 HK$'000	2010 HK$'000
Completed properties, at fair value		
At 1 January	310,024	171,233
Transfer from completed properties held for sale (note)	320,557	24,804
Fair value gains on transfer of completed properties held for sale to investment properties	292,562	91,013
Change in fair value recognised in profit or loss	32,882	18,171
Exchange difference arising on translation to presentation currency	24,096	4,803
At 31 December	980,121	310,024
Properties under construction, at fair value		
At 1 January	405,362	84,204
Additions	260,985	155,599
Change in fair value recognised in profit or loss	29,585	161,578
Exchange difference arising on translation to presentation currency	21,417	3,981
At 31 December	717,349	405,362
Total	1,697,470	715,386

Note: They were transferred from completed properties held for sale due to the change in use of the properties evidenced by the commencement of operating leases.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

18. INVESTMENT PROPERTIES (continued)

The fair values of investment properties under construction and completed investment properties at the date of transfer, 31 December 2011 and 2010 were determined by reference to valuations carried out by an independent firm of professional valuers not connected with the Group, who had recognised and relevant qualifications. The valuation report on these properties was signed by directors of the firm of professional valuers who is a member of The Hong Kong Institute of Surveyors. The fair values of the investment properties were determined by the valuers on the following basis:

Occupied completed 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	–	by reference to the current or recent prices of investment properties and estimated costs to completion based on construction budget, past experience, committed contracts, allowances for contingencies as well as developer's profit margin, which reflect the risks associated with the completion of the development of the properties and in achieving the anticipated income or capital appreciation on the date of valuation

The investment properties are situated in the PRC and held 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 measured using the fair value model and are classified and accounted for as investment properties.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

19. INTERESTS IN JOINT VENTURES

	2011 HK$'000	2010 HK$'000
Interests in infrastructure joint ventures		
Cost of investments	**4,954,820**	4,602,426
Share of post-acquisition profits and other comprehensive income, net of dividends received	**3,210,450**	3,249,063
Return of cost of investments (note a)	**(3,660,953)**	(3,691,024)
Impairment losses on cost of investments (note b)	**(352,359)**	(322,341)
	4,151,958	3,838,124
Interests in other joint venture		
Cost of investment	**16,123**	16,123
Share of post-acquisition profit and other comprehensive income, net of dividend received	**39,518**	800
	55,641	16,923
	4,207,599	3,855,047

Notes:

(a) The infrastructure joint ventures distribute the cash surplus to the Group and the other venturers 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) During the year, the Group conducted a review on the performance of the toll road infrastructure projects and recognised an impairment loss of HK$118,343,000 (2010: HK$162,103,000) which is recognised as other gains and losses in the profit or loss. The recoverable amounts of interests in infrastructure joint ventures are determined based on value-in-use calculations, which were determined by the present value of the estimated future returns on investments from the joint ventures.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

19. 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 2011 and 2010 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 Company Limited 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 Company Limited 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 (note (a))	RMB92,400,000	50%	Investment in, construction, operation and management of Hefei – Liuan Highway (Liuan Section) in Anhui, the PRC
Bengbu Road King Chaoyanglu Huaihe Highway Bridge Development Co., Ltd. 蚌埠路勁朝陽路淮河公路橋開發有限公司	RMB73,592,000	35%	Investment in and construction, operation and management of Bengbu Chaoyanglu Huaihe Highway Bridge in Anhui, the PRC
Bengbu Road King Huaihe Bridge 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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

19. INTERESTS IN JOINT VENTURES (continued)

Infrastructure joint ventures (continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Bengbu Road King Huaiyuan – Mengcheng 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
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 (note (b))	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 (note (b))	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
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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

19. INTERESTS IN JOINT VENTURES (continued)

Infrastructure joint ventures (continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Hebei 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
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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

19. INTERESTS IN JOINT VENTURES (continued)

Infrastructure joint ventures (continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Hebei Tanghui Expressway Company Limited 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 Company Limited 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 Company Limited 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
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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

19. INTERESTS IN JOINT VENTURES (continued)

Infrastructure joint ventures (continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Hunan Changyi (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
Jinzhong Longcheng Expressway Co. Ltd. 晉中龍城高速公路有限責任公司 (note (d))	RMB1,000,000,000	45% *#	Investment in and construction of expressway located on the southeast side of Taiyuan in Shanxi, the PRC
Liuan Road Universe Liuye Highway Development Co., Ltd. 六安路宇六葉公路開發有限公司 (note (c))	RMB97,800,000	50%	Investment in, construction, operation and management of Liuan – Yeji Highway (Western Section) in Anhui, the PRC
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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

19. INTERESTS IN JOINT VENTURES (continued)

Infrastructure joint ventures (continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
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 Company Limited 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 (note (a))	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
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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

19. INTERESTS IN JOINT VENTURES (continued)

Infrastructure joint ventures (continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
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, operation 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.

\# Except for these two infrastructure joint ventures, the profit/cash sharing ratios in other 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.

Notes:

(a) The joint venture has disposed of the respective operation right of the toll road in 2011.
(b) The joint ventures were liquidated in 2011.
(c) The joint ventures had disposed of the respective operation rights of the toll road in 2010.
(d) The Group, through capital contribution, obtained 45% of the registered capital of the joint venture during the year.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

19. 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 2011 and 2010 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("上海方城")	PRC	PRC	RMB50,000,000	31.5%	Property development

Summary of aggregate financial information

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:

	2011 HK$'000	2010 HK$'000
Income recognised in profit or loss	**1,000,242**	991,817
Expenses recognised in profit or loss	**(665,023)**	(600,339)
Other comprehensive income	**–**	–
Current assets	**2,125,484**	1,084,690
Non-current assets	**5,242,887**	3,814,959
Current liabilities	**(1,919,881)**	(722,261)
Non-current liabilities	**(888,532)**	–

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

20. LOAN TO A JOINT VENTURE

At 31 December 2011, the loan to a joint venture of HK$45,202,000 (2010: nil) represents a loan to Hunan Changyi Expressway Co., Ltd., which is unsecured, carried interest at a fixed rate of 7.755% per annum and due in October 2019.

At 31 December 2010, the loan to a joint venture of HK$43,649,000 represented a loan to 上海方城, which was unsecured, carried interest at a fixed rate of 5.6% per annum and recoverable within one year. The loan was fully repaid in 2011.

21. LOAN TO A RELATED COMPANY

The loan to a related company at 31 December 2010 represented the cash advances to former subsidiaries of the Group in which one of its shareholders is Wai Kee Holdings Limited ("Wai Kee"), which has significant influence in the Company. The loan was unsecured, interest bearing at the London Interbank Offered Rate ("LIBOR") 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 date. The loan was fully repaid in 2011.

22. LONG-TERM RECEIVABLES

It represented the cash advance to Huge Rise Investments Limited and its subsidiaries ("Huge Rise Group"), which are independent third parties of the Group. Based on the cash advance agreement dated 4 January 2010, the cash advance will be fully repaid before December 2014 and it is interest bearing at 1% per annum over 3 month Hong Kong Interbank Offered Rate. The credit risk on amount due from Huge Rise Group is disclosed in note 6(b)(ii).

23. INVENTORY OF PROPERTIES

	2011 **HK$'000**	2010 HK$'000
Completed properties held for sale	**1,191,854**	1,449,819
Properties under development for sale (note)	**15,893,238**	13,047,098
	17,085,092	14,496,917

Note: Included in the amount are properties under development for sale of HK$10,118,565,000 (2010: HK$10,593,495,000) which are expected to be completed and delivered to the customers more than twelve months from the end of the reporting period.

24. PREPAYMENT FOR LAND LEASES

At 31 December 2011, included in non-current assets is a prepayment in full of HK$648,220,000 (2010: nil) which is made according to the sale and purchase agreement entered into with the PRC local government for the acquisition of a piece of land in the PRC for investment property purpose. Upon delivery of relevant title document to the Group, the prepaid amount will be transferred to the account of "investment properties".

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

24. PREPAYMENT FOR LAND LEASES (continued)

At 31 December 2011, included in current assets is a total prepayment in full of HK$3,585,282,000 (2010: HK$1,783,378,000) which is made according to the sale and purchase agreements entered into with the PRC local government for the acquisition of certain pieces of land for property development for sale in the PRC. Upon delivery of relevant land title document to the Group, which are expected to occur within the period of twelve months from the end of the reporting period, the prepaid amount will be transferred to the account of "Properties under development for sale".

25. DEBTORS, DEPOSITS AND PREPAYMENTS

	2011 HK$'000	2010 HK$'000
Aged analysis of trade debtors, presented based on invoice date (note):		
Within 60 days	**2,109**	48,073
60 to 90 days	**–**	6,277
More than 90 days	**5,595**	11,778
	7,704	66,128
Deferred consideration on disposal of interest in a joint venture	**–**	27,713
Interest receivable	**–**	335
Refundable tender deposits for acquisition of land and toll road project	**60,680**	517,321
Prepayment of business tax and other taxes	**203,135**	210,969
Other receivables, deposits and prepayments	**312,006**	152,344
	583,525	974,810

Note: 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.

The Group has insignificant trade receivable balances which are past due but not impaired at the end of the reporting period. The remaining trade debtor balance is neither past due nor impaired and has been substantially settled subsequent to the end of the reporting period.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

26. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits of HK$236,881,000 (2010: HK$189,546,000) in total 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.

Included in bank balances and cash, bank balances amounted to HK$755,149,000 (2010: HK$379,736,000) in total were limited to be used in the development of certain property projects. These bank balances comprised the proceeds received from pre-sale of properties of certain property projects deposited into designated bank accounts of the Group of HK$543,322,000 (2010: HK$272,806,000) according to the relevant requirements of the PRC local government and the proceeds received from property development bank loans of HK$211,827,000 (2010: HK$106,930,000).

Bank balances carried interest at market rates which range from 0.01% to 2.20% (2010: 0.01% to 1.35%) per annum. The average effective interest rate of pledged bank deposits was 0.49% (2010: 0.78%) 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:

	2011 HK$'000	2010 HK$'000
United States dollars	659,163	1,513,453
Hong Kong dollars	70,913	340,341

27. SHARE CAPITAL

	2011 Number of shares	2010 Number of shares	2011 HK$'000	2010 HK$'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 of HK$0.1 each	518,380	518,380	52	52
Issued and fully paid:				
Ordinary shares				
At 1 January	741,934,566	739,116,566	74,193	73,912
Issue of shares upon exercise of share options	–	2,818,000	–	281
At 31 December	741,934,566	741,934,566	74,193	74,193

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

27. SHARE CAPITAL (continued)

No share options were exercised during the year. In 2010, 2,818,000 ordinary shares were issued by the Company as a result of the exercise of the Company's share options as detailed in note 28.

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

No convertible preference shares are issued in both years.

28. 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 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 2011 under the share option scheme was 39,540,156 (2010: 39,540,156). At 31 December 2011, the number of shares in respect of which options had been granted and remained outstanding under the scheme was 29,828,000, representing approximately 4.02% 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

28. SHARE OPTION SCHEME (continued)

During the year ended 31 December 2010, 15,110,000 share options were granted to the directors and employees of the Group for an aggregate consideration of HK$132 and the share options were fully vested at the date of grant. The estimated fair values of the options granted of HK$20,000,000 (of which HK$8,074,000 was the fair value of the options granted to the Directors) was recognised in the consolidated income statement. The fair value of the options was calculated using the Hull White Trinomial pricing model. The inputs into the model were as follows:

Share price at date of grant	HK$6.79
Exercise price	HK$6.79
Expected volatility	38.87%
Expected life	5 years
Risk-free rate	2.01%
Expected dividend yield	6.73%

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

No share options were granted by the Group in 2011.

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

2011

Date of grant	Exercisable period	Exercise price HK$	Balance at 1.1.2011	Granted during the year	Exercised during the year	Reclassified during the year (Note)	Lapsed/ cancelled during the year	Balance at 31.12.2011
Directors								
20 December 2006	20 December 2006 to 19 December 2011	11.66	9,300,000	–	–	1,000,000	(10,300,000)	–
6 November 2007	6 November 2007 to 5 November 2012	14.85	9,700,000	–	–	1,200,000	–	10,900,000
9 April 2010	9 April 2010 to 8 April 2015	6.79	6,100,000	–	–	800,000	–	6,900,000
			25,100,000	–	–	3,000,000	(10,300,000)	17,800,000
Employees								
20 December 2006	20 December 2006 to 19 December 2011	11.66	3,590,000	–	–	(1,000,000)	(2,590,000)	–
6 November 2007	6 November 2007 to 5 November 2012	14.85	6,380,000	–	–	(1,200,000)	(230,000)	4,950,000
9 April 2010	9 April 2010 to 8 April 2015	6.79	8,533,000	–	–	(800,000)	(655,000)	7,078,000
			18,503,000	–	–	(3,000,000)	(3,475,000)	12,028,000
			43,603,000	–	–	–	(13,775,000)	29,828,000
Weighted average exercise price			11.20	N/A	N/A	N/A	11.48	11.07

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

28. SHARE OPTION SCHEME (continued)

2010

Date of grant	Exercisable period	Exercise price HK$	Balance at 1.1.2010	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Balance at 31.12.2010
Directors							
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	–	–	(500,000)	9,300,000
6 November 2007	6 November 2007 to 5 November 2012	14.85	10,200,000	–	–	(500,000)	9,700,000
9 April 2010	9 April 2010 to 8 April 2015	6.79	–	6,100,000	–	–	6,100,000
			22,700,000	6,100,000	(2,700,000)	(1,000,000)	25,100,000
Employees							
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	3,675,000	–	–	(85,000)	3,590,000
6 November 2007	6 November 2007 to 5 November 2012	14.85	6,710,000	–	–	(330,000)	6,380,000
9 April 2010	9 April 2010 to 8 April 2015	6.79	–	9,010,000	(18,000)	(459,000)	8,533,000
			10,485,000	9,010,000	(118,000)	(874,000)	18,503,000
			33,185,000	15,110,000	(2,818,000)	(1,874,000)	43,603,000
Weighted average exercise price			12.79	6.79	5.81	11.88	11.20

Note: The share options held by the spouse of a director are reclassified from “Employees” category to “Directors” category in May 2011.

In 2010, the weighted average closing price of the Company’s shares immediately before the date on which share options were exercised was HK$6.68.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

29. BANK AND OTHER BORROWINGS

	2011 HK$'000	2010 HK$'000
2007 Guaranteed notes (note (a))	**2,706,149**	2,673,040
2010 Guaranteed senior notes (note (b))	**2,562,573**	2,652,917
2004 Guaranteed notes (note (c))	**–**	1,251,394
2011 Guaranteed senior notes (note (d))	**1,562,391**	–
Bank loans (note (e))	**3,319,945**	2,112,716
	10,151,058	8,690,067

The maturity of the above loans is as follows:

	2011 HK$'000	2010 HK$'000
Unsecured borrowings repayable*:		
Within one year	**1,205,500**	1,348,449
More than one year but not exceeding two years	**384,926**	1,245,255
More than two years but not exceeding five years	**6,266,496**	4,176,809
	7,856,922	6,770,513
Secured borrowings repayable*:		
Within one year	**2,094,442**	1,505,613
More than one year but not exceeding two years	**–**	264,580
	2,094,442	1,770,193
Carrying amount of unsecured bank loan that is repayable within one year and contains a repayable on demand clause	**199,694**	–
Carrying amount of unsecured bank loan that is repayable more than one year but not exceeding two years but contains a repayable on demand clause (shown under current liabilities)	**–**	149,361
Total borrowings	**10,151,058**	8,690,067
Less: Amounts classified as current liabilities	**(3,499,636)**	(3,003,423)
Amount due over one year shown and classified as non-current liabilities	**6,651,422**	5,686,644

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

29. BANK AND OTHER BORROWINGS (continued)

Notes:

(a) The 2007 Guaranteed notes are listed on the Singapore Exchange Securities Trading Limited ("SGX"). The notes with carrying amount of HK$1,546,045,000 (2010: HK$1,523,892,000) bear interest at a fixed rate of 7.625% per annum and will mature in May 2014. The notes with carrying amount of HK$1,160,104,000 (2010: HK$1,149,148,000) bear interest at a floating rate of three month LIBOR plus 2.25% per annum and will mature in May 2012. The fair value of the notes based on the quoted ask price at 31 December 2011 was HK$2,408,523,000 (2010: HK$2,616,900,000).

(b) The 2010 Guaranteed senior notes are listed on the SGX and were issued in September 2010. The notes bear interest at a fixed rate of 9.5% per annum will mature in September 2015. The fair value of the notes based on the quoted ask price at 31 December 2011 was HK$2,094,549,000 (2010: HK$2,702,700,000).

(c) The 2004 Guaranteed notes, which were listed on the SGX, bear interest at a fixed rate of 6.25% per annum and matured in July 2011. The notes were fully redeemed by the Group on the maturity date at the redemption price equal to 100% of the outstanding principal plus accrued interest on 15 July 2011.

(d) The 2011 Guaranteed senior notes are denominated in Renminbi and are listed on the SGX and were issued in February 2011. The notes bear interest at a fixed rate of 6% per annum will mature in February 2014. The fair value of the notes based on the quoted ask price at 31 December 2011 was HK$1,341,019,000.

(e) Bank loans with carrying amount of HK$2,092,012,000 (2010: HK$1,138,112,000) bear interest at a fixed rate of 6.32% to 8.31% (2010: 5.13% to 5.62%) per annum. Interest rates on the remaining bank loans, which carry at floating interest rates, range from 2.70% to 4.10% (2010: 1.35% to 1.85%) 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:

	2011 **HK$'000**	2010 HK$'000
United States dollars	**5,571,361**	7,209,431
Hong Kong dollars	**753,862**	342,524

30. LOANS FROM NON-CONTROLLING INTERESTS OF A SUBSIDIARY

The amounts are unsecured, interest bearing at fixed rate of 7.315% per annum and the entire balance will be repayable in 2013.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

31. 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 2010	(53,485)	21,979	48,349	10,204	95,333	122,380
Charge (credit) for the year	25,311	(101)	34,765	67,691	20,930	148,596
Exchange adjustments	(610)	406	2,891	1,204	2,103	5,994
At 31 December 2010	(28,784)	22,284	86,005	79,099	118,366	276,970
Charge (credit) for the year	**11,786**	**(8,190)**	**29,666**	**88,757**	**481**	**122,500**
Exchange adjustments	**(1,167)**	**927**	**5,140**	**6,294**	**6,046**	**17,240**
At 31 December 2011	**(18,165)**	**15,021**	**120,811**	**174,150**	**124,893**	**416,710**

Note: Deferred tax has been provided for (i) tax losses; (ii) fair value adjustment on properties under development for sale; (iii) undistributed earnings of subsidiaries and joint ventures in the PRC; (iv) change in fair value of investment properties and (v) 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 at consolidation level.

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:

	2011 HK$'000	2010 HK$'000
Deferred tax assets	**(3,144)**	(6,500)
Deferred tax liabilities	**419,854**	283,470
	416,710	276,970

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

31. DEFERRED TAXATION (continued)

Deferred tax assets has not been recognised in the consolidated financial statements in respect of deductible temporary differences amounting to HK$622,350,000 (2010: HK$504,006,000) due to the unpredictability of future taxable profit streams.

At 31 December 2011, the Group has estimated unused tax losses of HK$852,322,000 (2010: HK$943,090,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK$72,660,000 (2010: HK$115,136,000) of such losses. No deferred tax asset has been recognised in respect of the remaining losses of HK$779,662,000 (2010: HK$827,954,000) due to the unpredictability of future taxable profit streams. Such remaining unrecognised tax losses of HK$779,662,000 (2010: HK$827,954,000) will expire within five years from the end of the reporting period.

32. CREDITORS AND ACCRUED CHARGES

	2011 HK$'000	2010 HK$'000
Aged analysis of creditors, presented based on invoice date:		
Within 60 days	90,576	47,916
60 to 90 days	12,267	2,045
More than 90 days	138,688	103,795
	241,531	153,756
Accrued construction costs	2,455,115	1,724,120
	2,696,646	1,877,876
Interest payable	126,154	132,229
Accrued taxes (other than EIT and LAT)	27,339	23,615
Other accrued charges	442,698	385,290
	3,292,837	2,419,010

33. OTHER FINANCIAL LIABILITIES

The derivatives financial liabilities represent the fair value of cross-currency interest rate swap contracts of HK$84,177,000 (2010: nil). During the year, the Group entered into two cross-currency interest rate swap contracts with certain financial institutions. The Group will pay United States dollars and receive Renminbi on gross settlement basis at the date specified in the terms of contracts.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

33. OTHER FINANCIAL LIABILITIES (continued)

At 31 December 2011, the total principal amount of the two swap contracts amounted to RMB1,445,000,000 (2010: nil), which will be matured in 2014. The contract rates were RMB6.37:USD1 for both contracts. A principal amount of RMB1,300,000,000 with the 6% per annum was swapped to a fixed rate of 7.2% per annum on principal amount of USD204,082,000. For another contract, a principal amount of RMB145,000,000 with the fixed rate of 3.6% per annum was swapped to a three month floating rate LIBOR plus 3% on principal amount of USD22,763,000. The fair value of the swap contracts are determined based on valuation provided by the counterparty financial institutions, which is measured using discounted cash flow analysis based on, inter alia, the applicable exchange rate and yield curves of relevant interest rates.

34. ACQUISITION OF SUBSIDIARIES

On 28 June 2010, the Group acquired and assumed the following assets and liabilities through acquisition of the entire interest in Superb Sky Limited from Huge Rise at a cash consideration of HK$505,000,000. The subsidiaries of Superb Sky Limited mainly held a property development project in Shijiazhuang, PRC. It was accounted for as purchase of assets rather than as a business combination as the subsidiary acquired was a property holding company which was not a business.

The net assets acquired in the transaction were as follows:

	HK$'000
Property, plant and equipment	389
Completed properties held for sale	3,000
Properties under development for sale	658,208
Debtors, deposits and prepayments	3,411
Prepaid income tax	1,111
Bank balances and cash	78,558
Creditors and accrued charges	(52,572)
Amount due to the Group	(187,105)
	505,000
Satisfied by:	
Cash consideration paid	505,000
Net cash outflow arising on acquisition:	
Cash consideration paid	505,000
Bank balances and cash acquired	(78,558)
	426,442

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

35. CASH AND CASH EQUIVALENTS

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks except certain restricted bank balances. Cash and cash equivalents at the end of the year as shown in consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	2011 HK$'000	2010 HK$'000
Bank balances and cash	3,183,826	5,230,371
Less: restricted bank balances – proceeds from pre-sale of properties (note 26)	(543,322)	(272,806)
	2,640,504	4,957,565

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

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 under non-cancellable operating leases:

	2011 HK$'000	2010 HK$'000
Within one year	**35,065**	9,282
In the second to fifth year inclusive	**117,850**	42,327
Over five years	**104,099**	75,669
	257,014	127,278

Operating lease payments represent rentals receivable by the Group from leasing of its properties. Typically, leases are negotiated and rentals are fixed for the lease periods. Certain leases include contingent rentals calculated with reference to turnover of the tenants, but subject to a minimum fixed charge.

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:

	2011 HK$'000	2010 HK$'000
Within one year	**11,873**	10,854
In the second to fifth year inclusive	**7,163**	13,583
	19,036	24,437

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

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

38. CAPITAL COMMITMENTS

	2011 HK$'000	2010 HK$'000
Capital expenditure in respect of the development of investment properties contracted for but not provided in the consolidated financial statements	171,876	146,207
Capital expenditure in respect of the development of investment properties authorised but not contracted for	657,404	316,536

39. CONTINGENT LIABILITIES

At 31 December 2011, the Group provided guarantees of HK$4,696,053,000 (2010: HK$4,490,163,000) 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.

40. PLEDGE OF ASSETS

At the end of the reporting period, other than the pledged bank deposits as disclosed in note 26, the Group's inventory of properties of HK$1,830,247,000 (2010: HK$1,321,777,000) was pledged to secure the banking facilities granted to the Group.

41. RELATED PARTY TRANSACTIONS

Other than set out in notes 20 and 21 to the consolidated financial statements, the Group had transactions with the following related parties during the year, details of which are as follows:

Related parties	**Nature**	2011 HK$'000	2010 HK$'000
Joint ventures	Interest income	2,098	3,326
A related company (Note)	Interest income	–	2,448

Note: The amount in last year represented interest income received from a former subsidiary of the Group in which one of its shareholders is Wai Kee, which has significant influence in the Company.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

41. 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:

	2011 HK$'000	2010 HK$'000
Short-term employment benefits	101,825	71,956
Post-employment benefits	4,322	3,569
Equity-settled share based payments	–	13,752
	106,147	89,277

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

42. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2011 HK$'000	2010 HK$'000
Interests in subsidiaries	12,761,722	12,027,884
Deposits and prepayments	478	687
Amounts due from subsidiaries	585,539	2,056,920
Bank balances and cash	586,048	1,414,100
Total assets	13,933,787	15,499,591
Creditors and accruals	159	460
Amounts due to subsidiaries	6,186,246	7,931,934
Bank and other borrowings	199,694	149,361
Share capital (see note 27)	74,193	74,193
Reserves	7,473,495	7,343,643
Total equity and liabilities	13,933,787	15,499,591

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

43. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2011 and 2010 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
Incorporated in the BVI/HK						
RK Infrastructure Finance (2011) Limited@	BVI	#	US$1	100	–	Provision of financial services
RK Properties Finance (2007) Limited	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
RKI Finance (2010) Limited	BVI	#	US$1	100	–	Provision of financial services
RKI Finance (2011) Limited@	BVI	#	US$1	100	–	Provision of financial services
RKP Finance (2011) 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 (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	–	94.74	Investment holding

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

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
Registered as wholly foreign owned enterprises in the PRC						
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
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	RMB538,000,000	–	100	Development and sale of properties
Jiangsu RK Property Services Ltd.	PRC	PRC	RMB10,000,000	–	100	Provision of property management services
Tianjin Kingsvalue Real Estate Investment Management Limited	PRC	PRC	RMB678,500,000	–	94.74	Investment holding
Tianjin Sunco Binhai Land Co., Ltd.	PRC	PRC	RMB600,000,000	–	94.74	Investment holding
Tianjin Sunco Binhai Real Estate Investment Management Limited	PRC	PRC	RMB760,000,000	–	94.74	Investment holding
河北路勁房地產開發有限公司	PRC	PRC	RMB41,500,000	–	100	Development and sale of properties
無錫路勁蠡苑房地產有限公司@	PRC	PRC	RMB960,000,000	–	100	Development and sale of properties

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

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
Registered as sino-foreign equity joint venture enterprises in the PRC						
Zhengzhou Keshu Real Estate Co., Ltd.	PRC	PRC	RMB235,000,000	–	94.74	Development and sale of properties
常州宏智房地產開發有限公司	PRC	PRC	RMB100,000,000	–	100	Development and sale of properties
蘇州雋御地產有限公司	PRC	PRC	RMB2,508,600,000	–	100	Development and sale of properties
Registered as limited liability companies in the PRC						
Guangzhou Junhua Real Estate Limited	PRC	PRC	RMB200,000,000	–	100	Development and sale of properties
上海雋城置業有限公司	PRC	PRC	RMB300,000,000 (2010: RMB30,000,000)	–	55	Development and sale of properties
上海雋翔房地產開發有限公司	PRC	PRC	RMB250,000,000	–	100	Development and sale of properties
山東順馳融盛置地有限公司	PRC	PRC	RMB40,000,000	–	94.74	Development and sale of properties
天津順馳新地置業有限公司	PRC	PRC	RMB700,000,000 (2010: RMB300,000,000)	–	94.74	Development and sale of properties
天津順馳融信置地有限公司	PRC	PRC	RMB50,000,000	–	94.74	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	–	94.74	Development and sale of properties

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

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
Registered as limited liability companies in the PRC (continued)						
北京路勁雋御房地產開發有限公司@	PRC	PRC	RMB1,250,000,000	–	100	Development and sale of properties
河北順馳房地產開發有限公司	PRC	PRC	RMB50,000,000	–	94.74	Development and sale of properties
洛陽順馳房地產開發有限公司	PRC	PRC	RMB110,000,000	–	94.74	Development and sale of properties
濟南順成房地產開發有限公司	PRC	PRC	RMB130,000,000	–	94.74	Development and sale of properties
蘇州工業園區順馳置地有限公司	PRC	PRC	RMB250,000,000	–	94.74	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 were incorporated in 2011.

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

43. PRINCIPAL SUBSIDIARIES (continued)

None of the subsidiaries had any debt securities at the end of the year except for the following:

	2011 HK$'000	2010 HK$'000
Road King Infrastructure Finance (2004) Limited	–	1,251,394
Road King Infrastructure Finance (2007) Limited	**2,706,149**	2,673,040
RKI Finance (2010) Limited	**2,562,573**	2,652,917
RKI Finance (2011) Limited	**1,562,391**	–
	6,831,113	6,577,351

44. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

The Group's total assets less current liabilities at 31 December 2011 amounted to HK$18,816,149,000 (2010: HK$16,373,912,000). The Group's net current assets at 31 December 2011 amounted to HK$12,063,862,000 (2010: HK$11,626,302,000).

Financial Summary

RESULTS

	For the year ended 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**6,832,508**	4,942,028	4,600,424	4,630,672	2,407,770
Profit before taxation	**1,859,586**	1,604,511	1,045,458	1,043,327	1,208,952
Income tax expenses	**(1,033,880)**	(971,790)	(302,281)	(366,693)	(342,811)
Profit for the year	**825,706**	632,721	743,177	676,634	866,141
Attributable to:					
Owners of the Company	**818,000**	625,008	728,080	656,429	851,067
Non-controlling interests	**7,706**	7,713	15,097	20,205	15,074
	825,706	632,721	743,177	676,634	866,141

ASSETS AND LIABILITIES

	As at 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**31,732,189**	27,686,375	22,222,589	20,909,142	21,428,355
Total liabilities	**(20,256,005)**	(17,282,577)	(12,190,246)	(11,375,540)	(12,804,412)
	11,476,184	10,403,798	10,032,343	9,533,602	8,623,943
Attributable to:					
Owners of the Company	**11,199,272**	10,288,135	9,851,565	9,369,461	8,472,416
Non-controlling interests	**276,912**	115,663	180,778	164,141	151,527
	11,476,184	10,403,798	10,032,343	9,533,602	8,623,943