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ROAD KING INFRASTRUCTURE LIMITED
路勁基建有限公司*

(於百慕達註冊成立之有限公司)

(股份代號：1098)

建議發行以美元計值於二零一七年到期的新票據

路勁建議透過其全資附屬公司Road King Infrastructure Finance (2012) Limited 進行新票據的國際發售。

新票據發行的完成須視乎市場狀況及投資者需求。若發行新票據，路勁計劃動用建議新票據發行的所得款項淨額，用作(i)償還現有債務，包括但不限於2007年定息票據；及(ii)投資路勁房地產發展業務。

就建議新票據發行而言，路勁將向若干機構投資者提供有關集團的近期企業及財務資料，包括但不限於過往未曾公開刊載的最新風險因素、對集團項目的描述、管理層討論及分析和重要債務資料。該等資料之摘要附載於本公佈。

* *僅供識別*

建議新票據發行的定價(包括本金總額)會基於滙豐、星展銀行及摩根大通(作為聯席賬簿管理人兼聯席牽頭經辦人)進行的招購定價程序而定。

本公司擬尋求新票據在聯交所上市。本公司將向聯交所提出申請,以批准僅售予專業投資者之新票據以債務證券之形式上市及買賣。概無保證新票據可獲批准於聯交所上市。新票據獲批准於聯交所上市不應視為對本公司或新票據價值之指標。

於本公佈日期,由於並未就建議新票據發行訂立具約束力之協議,建議新票據發行不一定會落實。投資者及路勁股東於買賣路勁的證券時,務請審慎行事。待簽訂認購協議後,路勁將就建議新票據發行另行發出公佈。

建議發行新票據

路勁建議透過其全資附屬公司Road King Infrastructure Finance (2012) Limited 進行新票據的國際發售。

建議新票據發行的定價(包括本金總額)會基於滙豐、星展銀行及摩根大通(作為聯席賬簿管理人兼聯席牽頭經辦人)進行的招購定價程序而定。於本公佈日期,建議新票據發行的金額、條款及條件仍有待決定。於落實新票據的條款後,其中包括滙豐、星展銀行、摩根大通與路勁等將訂立認購協議。路勁將於簽訂認購協議後另行發出有關新票據發行的公佈。

就建議新票據發行而言,路勁將向若干機構投資者提供有關集團的近期企業及財務資料,包括但不限於過往未曾公開刊載的最新風險因素、對集團項目的描述、管理層討論及分析和重要債務資料。該等資料之摘要附載於本公佈。

建議新票據不會在香港公開提呈發售,亦不會配售予路勁的任何關連人士(定義見上市規則)。

新票據發行的完成須視乎市場狀況及投資者需求。若發行新票據,路勁計劃動用建議新票據發行的所得款項淨額,用作(i)償還現有債務,包括但不限於2007年定息票據;及(ii)投資路勁房地產發展業務。

本公司擬尋求新票據在聯交所上市。本公司將向聯交所提出申請，以批准僅售予專業投資者之新票據以債務證券之形式上市及買賣。概無保證新票據可獲批准於聯交所上市。新票據獲批准於聯交所上市不應視為對本公司或新票據價值之指標。

於本公佈日期，由於並未就建議新票據發行訂立具約束力之協議，建議新票據發行不一定會落實。投資者及路勁股東於買賣路勁的證券時，務請審慎行事。

釋義

於本公佈內，除文義另有所指外，下列詞彙具有以下涵義：

「2007年定息票據」	指	Road King Infrastructure Finance (2007) Limited 發行的本金總額200,000,000美元的7.625%二零一四年到期擔保優先票據
「星展銀行」	指	DBS Bank Ltd.
「董事」	指	路勁董事
「集團」	指	路勁及其附屬公司
「港元」	指	港元，香港之法定貨幣
「香港」	指	中國香港特別行政區
「滙豐」	指	香港上海滙豐銀行有限公司
「摩根大通」	指	J.P. Morgan Securities plc
「上市規則」	指	聯交所證券上市規則
「新票據」	指	Road King Infrastructure Finance (2012) Limited 建議發行的擔保優先於二零一七年到期新票據
「新票據發行」	指	Road King Infrastructure Finance (2012) Limited 可能發行的新票據
「中國」	指	中華人民共和國，就本公佈而言，不包括香港、中國澳門特別行政區及台灣

「路勁」	指	路勁基建有限公司，一家於百慕達註冊成立之有限公司，其股份於聯交所主板上市
「聯交所」	指	香港聯合交易所有限公司
「認購協議」	指	其中包括路勁、滙豐、星展銀行及摩根大通等就新票據發行而建議訂立的協議，據此聯席牽頭經辦人將認購及支付或促使認購人認購及支付新票據
「美國」	指	美利堅合眾國
「美元」	指	美元，美國之法定貨幣
「%」	指	百分比

承董事會命
路勁基建有限公司
主席
單偉豹

香港，二零一二年九月十一日

於本公佈刊發日期，董事會包括執行董事單偉豹先生、高毓炳先生、陳錦雄先生、方兆良先生、單偉彪先生及徐汝心先生，非執行董事呂華先生及林煒瀚先生，以及獨立非執行董事周少琪先生、劉世鏞先生及周明權博士。

Extract of Operating and Financial Data of Road King Infrastructure Limited (as of 11 September 2012)

Risk factors

This offering memorandum contains forward-looking statements relating to events that involve risks and uncertainties. Prior to investing in any securities issued by us, you should carefully consider, together with all other information contained in this offering memorandum, the risk factors described below. Additional risk factors and uncertainties not at present known to us, or that we currently deem immaterial, may also adversely affect our business, financial condition or results of operations. If any of the possible events described below occur, our business, financial condition or results of operations could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the securities, and you could lose all or part of your investment.

Risks relating to our business

Reduction of traffic volume or the rate of growth in traffic volume could adversely affect us.

Revenue from our toll roads and our earnings are principally dependent upon the number and classes of motor vehicles using such roads and the applicable toll regime. The number and classes of vehicles using toll roads and bridges is to a large extent dependent on factors outside our control, including:

- toll rates;
- fuel prices;
- vehicle prices and the cost of owning and operating vehicles;
- the mix between different vehicle classes using the toll roads, bridges or tunnels;
- population growth, vehicle ownership growth and growth in the number of people of driving age;
- the occurrence of natural disasters, such as flooding, earthquakes and forest fires;
- meteorological conditions that can make driving difficult or dangerous, such as heavy snowfall, fog or rain;
- environmental legislation or regulation, including measures to restrict motor vehicle use;
- the quality and proximity of our toll roads compared to alternative roads and other competing modes of transportation, including air travel, waterways and railways;
- capacity constraints on the number of vehicles that can efficiently use the toll roads, bridges or tunnels in any given period;
- general development of the provinces, cities and townships served by our toll roads; and
- general economic conditions in the PRC.

The volume of traffic on a given toll road is also influenced by the basis and extent of the road's connection with other parts of the local and national highway and expressway network. There can be no assurance that future changes in the highway and expressway system and network in the provinces in which our projects are located will not adversely affect the traffic volume on our toll highways and expressways. See "—Risks relating to our business—Our profitability may be affected by the existence and development of other competing means of transport."

Future growth in traffic volume is expected to depend on the continued economic growth and development policies of the PRC, and the principal municipalities and counties within the PRC. Any adverse changes in these economies may adversely affect the traffic volume on our toll highways and expressways.

We may be adversely affected by the slowdown of the PRC economy caused by the recent global financial and economic crisis.

Since early 2008, there has been a significant deterioration in the US and global economy, which may worsen or be prolonged. As a result of the economic conditions, liquidity has contracted significantly. During this same period, the PRC economy also experienced a similar economic slowdown. The slowdown in economic activities in the PRC has affected and may continue to affect consumer and business spending generally, which may result in decreased demand for transportation needs and real estate properties or services. The slowdown in economic activities in the PRC has adversely impacted our toll roads and property sales.

As a result of this slowdown in economic activities in the PRC, the PRC Government has implemented a series of temporary stimulating measures, such as cutting mortgage loan rates for first time buyers, lowering the minimum capital requirement ratio for ordinary residential developments, and an economic stimulus package in the amount of CNY4.0 trillion. While there are signs to show that such stimulus package, measures and policies adopted by the PRC Government may have helped the PRC economy to rebound from its worst growth in a decade since the second quarter of 2009, it is still unclear whether the economic downturn in the PRC has been completely and sustainably reversed. If the economic downturn in the PRC continues, we may experience a slowdown in the use of our toll roads and in the sales of our properties, increase in finance costs, or reduction of the amount of borrowings that are available to us, which may adversely affect our business, financial condition, results of operation and prospect. Additionally, the PRC Government has begun to withdraw its economic support by rolling back various measures and policies initiated during the crisis. As such, it may be more difficult to get a mortgage and our ability to finance projects may be affected by increased capital requirements.

Our profitability may be affected by the existence and development of other competing means of transport.

The profitability of our toll roads may be affected by the existence, proximity, affordability and efficiency of other competing means of transport and alternative routes of similar quality. Several of our existing toll road projects have directly competing routes nearby. We prefer to invest in projects where there are no existing alternative routes, but there can be no assurance that alternative routes that avoid tolls or impose lower or no tolls will not be developed, or that alternative means of transport competing with our existing toll roads will not be constructed or developed in the future. Furthermore, all of our toll road projects in the PRC are undertaken by means of joint ventures with entities under the auspices of local government authorities. Although we do not expect that these local authorities would approve the construction of alternative routes to compete directly with our projects in which they already have interests, there can be no assurance that such authorities will not approve competing projects; or may be over-ridden by higher authorities to do so.

A breakdown in our toll receipt collection system would have an adverse effect on our revenues and results of operations.

We have implemented a toll collection control system in respect of all of our toll roads. See "Our business—Our toll road business." We rely on computer systems to ascertain the level of toll receipts on a daily basis. While we believe that malfunction of these computer systems occurs infrequently, any malfunction of these computer systems or any inadequacy in our controls could cause the information on toll receipts to become unreliable, inaccurate or permanently lost, which could have an adverse effect on our toll management, delay our receipt of our portion of toll receipts and, consequently, our revenues and results of operations.

Our toll rates are subject to the regulation by various provincial or local government authorities.

All toll rates charged by each of our joint ventures are subject to the regulation of various provincial or local government authorities. Any proposed toll rate increase is required to be approved by the relevant provincial price department and relevant provincial transportation department; taking into account various factors before giving their approval. These factors include the toll rates of comparable toll roads in the same region, the prevailing inflation and interest rates, and the affordability to users.

Our joint ventures may apply to the relevant governmental authorities for a toll rate increase in order to meet the desired rate of return on investments. However, there can be no assurance that any applications for increases of toll rates will be approved by the relevant authorities in a timely manner, or at all. Furthermore, while we have not encountered a reduction in toll rates, it is possible that the relevant governmental authorities could require us to reduce toll rates at toll roads operated by our joint ventures despite our opposition or without consulting us. If toll rates on toll roads operated by our joint ventures were to be reduced, it could adversely affect our revenues and results of operations.

In addition, the State Council promulgated the "Notice on Approval and Forwarding of Toll-Free on Major Festivals and Holidays for Small Passengers Vehicles Implementation Policy Promulgated by the Ministry of Transport etc." on July 24, 2012 with regard to the Toll-Free on Major Festivals and Holdings for Small Passenger Vehicles Implementation Policy ("Holiday Toll-Free Policy"). Pursuant to the Holiday Toll-Free Policy, small passenger vehicles with seven seats or less would be entitled to use certain toll roads during major statutory holidays in the PRC free of charge. We do not expect that the implementation of the Holiday Toll-Free Policy would have a significant impact on our performance. However, there can be no guarantees that the government will not adopt any other polices in the future which may have further negative impact on our toll revenue and results of operations.

Failure to enjoy preferential payment arrangements with new toll road joint venture partners may have an adverse effect on our financial performance.

In relation to our current joint venture projects, our strategy was, subject to the approval of relevant PRC authorities, to seek to include in the joint venture arrangements that our subsidiaries holding interests in the joint ventures have priority over their respective PRC partners in the distribution of profits of the joint venture until full recovery of its original capital investment. Due to the intensified competition for quality toll road projects, we believe there is limited likelihood that such terms will be agreed to by the respective PRC partners or approved by the relevant authorities of the PRC Government for any such new toll road joint ventures.

Disputes with our joint venture partners may adversely affect our business.

We have, and expect to maintain, interests in joint ventures in connection with our existing expressway projects and property development projects in the PRC. Such joint ventures may involve risks associated with the possibility that our joint venture partners may (i) have economic or business interests or objectives that are inconsistent with ours, (ii) take action contrary to our instructions or requests or contrary to our policies or objectives with respect to our investments and projects, (iii) be unable or unwilling to fulfill their obligations under the relevant joint venture or other agreements or (iv) experience financial or other difficulties. In addition, in accordance with PRC laws, certain matters relating to a joint venture require the consent of all parties to the joint venture. Therefore, irrespective of our proportional interest in such joint venture, we are not able to unilaterally control all decision-making processes of our joint ventures without reference to the relevant joint venture partners. Disputes among the partners over joint venture obligations or otherwise could adversely affect the performance of our projects. There can be no assurance that we will not encounter problems with our PRC joint venture partners, which could have an adverse effect our business operations, profitability and prospects.

We may not be able to maintain stable cash distributions from our portfolio of toll road investments.

Our existing toll road joint ventures are generally operated through CJVs. Except for Longcheng Expressway, under which the profit distribution arrangement is based on the equity ratio of each joint venture partner, most of our existing toll road joint ventures adopt profit sharing arrangements, pursuant to which the sharing arrangement of the net profit generated from our joint ventures vary through stages. Under such profit sharing arrangements, we typically receive preferential cash distribution until full recovery of our original capital investment during the initial years of a joint venture. Thereafter, the cash sharing ratio may be changed to enable our joint venture partner to receive preferential cash distribution to recover its original capital investment, and the cash sharing ratio may be further adjusted so that both parties share the cash generated from the project in proportion to their respective equity interests. For example, in 2009, the cash distribution ratio of our two major expressway projects in Hebei were changed as a result of these provisions, resulting in a decrease in the overall cash contribution of our toll road business to our consolidated results. In addition, there can be no assurance that we will be able to invest in any new toll road projects. Failure to acquire new investments could result in a decrease in the amount of cash distributions we receive from our PRC joint ventures, which could have a material impact on our revenues and results of operations.

We rely on our expressway projects for a large proportion of our share of cash distributions from toll road joint ventures.

We currently derive and believe that we will continue to derive a substantial portion of our share of cash distributions from toll road joint ventures from our expressway projects. As of June 30, 2012, we had 12 major toll road joint venture projects, four of which were expressways. As of June 30, 2012, among the 12 major toll road joint venture projects, 11 were operating and one, namely Longcheng Expressway, was under construction. With the completion of construction work in July 2012, Longcheng Expressway was open for traffic in July 2012 and we commenced toll collection in the same month. The toll revenue of our expressways was HK$2,062.7 million, HK$1,793.8 million, HK$1,995.4 million and HK$972.4 million, or 82.1%, 80.5%, 82.5% and

84.5%, respectively, of the total amount of our Group's total toll projects in the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, respectively. Our expressway projects accounted for HK$420.3 million, HK$551.7 million, HK$503.1 million and HK$172.7 million, or 77.9%, 73.5%, 76.5% and 67.6%, respectively, of our share of cash distributions from toll road joint ventures in the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, respectively. We expect that a significant portion of our share of cash distributions from toll road joint ventures will continue to be attributable to our expressway projects in the future. Major events affecting the expressways, such as extended road works or natural disasters, could adversely impact our business. If any of our expressway projects are shut down for an extended period of time or altogether, we may lose some or all of our toll collections from that project. The financial difficulties of any of our most significant expressway projects, or significant decreases in traffic volumes on these expressways or in toll rates, or other events outside our control would have a material adverse effect on our business, results of operations, financial condition and cash flows.

We expect increased competition for a decreasing pool of expressway toll road investment opportunities.

We experienced increased competition for a decreasing pool of toll road investment opportunities as a result of government policy changes that stopped approving toll collection on new Class II Highways in eastern provinces after November 27, 2006. Although existing joint venture toll collection arrangements have not been invalidated, and we believe that we would be entitled to compensation if the government attempted to invalidate such existing agreements, there is no guarantee that this would be the case. We also believe it is possible that this policy to phase out toll collections could be applied to new Class I Highways in the future as well. As part of our business strategy, we intend to make future toll road-related investments only in revenue-generating expressway projects. As the pool of toll road investment opportunities may decrease as a result of such government policy change, there is increased competition for these toll road investments, and other toll road operators may have greater financial resources than we do. As a result, we may not be able to make future investments in toll road projects on terms that are favorable to us, or at all.

Capital expenditures on, and operation of, toll roads is subject to events outside our control.

Our joint ventures invest in and operate toll roads that have already been completed and are operational. As a result, each of our joint ventures is responsible for the maintenance and repair of its toll road at its own cost throughout the operating concession period. Such costs are typically stable and predictable, including periodic road upgrades that require higher capital expenditures. However, the condition and operation of the toll roads operated by our joint ventures may be affected by catastrophic events including but not limited to serious adverse weather, natural disasters, epidemics and major road accidents. Such catastrophic events could disrupt the operation of these toll roads, leading to loss of toll revenues, or require significant unexpected capital expenditures to fix the toll roads and related infrastructure and equipment. Although to date, no material events of this nature have adversely affected the operation of any of our toll roads for an extended period of time, there can be no guarantees that such events will not occur. If the condition or our operation of the toll highways and expressways were seriously affected as a result of any such events, our revenue and earnings and financial position of a particular joint venture may be adversely affected, which could in turn have an adverse effect on our financial results.

We are subject to regulatory approval risks.

In the PRC, toll road projects involve a complex and lengthy process of formal official and governmental authorizations and approvals as well as significant administrative and logistical difficulties concerning acquisition and usage of land use rights. Approvals are also required in order to divest interest in a project. There can be no assurance that such approvals will be obtained either according to the terms applied for or at all. There is also no guarantee in relation to any other possible future projects that requisite approvals for the project can be obtained at the necessary time. Also, as we develop and operate our projects through CJVs, there is no assurance that we will come to an agreement with our joint venture partners with respect to the terms of our projects and that those terms are commercially and technically to our satisfaction. Delays in the process of obtaining, or a failure to obtain, the requisite licenses, permits or approvals from government agencies or authorities can also increase the cost or delay or prevent the commercial operation of a business, which could adversely affect the financial performance of our toll road business.

Changes to the PRC Government's transportation-related policies may impact our revenues and earnings.

Our operations, along with those of other toll road operators in the PRC, are sensitive to changes in the PRC Government's policies relating to all aspects of the transportation sector, for example, provincial and municipal transportation networks, traffic regulation, licensing and registration of vehicles, transfers of operating rights, toll regime and the planning, development, construction and management of highways in the PRC. There is no assurance that changes in such policies would not have an adverse effect on our revenue or results of operations.

The continued growth of our business requires substantial capital investment and our ability to arrange for additional external financing can be limited.

We will require significant additional financing to fund capital expenditures and to support the future growth of our business, particularly for investments in new toll road joint ventures and our property development business. Historically, we have relied on a mixture of debt and equity financing and cash from operations and investments to fund our business requirements. Our ability to arrange for external financing and the cost of such financing are dependent on numerous factors, including general economic and capital market conditions, interest rates, credit availability from banks or other lenders, investor confidence, success of our businesses, changes in existing PRC regulations, provisions of tax and securities laws that may be applicable to our efforts to raise capital and political and economic conditions in Hong Kong and the rest of the PRC generally. Our ability to raise additional financing, particularly through loans and other forms of indebtedness, is very limited, as we are subject to various restrictions on our ability to incur additional debt and engage in other fund-raising transactions under the terms of our outstanding indebtedness. See "Description of material indebtedness" and "Risk factors—Risks relating to the Notes and the Guarantees—We may be unable to comply with the restrictions and covenants under the Notes, the Trust Deed and other financing agreements, including the 2007 Fixed Rate Notes, the 2010 Guaranteed Notes and the 2011 Guaranteed Notes, which could lead to a default under the terms of the Notes, the Trust Deed or those agreements resulting in an acceleration of our debt repayments." There can be no assurance that additional debt financing, either on a short-term or a long-term basis, will be made available or, if available, that such financing will be obtained on terms favorable to us. As a result, we will be increasingly reliant on cash generated by our existing toll road and property development businesses, as well as cash generated through any equity or other fund-raising activities, and there can be no assurance that such cash flows will be sufficient to finance the future growth of our toll road and property development businesses.

We may not be able to replenish land reserves for development.

Our main source of revenue from our property development business is derived from the sale of properties that we have developed. In order to maintain business growth in the future, we must replenish our land reserves for property development.

In the PRC, the government controls the availability of land and regulates land transfers in the secondary market. Government land supply policies have a direct impact on our ability to acquire land use rights for development and our costs of acquisition. In May 2002, the PRC Government introduced a nationwide system of mandatory public tender, auction or listing-for-sale for the grant of land use rights for commercial use, tourism, entertainment and commodity housing development. Furthermore, the amended Regulation on Bidding, Auction and Listing Required for Granting of State-Owned Construction Land promulgated by the Ministry of Land Resources, which came into effect on November 1, 2007 specifies that the grantee of state-owned construction land use rights shall fully pay up the relevant land premium in accordance with the state-owned land granting contract before the grantee can proceed with registration of the relevant land use right and application for the relevant State-owned Construction Land Use Rights Certificate. Although the regulation does not prevent privately held land use rights from being traded in the secondary market, the intention of the PRC Government to grant state-owned land use rights at competitive market prices is likely to increase the acquisition cost of land reserves. Our business prospects may be adversely affected to the extent that we are unable to acquire quality sites on a timely basis or at prices that will enable us to achieve sufficient returns.

We guarantee mortgages provided to the purchasers of our property development projects and may become liable to mortgagee banks if customers default on their mortgage loans.

As we pre-sell properties before their actual completion of construction, in accordance with industry practice, banks generally require us to guarantee our customers' mortgage loans. Typically, we guarantee mortgage loans taken out by our customers until we complete the relevant properties and the property ownership certificates and certificates of mortgage with respect to the relevant properties are delivered to the mortgagee banks. If a purchaser defaults on a mortgage loan before such mortgage is duly registered, we may have to repurchase the underlying property by paying off the mortgage. If we fail to do so, the mortgagee bank may auction the underlying property and recover any additional amount outstanding from us as the guarantor of the mortgage loans. In line with industry practice, we do not conduct any independent credit checks on our customers but simply rely on the evaluation by the mortgagee banks relating to such individual customers.

As of December 31, 2009, 2010 and 2011 and June 30, 2012, our outstanding guarantees in respect of our customers' mortgage loans amounted to HK$3,433.2 million, HK$4,490.2 million, HK$4,696.1 million and HK$4,058.4 million, respectively. If substantial defaults occur in a depressed property market and we are called upon to honor our guarantees, our financial condition and results of operations will be adversely affected.

We rely on third-party consultants and contractors with respect to certain of our property development projects.

We engage third-party consultants and contractors to provide services for certain of our property development projects. These include the design, construction and engineering aspects of our projects. We select third-party contractors mainly by way of an open tender or through close negotiation. Although we endeavour to employ companies with a good reputation, credibility and financial resources, there can be no assurance that such consultants and contractors will provide satisfactory services to us at the levels of quality we require. In addition, if such consultants and contractors encounter financial or other difficulties, delays may be caused in the completion of our property projects. This may then affect the quality of our works, and our project development costs may increase as a result thereof; which could have a material adverse effect on our business and financial conditions.

In addition, if we expand our businesses to other regional markets in the PRC, we may not be able to engage consultants and contractors in such other regions that can meet our quality and pricing requirements. Moreover, the contractors may undertake projects from other developers, engage in risky undertakings or otherwise encounter financial or other difficulties, which may cause delay in the completion of our property projects or result in increased costs to us. All of these factors will have a negative impact on our reputation, credibility, financial position and business operations.

As a holding company, we rely on dividends and repayments on shareholder loans from our subsidiaries and joint venture companies for funding.

As a holding company, we operate our business through our subsidiaries and joint venture companies. We also fund our subsidiaries and joint venture companies through shareholder loans. The availability of funds to service our debts depends upon dividends and repayments on shareholder loans received from our subsidiaries and joint venture companies. If our subsidiaries and joint venture companies incur debt, the holders of such debt may be able to impair the ability of such subsidiaries and joint venture companies to pay dividends or other distributions to us. As a result, our ability to service our debt will be restricted.

PRC laws require that dividends can only be paid out of the net income calculated according to PRC GAAP and financial regulations in the PRC. In addition, the PRC laws require foreign-invested enterprises to set aside part of their net income as statutory reserves. These statutory reserves are not available for distribution as cash dividends. Such restrictions may have adverse effect on our ability to service our debts as we rely heavily on dividends and repayments from these entities.

Our businesses will be adversely affected if we fail to obtain, or experience material delays in obtaining, necessary government approvals for property development or certain State-owned Land Use Rights Certificates with respect to certain parcels of land in which we currently have an interest.

Under the laws and regulations of the PRC, we must apply to relevant government departments for various licenses, permits, certificates and approvals, and we must obtain land use rights certificates, construction plan permits, construction permits, pre-sale permits and completion acceptance certificates to develop and to complete a property development project. There can be no assurance that we will receive such Land Use Rights Certificates in a timely manner, or at all, or that we will not encounter other serious difficulties in the future. If we fail to obtain such

State-owned Land Use Right Certificates in a timely manner or at all, we may not have title to the land use rights and buildings. That or any other failure to obtain, or material delays in obtaining, the necessary government approval for any of our property development projects, could result in delays in completing our development as originally scheduled and our business and financial conditions will be adversely affected.

If we cannot continue to obtain formal qualification certificates, our business may be adversely affected.

We typically conduct our property development business in the PRC through project companies. Property developers in the PRC, including the project companies through which we operate, must obtain a formal qualification certificate in order to carry out property development business in the PRC. According to the Provisions on Administration of Qualification Certificates of Property Developers (the "Qualification Certificate Regulation"), newly established developers must first apply for a temporary qualification certificate, which is initially valid for one year and can be renewed for a maximum of two additional one-year periods. Thereafter, the developer must apply for a formal qualification certificate under one of the four grades set out in the Qualification Certificate Regulation. All property developer qualification certificates are subject to renewal on an annual basis under the Qualification Certificate Regulation. A qualification certificate will not be granted or renewed until and unless the property developer meets the various requirements set out in the Qualification Certificate Regulation.

The property developer's registered capital, property development investments, history of property development, quality of property construction, expertise of the management and any illegalities on the part of the property developer will be taken into account by the relevant authorities in deciding whether to renew the qualification certificates.

In general, property developers in the PRC must produce a valid qualification certificate when they apply for a pre-sale permit. If any one of our project companies is engaged in property development without obtaining or renewal of its qualification certificate, such project company may be ordered to correct and it may also be subject to a penalty of between CNY50,000 and CNY100,000. Failure to meet the requirements within the specified time-frame could result in the revocation of the business license of the relevant project company.

There can be no assurance that the qualification certificates of any of our project companies will continue to be renewed or that formal qualification certificates will be obtained in a timely manner, or at all, as and when they expire. If our project companies are unable to obtain or renew their qualification certificates, they may not be permitted to continue to engage in property development or to conduct any pre-sales for that development, or the government may impose a penalty on us and our project companies for failure to comply with the relevant licensing requirements, either of which could materially and adversely affect our business, financial condition and results of operations.

We may be liable to our respective customers for damages if we do not complete all the formalities for the issuance of the residential property ownership certificates in a timely manner.

In the PRC, property developers are required to complete all requisite formalities for the purchasers to apply for the residential property ownership certificates, including passing various governmental clearances, formalities and procedures within 90 days of delivery of the properties or such other period set out in the relevant sale contracts. There is no assurance that there will not be any delay in our property development schedules, or in the examination and approval processes of the relevant government agencies or otherwise due to other unforeseeable factors that are beyond our control, which may result in the delay for the purchasers to obtain the residential property ownership certificates. Under PRC law, we may be required to compensate such purchasers for the delay in completing the necessary formalities, which may adversely affect our business and financial conditions.

We may not be able to complete our property development projects on time or at all.

Property development projects require substantial capital expenditures prior to and during the construction period, and construction of a property project may take longer than a year before it may generate positive cash flow through pre-sales or sales. The progress and costs for a development project can be adversely affected by many factors, including but not limited to:

- delays in obtaining necessary licenses, permits or approvals from government agencies or authorities;
- relocation and/or compensation of existing residents and/or demolition of existing structures;
- shortages and/or rise in cost of materials, equipment, contractors and skilled labor;
- labor disputes;
- construction accidents;
- natural catastrophes;
- discovery of artifacts in the construction site;
- adverse weather conditions; and
- lack of performance or failure of consultants or third party contractors to deliver on their obligations.

Construction delays or failure to commence or complete the construction of a project according to the permits for commencement of construction and its planned specifications, schedule or budget as a result of the above factors may affect our results of operations and financial position and may also cause reputational damage. We cannot assure you that we will not experience any significant delays in completion or delivery or that we will not be subject to any liabilities for any such delays.

We may expand our business into new segments of the real estate industry which may not be successful.

We may expand our business into new segments of the real estate industry in the PRC as well as continue to expand the real estate services businesses that we currently operate. While we have accumulated experience in property development and in providing property operation services and property management services, we cannot assure you that we will be able to leverage such experiences and replicate our historical success when entering into new businesses. Although we currently do not have any definitive plans to enter into other new segments of the real estate industry, we may do so in the future. The expansion of our existing real estate business and the expansion into new businesses may require a significant amount of capital investment and involve various risks and uncertainties including the risk of operating in a new environment, the difficulties of integrating new businesses into our existing businesses and the diversion of resources and attention of our management. Any failure to address these risks and uncertainties may adversely affect our business, financial condition and results of operations.

We could face business and financial risks with respect to past and potential future acquisitions and mergers.

We could face significant management, administrative and financial challenges in achieving our key commercial objectives following any future mergers and acquisitions. These challenges include but are not limited to:

- difficulties in the integration of the operations, technologies and personnel of the acquired company;
- loss of key management staff upon the merger and/or acquisition;
- diversion of management's attention away from other business concerns;
- expenses of any undisclosed or potential legal liabilities of the acquired company;
- legal, regulatory, contractual, labor or other issues that could arise from an acquisition; and
- inability to service any increased leveraged positions upon the merger/or acquisition.

The risks associated with mergers, acquisitions and strategic alliances could have a material adverse effect upon our business, financial condition and results of operations. We cannot assure you that we will be successful in integrating the acquired companies with our existing business and operations.

Potential liability for environmental problems may affect our business.

Our businesses are subject to PRC environmental laws and regulations, including those related to air, noise pollution, water pollution and waste discharge. Compliance with such laws and regulations may substantially increase our property development costs.

As required by PRC environmental laws and regulations, an environmental impact assessment must be completed in respect of each of our property developments. Before commencement of such property development, submission to the relevant government authorities for approval of such environmental impact assessment is required. Upon completion of each property development, the relevant government authorities will inspect the site to ensure that applicable environmental standards have been complied with and that the resulting report is presented together with other specified documents to the local construction administration authorities for their record. While we believe that we have complied with such requirements for all of our respective completed property developments and properties under development, it is possible that such assessments did not reveal all potential environmental liabilities that may have a material adverse effect on our business and financial conditions.

Our business may be adversely affected by further increases in borrowing rates.

Changes in borrowing rates have affected and will continue to affect the financing costs for our property development business and, ultimately, our results of operations. While we believe that the lending rate has not in the past had a material adverse effect on our ability to obtain adequate financing for our operations or on our overall financial condition, we cannot assure that lending rates will remain unchanged or that an increase in lending rates in the future will not have a material adverse effect on our operations and financial condition. Although our borrowings are primarily denominated in US dollars, as of June 30, 2012, we had Renminbi denominated loans with an aggregate outstanding amount of CNY1,623.3 million to fund our property development business at our PRC subsidiary level. The interest rates are based on premiums or discounts to the Renminbi lending base rate as announced by the PBOC from time to time. We cannot assure you that PBOC will not further raise lending rates or that our business, financial condition and results of operations will not be adversely affected as a result.

We are exposed to interest rate risk.

Our debt includes floating rate bank borrowings to finance our operations. Where appropriate, we seek to minimize our interest rate risk exposure by entering into interest rate swap contracts over the duration of certain of our borrowings. However, our hedging policy may not adequately cover our exposure to interest rate fluctuations and this may result in a large interest expense and an adverse effect on our business, financial condition and results of operations.

We are exposed to counter-party risk.

We may enter into various transactions from time to time which will expose us to the credit of our counterparties and their ability to satisfy the terms of contracts with us. For example, we may enter into swap arrangements, which expose us to the risk that counter-parties may default on their obligations to perform under the relevant contract. In the event a counter-party, including a financial institution, is declared bankrupt or becomes insolvent, this may result in delays in obtaining funds or us having to liquidate our position, potentially leading to losses.

Resettlement negotiations may add costs or cause delays to our property development projects.

Under PRC laws and regulations, when we are responsible for the demolition of existing properties on a site for development and the removal of existing residents, we will be required to pay resettlement costs to those residents. While none of our wholly-owned property development projects are subject to relocation and resettlement costs, such costs are payable in respect of the Sunny Town project in Tianjin. On March 16, 2007, the National People's Congress of China adopted the Property Law of the People's Republic of China ("Property Law"), which expressly provides legal protection to housing owners. The Property Law increased the level of difficulty of effecting demolition and resettlement through administrative intervention and the cost of demolition and resettlement. The compensation payable is calculated by applying prescribed formulae provided by the relevant provincial authorities. If the amount of such resettlement cost is significant, the property development costs of these projects may be increased substantially. Furthermore, there is no assurance that the relevant provincial authorities will not change their compensation formulae. If they do, property development costs may be subject to substantial increases which could adversely affect our business, financial condition and results of operations.

Even if we are not responsible for the demolition and removal, if the party responsible for the demolition and removal and the party subject to the demolition and removal fail to reach an agreement for compensation and resettlement, either of them may apply for a ruling of the relevant governmental authorities and if a party is not satisfied with the ruling, it may initiate proceedings in a people's court within three months from the date of service of such ruling, which may cause delays to the development projects. Such proceedings and delays, if they occur, could adversely affect our reputation and delay our property development projects. In addition, any such delays to our property development projects will lead to an increase in the cost and a delay in the expected cash inflow resulting from rental proceeds (in the case of an investment property) and pre-sales of the relevant project and the recognition of sales as turnover upon completion (in the case of properties for sale), which may in turn adversely affect our business, financial position and results of operations.

We are subject to multiple regulations of the PRC Governmental authorities and any non-compliance or perceived non-compliance with these regulations may have a material and adverse effect on our business, financial condition and results of operations.

Our business is regulated by various PRC Governmental authorities and departments. If any PRC authority believes that we or any of our suppliers or contractors in the course of our operations are not in compliance with PRC regulations, it could delay or even shut down our construction or sales operations, refuse to grant or renew any necessary approvals or licenses, institute legal proceedings to seize our properties, enjoin future actions or impose civil and/or criminal penalties, pecuniary or otherwise, against us, our officers or our employees. Any such action by the PRC Governmental authorities would have a material adverse effect on our business, causing delays to our property development projects, or terminating them altogether. In recent years, the PRC Government has implemented many new laws and regulations or made amendments to existing regulations concerning real estate developers. We cannot guarantee that our property development projects are fully compliant with the laws and regulations. If we are found to have breached, or are accused of having not complied with, or in the future do not comply with, any applicable PRC laws and regulations, we may be subject to the imposition of penalties or even suspension of business and confiscation of any acquired land. In such event, our business and reputation may be materially and adversely affected.

In the event the total GFA of any of our property developments were to exceed the original authorized area, the excess GFA would be subject to governmental approval and payment of additional land premium.

When the PRC Government grants the land use rights for a piece of land, it will specify in the land grant contract the use of the land and the total GFA that the developer may develop on this land. The actual GFA constructed, however, might have exceeded the total GFA authorized in the land grant contract due to factors such as subsequent planning and design adjustments. The amount of GFA in excess of the authorized amount is subject to approval when the relevant authorities inspect the properties after their completion and the developer may be required to pay additional land premium in respect of this excess GFA. If we fail to obtain the completion certificate due to such excess GFA, we will not be allowed to deliver the relevant properties or recognize the revenue from the relevant pre-sold properties and may also be subject to liabilities under the pre-sale contracts. We cannot assure you that the total constructed GFA of our existing projects under development or any future property developments will not exceed the relevant authorized GFA upon completion or that we will be able to pay the additional land premium and obtain the completion certificate on a timely basis.

Our success depends on the retention of our senior management team and other key personnel.

We depend on the services provided by our management and other qualified and experienced staff. As competition in the PRC for senior management and key personnel with experience in toll road and property development is intense, and the pool of qualified candidates is very limited, we may not be able to retain the services of our senior executives or key personnel, or attract and retain high-quality senior executives or key personnel in the future. If we fail to attract and retain qualified personnel, our business and prospects may be adversely affected. In case any core management team member leaves and we fail to find suitable substitutes, our business will be adversely impacted. Moreover, along with our growth and expansion into other regional markets in the PRC, we will need to employ, train and retain employees on a much larger geographical scale. If we cannot attract and retain suitable human resources, our business and future growth may be negatively affected.

If we are not properly insulated from the rising cost of labor, construction materials or building equipment, our results of operations may be adversely affected.

As the result of economic growth and the boom in the property development industry in the PRC, wages for construction workers and the prices of construction materials and building equipment have experienced substantial increases in recent years. In addition, the PRC Labor Contract Law that came into effect on January 1, 2008 enhanced the protection for employees and increased employers' liability in many circumstances, which may further increase our labor costs. Under the terms of most of our construction contracts, our construction contractors are responsible for the wages of construction workers and procuring construction materials for our property development and would bear the risk of fluctuations in wages and construction material prices during the term of the relevant contract as we generally enter into fixed or capped unit price contracts with them. However, we are exposed to the price volatility of labor and construction materials to the extent that we periodically enter into new or renew our construction contracts during the life of a project, which may span over several years, or that we hire the employees directly or purchase the construction materials directly from suppliers. We are also exposed to the price volatility of building equipment used in properties developed by us because we usually procure such equipment ourselves. Furthermore, we typically pre-sell our properties prior to their completion and we will be unable to pass the increased costs on to our customers if construction costs increase subsequent to the time of such pre-sale. If we are unable to pass on any increase in the cost of labor, construction materials and building equipment to either our construction contractors or to the purchasers of our properties, our results of operations may be negatively affected. No assurance can be given as to the future movements of the prices of the construction materials required by us and any detrimental movements in the future could have a material adverse effect upon our financial condition and results of operations.

We are uncertain whether we have maintained or will continue to maintain sufficient insurance coverage.

We maintain certain insurance policies in the operation of business. See "Our business— Insurance." While we believe that we currently maintain adequate insurance coverage, there can be no assurance that we in fact maintain or will continue to maintain sufficient insurance coverage for the risks associated with the operation of our businesses. Business interruption insurance is currently unavailable in the PRC. If the use of any of our toll roads is interrupted in whole or in part for an extended period as a result of events beyond our control, such occurrence may adversely affect our revenues and results of operations. We do not take out insurance coverage against potential losses or damages with respect to our properties before their delivery to customers. Nor do we maintain insurance coverage against liability from tortious acts or other personal injuries on our project sites. We believe that third-party construction companies should bear such tortious and personal injury liabilities arising from our project sites. In addition, there are certain types of losses, including but not limited to losses due to typhoon, flooding, war and civil disorder, which are only insurable on limited terms, and other losses, such as earthquakes, which are currently uninsurable in the PRC. Therefore, while we believe that our practice is in line with the general practice in the PRC property development industry, there may be instances when we will have to absorb losses, damages and liabilities because of our lack of insurance coverage, which may in turn adversely affect our financial condition and results of operations.

We may be involved in legal and other proceedings arising from our operations from time to time.

We may be involved from time to time in disputes with various parties involved in our toll road projects and in the development and sale of our properties such as contractors, sub-contractors, suppliers, construction companies, purchasers, partners and others, as well as in connection with our acquisitions and divestitures. These disputes may lead to legal and other proceedings, and may cause us to suffer significant costs and delays. In addition, we may have disagreements with regulatory bodies and governmental authorities in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees that may result in financial losses and in delays in the construction or completion of our property development projects. We may be exposed to such proceedings and decrees even for properties and projects that were not owned or operated by us at the time of any such alleged improprieties. If we are not successful in obtaining remedies under any contractual arrangements for any such undisclosed losses or damages, we may be exposed to financial losses, which may have an adverse effect on our expected profitability and ability to realize synergies from such acquisitions.

Our profitability may fluctuate due to fair value gains or losses on our investment properties pursuant to applicable accounting rules, which require us to record such gains or losses, in profit or loss, in the period in which they arise.

We are required to reassess the fair value of our investment properties at every balance sheet date for which we issue financial statements. We record gains or losses arising from changes in the fair value of investment property in profit or loss for the period in which they arise. We also capitalize construction costs incurred for investment properties under construction as part of the carrying amount of these properties under construction. We recorded gains on fair value changes of our investment properties of HK$355.0 million in the year ended December 31, 2011 and HK$85.4 million for the six months ended June 30, 2012, representing 19.1% and 14.9%, respectively of our total profit before taxation for each period. As our investment properties increase (or decrease) in the future, our profitability may increase as a result of fair value gains or losses. In addition, fair value gains or losses do not give rise to any change to our cash position unless the relevant investment property is sold and therefore we may experience constraints on our liquidity even though our profitability increased. The amount of revaluation adjustments has been, and may continue to be, significantly affected by the prevailing property market conditions and may be subject to market fluctuations. Any decrease in the fair value of our investment properties would adversely affect our profitability.

The valuation attached to our property interests contains assumptions that may or may not materialize.

The valuation attached to our property interests are based on certain assumptions that, by their nature, are subjective and uncertain and may differ materially from actual results. For example, with respect to properties under development for investment purposes, the valuations are based on assumptions that (1) the properties will be developed and completed in accordance with the development proposals, (2) regulatory and governmental approvals for the proposals have been obtained, (3) all premiums in connection with the properties have been paid and the properties are free of encumbrances and other restrictions and (4) we are in possession of the proper legal titles and are entitled to transfer the properties at no extra land premium. For properties in which we have an attributable interest of less than 100%, the valuation assumes that the interest of the relevant project companies in the aggregate value of the property or business is equal to our proportionate ownership interest in the relevant company or business. Accordingly, the valuations are not a prediction of the actual value we expect to realize from these properties. Unanticipated results or changes in particular property developments, or changes in general or local economic conditions or other relevant factors, including changes in government regulations, could affect such values.

We are exposed to pre-sale related contractual and legal risks.

There are certain risks relating to the pre-sale of properties, which is widely adopted in the PRC. In addition to our pre-sale guarantee obligations discussed above under "Risk factors—Risks relating to our business—We guarantee mortgages provided to the purchasers of our property development projects and may become liable to mortgagee banks if customers default on their mortgage loans," pursuant to PRC laws and regulations and our pre-sale contracts, we are required to provide for remedies for breach of our pre-sale undertakings. For example, if we fail to complete a pre-sold property development, we will be liable to the purchasers for their losses. There is no assurance that these losses will not exceed the deposits of the pre-sold units. If we fail to complete a pre-sold property project on time, our purchasers may seek compensation for late delivery. In the event that such delay extends beyond a specified period, our purchasers may terminate the pre-sale contracts and claim refunds and damages. There is no assurance that there will not be significant delays in completion and delivery of our projects.

An important source of financing for our property developments is the pre-sale proceeds of our properties. Therefore, if there is any increase in the amount of up-front expenditure which we must incur prior to obtaining the pre-sale permit or any other restriction that may restrict our ability to pre-sell our properties, we will be required to finance the various stages of our property developments through other alternative means. As a result, our business and financial conditions may be adversely affected.

In addition, under current PRC laws and regulations, property developers must fulfil certain conditions before they can commence pre-sale of the relevant properties. However, there can be no assurance that the PRC Government will not ban the practice of pre-selling uncompleted properties or implement further restrictions on the pre-sale of properties, such as imposing additional conditions for a pre-sale permit or further restrictions on the use of pre-sale proceeds. Any such measure will adversely affect our cash flow position and force us to seek alternative sources of funding for much of our property development business.

Our results of operations may fluctuate from period to period.

Our results of operations tend to fluctuate from period to period. The number of properties that we can develop or complete during any particular period may be limited due to the substantial capital required for land acquisition and construction, as well as the lengthy development periods required before positive cash flows may be generated. In addition, several properties that we have developed or that are under development are large scale and are developed in multiple phases over the course of one to several years. The selling prices of the residential units in larger scale property developments tend to change over time, which may impact our sales proceeds and, accordingly, our revenues for any given period.

Our provisions for the payment of LAT for the disposal of properties may not be adequate to cover our LAT obligations.

Under PRC tax laws and regulations, properties developed for sale are subject to LAT, which is collectible by the local tax authorities. All income from the sale or transfer of state-owned land use rights, buildings and other ancillary facilities in the PRC is subject to LAT at progressive rates up to 60% of the appreciation value, with certain exemptions available for the sale of ordinary residential properties if the appreciation does not exceed 20% of the total deductible items, as such transactions are addressed under relevant tax laws. Sales of properties such as high-class apartments, villas and holiday villages are not eligible for such exemptions.

We made provisions for LAT in the amount of HK$485.3 million in 2011 and HK$89.7 million in the first half of 2012. We have estimated and made provisions for what is believed to be the full amount of applicable LAT in accordance with the requirements set forth in the relevant PRC tax laws and regulations. In the event that LAT eventually collected by the tax authorities upon completion of a tax audit exceeds the amount that we have provided for, our future net profits after tax will be adversely affected. While we believe that we have made adequate provisions for LAT, there is no assurance that such provisions will be adequate to cover our LAT obligations.

The PRC Government may adopt further measures to slow down the growth in the property sector.

Along with the economic growth in the PRC, investments in the property sector have increased significantly in the past few years. In response to concerns over the scale of the increase in property investments, the PRC Government has introduced policies to curtail property developments. For example, in April 2010, the State Council issued a Circular on Resolutely Curbing the Housing Prices in Some Cities from Rising Too Fast to slow down rising housing prices and address the housing problems of the rural population. In November 2010, the Ministry of Commerce of the PRC Government issued the Notice on Strengthening Administration on the Approval and Filing of Foreign-invested Real Estate Enterprises ("Notice 1542"), which, among others, is designed to slow the inflow of foreign capital into the PRC real estate market. In January 2011, the General Office of the State Council issued the Circular on Issues Concerning Further Properly Regulating and Controlling the Real Estate Market, requiring local governments to effectively promote the steady and healthy development of the real estate market, keep housing prices at a reasonable level and make more efforts in implementing affordable housing projects. See "Regulation."

Although the various control measures are intended to promote more balanced property development in the long term, we cannot assure you that these measures will not adversely affect the development and sales of our properties. The PRC Government's restrictive measures to slow down the growth of the property sectors could limit our access to capital resources, reduce market demand and increase our operating costs in adapting to these measures. We cannot assure you that the PRC Government will not adopt additional and more stringent measures, which could further slow down property development in the PRC and adversely affect our business and prospects.

We are heavily dependent on the performance of the property market in the PRC, which is at a relatively early stage of development.

The property development industry and the ownership of private property in the PRC are still in a relatively early stage of development. Although demand for private property in the PRC has been growing rapidly in recent years, such growth is often coupled with volatility in market conditions and fluctuation in property prices. It is extremely difficult to predict how much and when demand will develop, as many social, political, economic, legal and other factors, all of which are beyond our control, may affect market development. The level of uncertainty is increased by the limited availability of accurate financial and market information as well as the overall low level of transparency in the PRC.

The inactive secondary market for private property may discourage the acquisition of new properties as resale is not only difficult, but can also be a long and costly process. The limited amount of property mortgage financing available to PRC individuals, compounded by the lack of security of legal title and enforceability of property rights may inhibit demand for property developments, property operation services and property agency services.

Land may be forfeited if it fails to comply with the terms of the land grant contracts.

According to PRC law, if we fail to develop a property project in accordance with the terms of the land grant contract such as payment of land premium, specified use of the land and time for commencement and completion of the property development, the PRC Government may issue a warning, claim liquidated damages, and even impose an idle land fee of up to 20% of the land premium if land is left idle, or the commencement of construction is delayed, for one year from the commencement date stipulated in the land grant contract. If we fail to commence development within two years from the commencement date stipulated in the land grant contract, the land is subject to forfeiture to the PRC Government unless otherwise provided in relevant laws and regulations. Even though the commencement of the land development is in line with the land use rights grant contract, if the developed GFA on the land is less than one-third of the total GFA of the project or the total capital invested is less than one-fourth of the total investment of the project and the suspension of the development of the land is over one year in time without government approval, the land will also be treated as idle land. Although we are not currently subject to any warning, penalty or fee or forfeited any land as a result of any delay in our property development activities, there is no assurance that no such warnings, penalties fees or circumstances leading to possible forfeiture of our land as a result of delays in the completion of a property development project will not arise in the future. If our land is forfeited, our costs incurred for the forfeited land and the related expenditure will be lost, and we will also lose the opportunity to develop the property projects on such forfeited land.

Intensified competition may adversely affect our business and financial position.

In recent years, many property developers, including overseas developers, have entered the property development market in the PRC. Many of them may have more financial and other resources than us and may be more sophisticated than us in terms of engineering and technical skills. Competition among property developers in the PRC may result in an increase in the land acquisition costs and raw material costs, shortages in quality construction contractors, an over-supply of properties leading to a decreasing property prices, further delays in issuance of government approvals and higher costs to attract or retain experienced employees, any of which may adversely affect our business and financial conditions. Moreover, residential property markets across the PRC are influenced by various other factors, including changes in economic conditions, banking practices and customer sentiments. If we fail to respond appropriately to changes in the property markets where we have operations, our business and financial conditions may also be adversely affected.

The terms on which mortgages are available, if at all, to purchasers of properties may affect our sales.

Most of our purchasers of residential properties rely on mortgages to fund their purchases. An increase in interest rates may increase the cost of mortgage financing, thus reducing the attractiveness of mortgages as a source of financing for property purchases and adversely affecting the affordability of residential properties. In addition, the PRC Government and commercial banks may also increase the down payment requirement, impose other conditions or otherwise change the regulatory framework in a manner which would make mortgage financing unavailable or unattractive to potential property purchasers. For example, on August 19, 2006, the PBOC set the minimum rate for property mortgages at 85% of the corresponding benchmark lending rate, which was set at 5.31% on December 23, 2008, and increased from 5.31% to 6.56% between December 2008 and July 2011. In June 2012, the PBOC decided to lower the benchmark one-year bank lending rate from 6.56% to 6.31%. There is no assurance that the PBOC will not raise the benchmark rates in the future. If the availability or attractiveness of mortgage financing is reduced or limited, some of our prospective customers may not be able to purchase our properties and, as a result, our business, liquidity and results of operations could be adversely affected.

Risks relating to the PRC, Hong Kong and the Asia region

We are subject to the political, legal and economic risks of doing business in the PRC.

Substantially all of our operations are located in the PRC. Our financial condition, results of operations and future prospects depend to a large extent on the success of our operations in the PRC and are subject, to a significant degree, to the political and economic situation and legal developments in the PRC.

The PRC economy differs from the economies of most developed countries in many respects, including:

- extent of government involvement;
- level of development;
- growth rate;

- economic and political structure;
- control of foreign exchange;
- allocation of resources; and
- regulation of capital reinvestment.

While the PRC economy has experienced significant growth in the past 20 years, growth has been uneven, both geographically and among the various sectors of the economy. As a result of these differences, our business may not develop in the same way or at the same rate as might be expected if the PRC economy were similar to those of other developed countries. The PRC Government has implemented economic reform measures emphasising utilisation of market forces in the development of the PRC economy and the PRC economy has been transitioning from a planned economy to a more market-orientated economy. The PRC Government however continues to play a significant role in regulating industries by promulgating industrial policies.

We cannot, however, predict whether changes in the political, economic and social conditions and policies in the PRC, or in the relevant laws, regulations and rules, may have a material adverse effect on our current or future business, financial condition and operating results. There is no assurance that the PRC Government will continue to pursue its current economic reform policies, or that such policies will successfully create economic growth to have favourable impacts on our future business, financial condition and operating results.

The legal system in the PRC is less developed than in certain other countries and laws in the PRC may not be interpreted and enforced in a consistent manner.

Substantially all of our operations are, and will continue to be, conducted in the PRC, which is a civil law system based on written statutes in which decided legal cases have little value as precedents. Since 1979, the PRC Government has begun to promulgate a comprehensive system of laws and has introduced many new laws and regulations to provide general guidance on economic and business practices in the PRC and to regulate foreign investment. Progress has been made in the promulgation of laws and regulations dealing with economic matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. The promulgation of new changes to existing laws and the abrogation of local regulations by national laws could have a negative impact on our business and prospects. In addition, as these laws, regulations and legal requirements are relatively recent, their interpretation and enforcement may involve significant uncertainty. The interpretation of PRC laws may be subject to policy changes, which reflect domestic political changes. As the PRC legal system develops, the promulgation of new laws, changes to existing laws and the pre-emption of local regulations by national laws may have an adverse effect on our prospects, financial condition and results of operations.

Furthermore, the administration of PRC laws and regulations may be subject to a certain degree of discretion by the executive authorities. This has resulted in the outcome of dispute resolutions not being as consistent or predictable compared to more developed jurisdictions. In addition, it may be difficult to obtain a swift and equitable enforcement of laws in the PRC, or the enforcement of judgments by a court of another jurisdiction.

Fluctuation of the Renminbi, particularly against the US dollar, could materially affect our financial condition and results of operations.

The exchange rates between the Renminbi and the Hong Kong dollar, the US dollar and other foreign currencies is affected by, among other things, changes in political and economic conditions in the PRC. Our currency of account is Renminbi, our reporting currency is Hong Kong dollars and the Notes are denominated in US dollars. Consequently, we bear currency conversion risk and currency exchange rate risk. A devaluation of Renminbi may adversely affect the value, when stated in Hong Kong dollars or US dollars, of the return in investment received by us from our PRC joint ventures. In an attempt to mitigate exchange rate risk, we currently have arranged for all of our PRC joint ventures to distribute cash to us on a regular basis through the repayments of shareholder loans.

As of June 30, 2012, we had approximately HK$4,449.4 million (US$573.6 million) of US dollar-denominated borrowings outstanding. We may in the future incur additional foreign exchange liabilities to finance further toll roads or property development projects. Our costs of servicing these borrowings will vary according to the prevailing Renminbi to US dollar exchange rate, and any devaluation of Renminbi against US dollar will increase our cost of servicing such borrowings.

Renminbi is only convertible in respect of certain transactions described by the generally accepted accounting principles in the PRC as "current account" transactions. Currently, Renminbi amounts in respect of "capital account" transactions are not convertible without prior approval from the PRC Government. The value of Renminbi is subject to changes in the PRC Government policies and to international economic and political developments. Although the official exchange rate for the conversion of Renminbi to US dollars has been relatively stable, there can be no assurance that such exchange rate will remain stable in the future.

On July 21, 2005, PBOC announced changes to the Renminbi exchange rate regime. From that date onwards, the PRC moved into a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies and the Renminbi will no longer be pegged specifically to the US dollar. The current exchange rate regime does not constitute a strict peg of the Renminbi to the basket of currencies, but instead the Renminbi is allowed to fluctuate within a narrow +/-1.0% range around a central parity rate defined as the previous day's closing CNY/US$ rate. The reference basket will be used as a guide as to whether the CNY/US$ rate should rise or fall. The PBOC has also subsequently introduced a series of measures to facilitate the reform of the Renminbi exchange rate regime, including the introduction of financial derivative products such as currency swaps in the domestic market, the relaxation on Renminbi trading by non-financial institutions and the introduction of market makers, comprising both domestic and foreign banks, for trading of Renminbi.

There remains significant international pressure on the PRC Government to adopt a more flexible currency policy, which could result in a further and more significant appreciation of the Renminbi against the US dollar, the Hong Kong dollar or other foreign currency. To the extent that we need to convert the proceeds from the Notes and future financing into the Renminbi for our operations, appreciation of the Renminbi against the relevant foreign currencies would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our shares or for other business purposes, appreciation of the Hong Kong dollar against the Renminbi would have a negative effect on the Hong Kong dollar amount available to us.

Although not currently anticipated, any devaluation of the Renminbi would adversely affect the value of our joint ventures' revenues and our other earnings in foreign currency terms. Moreover, our financial condition and results of operations may be adversely affected by changes in the value of certain currencies other than the Renminbi in which our subsidiaries' financial and other obligations are denominated.

There are limited hedging instruments available in the PRC to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. To date, we have entered into two cross-currency interest rate swap contracts to reduce our exposure to such risks. We may enter into foreign exchange or interest rate hedging arrangements in respect of our US dollar-denominated liabilities under the Notes. These hedging agreements may require us to pledge or transfer cash and other collateral to secure our obligations under the agreements, and the amount of collateral required may increase as a result of mark-to-market adjustments, and such agreements may be secured by pledges of our cash and other assets as permitted under the Trust Deed. If we were unable to provide such collateral, it could constitute a default under such hedging agreements.

We are subject to foreign exchange controls in the PRC.

Our subsidiaries and joint ventures in the PRC are subject to the relevant PRC rules and regulations on currency conversion. In the PRC, SAFE regulates the conversion between Renminbi and foreign currencies. Currently, FIEs are required to apply to SAFE for "Foreign Exchange Registration Certificates for FIEs." With such registration certifications, FIEs are allowed to open foreign currency accounts, including a "current account" and a "capital account." Currently, conversion within the scope of the "current account," for purposes such as the remittance of foreign currencies for payment of dividends, can be effected without the approval of SAFE. However, the conversion of currency in the "capital account" for capital items such as direct investments, loans and securities, still requires the approval of or registration with SAFE.

Our subsidiaries and joint ventures in the PRC are FIEs and the ability of them to pay dividends or make other distributions to us may be restricted by, among other things, the availability of funds, and statutory and other legal restrictions including PRC foreign exchange control restrictions. In the event that the ability of our subsidiaries and joint ventures in the PRC to distribute funds to us is restricted, it may have an adverse effect on our ability to distribute dividends to our shareholders in the future.

Profits from our subsidiaries and joint ventures in the PRC available for distribution are determined under PRC GAAP.

We derive substantially all of our profits from our operating subsidiary companies and joint ventures established in the PRC. The profits available for distribution by us are therefore dependent on, to a significant extent, the profits available for distribution by our subsidiaries and joint ventures in the PRC. In turn, profits available for distribution by companies established in the PRC are determined in accordance with PRC GAAP and such profits differ from profits determined in accordance with HKFRS in certain significant respects, including the recognition of the carrying value of certain assets. In addition, under the relevant PRC financial regulations, profits available for distribution are determined after transfers to statutory reserve funds.

It may be difficult to enforce against us in the PRC any judgments obtained from non-PRC courts.

Substantially all of our assets are located within the PRC. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan or most other western countries. Therefore, it may be difficult for you to enforce against us in the PRC any judgments obtained from non-PRC courts.

On July 14, 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (the "Arrangement") which was implemented on August 1, 2008 pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. However, there are also many requirements and restrictions under the Arrangement, therefore it may be difficult to enforce judgments of Hong Kong court upon the Group or our Directors and executive officers inside the PRC.

We are affected by political and economic risks in Hong Kong.

A portion of our assets and operations are located in Hong Kong. As a result, our results of operations and financial condition may be influenced by the political situation in Hong Kong and by the general state of the Hong Kong economy. On July 1, 1997, sovereignty over Hong Kong was transferred from the United Kingdom to the PRC, and Hong Kong became a Special Administrative Region of the PRC. As provided in the Sino-British Joint Declaration on the Question of Hong Kong and the Basic Law, which is Hong Kong's constitution, Hong Kong has a high degree of autonomy except in foreign and defense affairs. Under the Basic Law, Hong Kong has its own legislative, legal and judicial systems and full economic autonomy for 50 years. Nevertheless, there can be no assurance that such policies will not be significantly altered. Future economic, political and social developments in the PRC could have significant effects on Hong Kong.

Acts of God, acts of war, epidemics, such as severe acute respiratory syndrome (SARS), H5N1 avian flu or H1N1 influenza, and other disasters may affect our business.

Our business is subject to general and social conditions in the PRC. Natural disasters, epidemics, acts of God and other disasters that are beyond our control may materially and adversely affect the economy, infrastructure and livelihood of the people of the PRC. Some cities in the PRC are under the threat of flood, earthquake, rainstorm, typhoon, sandstorm or drought. Our business, financial condition and operating results may be materially and adversely affected if any of these natural disasters occurs in the areas in which we operate.

Epidemics threaten people's lives and may materially and adversely affect their livelihoods as well as living and consumption patterns. The occurrence of an epidemic is beyond our control and there is no assurance that the outbreak of SARS, H5N1 avian flu or H1N1 influenza will not happen again. Any epidemic occurring in areas in which we operate, or even in areas in which we do not operate, may materially and adversely affect our business, financial condition and operating results.

Acts of war and terrorist attacks may cause damage or disruption to us, our employees, facilities, our distribution channels, markets, suppliers and customers, the occurrence of any of which may materially and adversely affect our business, revenue, cost of sales, financial condition and operating results. Potential war or terrorist attacks may also cause uncertainties and cause our business to suffer in ways that we cannot currently predict.

The facts and statistics included in this offering memorandum relating to the PRC's economy and its property development and transportation sectors might not be accurate.

All facts and statistics in this offering memorandum relating to the PRC's economy and its transportation and property development sectors are extracted from publicly available publications. While our Directors have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by us or our advisors and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC. Due to a lack of information regarding methods or the accuracy of data collection and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

Risks relating to the Notes and the Guarantees

The Notes and the Guarantees are structurally subordinated to liabilities and obligations of each of our Non-Guarantor Subsidiaries, our secured creditors would have priority as to our assets over claims of Noteholders and we are reliant on receipt of cash from our subsidiaries and joint venture companies.

We are primarily a holding company operating through our subsidiaries and joint venture companies. The Notes are guaranteed by us and the Subsidiary Guarantors, several of which are also holding companies that operate through subsidiaries and joint venture companies. The Notes will not be guaranteed by any of our current or future PRC Subsidiaries or SPV Financing Subsidiaries (as defined in "Terms and conditions of the Notes"). See "Terms and conditions of the Notes." Accordingly, even though we hold interests in important business operations and assets through these entities, none of them will guarantee the Issuer's obligations under the Notes. As a result, (i) our obligations under the Notes and the obligations of the Subsidiary Guarantors under the Subsidiary Guarantee will be structurally subordinated to all existing and future obligations of the existing or future Non-Guarantor Subsidiaries and (ii) all claims of creditors of the existing or future Non-Guarantor Subsidiaries, including trade creditors, lenders and all other creditors, and rights of holders of preferred shares of such entities (if any) will have priority as to the assets of such entities over our claims or claims of the Subsidiary Guarantors and those of our creditors or creditors of the Subsidiary Guarantors, including the Noteholders.

Furthermore, to the extent that we or our subsidiaries have secured indebtedness, our secured creditors or the secured creditors of any Subsidiary Guarantor would have priority as to our assets or the assets of the Subsidiary Guarantors securing the related obligations over claims of the Noteholders in relation to the Notes. We and our subsidiaries currently have significant levels of secured indebtedness, and may incur significant additional secured or unsecured indebtedness in the future subject to the terms of the Notes. As of June 30, 2012, in line with industry practice, we had provided guarantees of HK$4,058.4 million in favor of our customers in respect of the mortgage loans provided by the banks to such customers for their purchases of our properties, compared to HK$4,696.1 million as of December 31, 2011. These guarantees will be released when the customers pledge their real estate certificates as security to banks for the mortgage loans granted. As of June 30, 2012, we had CNY1,623.3 million of project development loans outstanding, which are secured by the underlying properties. During the period from July 1, 2012 to July 31, 2012, our property development projects have secured additional short-term property development loans which are secured by the underlying properties.

Finally, our primary assets are shareholder loans to, and our ownership interests in, our PRC Subsidiaries and joint venture companies, including those that are involved in our toll road business, which are held through subsidiaries incorporated outside the PRC. These offshore subsidiaries do not have material operations, and accordingly, our ability to pay principal and interest on the Notes will depend upon our receipt of distributions of dividends and repayments of shareholder loans from our subsidiaries and joint venture companies.

Our subsidiaries and joint ventures may be subject to contractual and regulatory restrictions on the payment of dividends and the repayment of shareholder loans to us.

As a holding company, we depend upon the receipt of dividends and the repayment shareholder loans from our toll road joint ventures to satisfy our obligations, including our obligations under the Notes. Our subsidiaries and associated companies (other than the Subsidiary Guarantors) have no obligation, contingent or otherwise, to pay amounts due with respect to our obligations under the Notes and the obligation under the Subsidiary Guarantees, or to make funds available for such payments. The ability of our subsidiaries and associated companies to pay dividends or repay shareholder loans or advances to their shareholders (including the Issuer, RKIL and the Subsidiary Guarantors) is subject to, among other things, applicable law, relevant shareholders' agreements or constitutive documents and restrictions contained in debt instruments of such subsidiaries and associated companies. In addition, if any of our project companies raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such shares would not be available to the Issuer to make payments on the Notes. These restrictions could reduce the amounts that we, and the Issuer, receive from our project companies, which would restrict our ability to meet the Issuer's payment obligations under the Notes and the Subsidiary Guarantees. In addition, payment of dividends out of the PRC is subject to limitations under PRC law. See "—Risks relating to the PRC, Hong Kong and the Asia Region—Profits from our subsidiaries and joint ventures in the PRC available for distribution are determined under PRC GAAP." There is no assurance that we, the Issuer or the Subsidiary Guarantors will have sufficient cash flows from dividend distributions or repayment of shareholder loans or advances to satisfy the Issuer's obligations under the Notes and the Guarantors' obligations under the Guarantees.

In addition, PRC regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC GAAP. The PRC Subsidiaries are also required to set aside a portion of their after-tax profits according to PRC GAAP to fund certain reserve funds that are not distributable as cash dividends. PRC regulations also require any foreign shareholder loan to be registered with the SAFE.

On July 10, 2007, SAFE promulgated "Notice of the list of first batch of foreign-invested real estate projects that have been filed with MOFCOM" (Hui Zong Fa [2007] No. 130), which imposes certain restrictions on foreign exchange and foreign debts registration of foreign-invested real restate enterprises which are incorporated after June 1, 2007. For a foreign-invested real estate enterprise (both newly established and through capital increase that has obtained the approval certificate from the relevant commercial department and has filed such certificate with MOFCOM on or after June 1, 2007, the local Administration of Foreign Exchange will not conduct the foreign debt registration and foreign debts settlement approval process. For a foreign-invested real estate enterprise that has obtained the approval certificate from the relevant local commercial department and has failed to file such certificate with MOFCOM on or after June 1, 2007, the local Administration of Foreign Exchange will not process foreign exchange registration, amendment in such registration or exchange settlement and sales under capital account.

Except as provided above, prior to repayment of principal on any such shareholder loan, the PRC Subsidiaries must present evidence of payment of any applicable withholding tax on the interest payable in respect of any such shareholder loan in addition to evidence of registration with the SAFE, and any other documents that the SAFE or its local branch may require, and they need to receive an approval of the SAFE of repayment of interest and principle. Although neither we nor the Subsidiary Guarantors have previously experienced any significant problem in receiving payment of dividends, there is no assurance that we, the Issuer or the Subsidiary Guarantors will have sufficient cash flow from dividends or repayment of shareholder loans or advances to satisfy their respective obligations under the Notes or the Guarantees.

We have incurred substantial indebtedness and may incur additional indebtedness in the future and we may not be able to generate sufficient cash to satisfy our outstanding and future debt obligations.

As of June 30, 2012, we had consolidated liabilities of approximately HK$23,224.7 million. See "Description of material indebtedness." We may from time to time incur substantial additional indebtedness, such as this Offering. The Notes impose restrictions on our ability to incur additional debt. If we or our subsidiaries incur additional debt, the risks that we face as a result of such indebtedness and leverage could intensify. The amount of our indebtedness would have important consequences to the Noteholders. For example, increased indebtedness could:

- limit our ability to satisfy our obligations under the Notes and other debt;
- increase our vulnerability to adverse general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying indebtedness, thereby reducing the availability of cash flow to fund working capital, capital expenditures, dividend payments and other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in the businesses and the industries in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- limit, along with the financial and other restrictive covenants of such indebtedness, among other things, our ability to borrow additional funds; and
- increase the cost of additional financing.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We may not generate sufficient cash flow to meet our anticipated operating expenses or to service our debt obligations as they become due. If we are unable to service our indebtedness, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing existing indebtedness or seeking equity capital. These strategies, if implemented, may not be instituted on satisfactory terms.

In addition, our financing arrangements may impose operating and financial restrictions on our business (including the maintenance of certain financial ratios). See "Description of material indebtedness." Our ability to meet our financial ratios may be affected by events beyond our control. We cannot assure you that we will be able to meet these ratios. In particular, certain of our loan agreements contain financial and non-financial covenants, including a restriction on the ability of our subsidiaries to provide loans to any party that is not itself one of our direct or indirect subsidiaries. This would require us to seek consents from the lenders under such loans if we were to provide loans as may be necessary in the ordinary course of our business to most of our joint venture companies in the PRC engaged in the toll road business, in which our equity interests are typically at or below 50%. These type of provisions may negatively affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund necessary capital expenditures, or withstand a continuing or future downturn in our business. Any of these constraints upon us could materially and adversely affect our ability to satisfy our obligations under the Notes.

If we are unable to or do not comply with the restrictions and covenants contained in the 2007 Fixed Rate Notes, the 2010 Guaranteed Notes, the 2011 Guaranteed Notes or our other debt agreements or the Notes, an event of default could occur under the terms of such Notes or agreements, which could cause repayment of our debt to be accelerated.

If we are unable to or do not comply with the restrictions and covenants in the Notes or the Trust Deed or our current or future debt and other agreements, there could be an event of default under the terms of such agreements. In particular, we can be subject to technical defaults even when we timely make all required payments. For example, we could be subject to technical default under the terms of the 2007 Fixed Rate Notes, the 2010 Guaranteed Notes and the 2011 Guaranteed Notes, as a result of having entered into certain other debt agreements to the extent that our interpretation of the relevant terms and restrictions in such Notes and debt agreements is incorrect. In the event of default under these agreements, the holders of the debt would have the power to terminate their commitments to lend to us, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. If these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay our indebtedness in full, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.

Our operations may be restricted by the terms of the Notes.

The Notes are governed by the Trust Deed, which includes a number of significant restrictive covenants that could limit our ability to plan for or to react to market conditions or meet our capital needs, which could increase the credit risk of Noteholders. These covenants restrict, among other things, our ability, and the ability of our Restricted Subsidiaries, to:

- incur additional debt and issue disqualified or preferred stock;
- make restricted payments;
- pay dividends or distributions on our capital stock, repurchase our capital stock, pay existing indebtedness, make or repay shareholder loans or advances or sell or transfer property or assets;
- issue or sell capital stock;
- guarantee indebtedness;
- enter into transactions with affiliates;
- create liens on assets to secure debt;
- enter into sale and leaseback transactions;
- sell assets;
- make investments;
- merge or consolidate with another company; and
- engage in a different business activity.

Our ability to comply with these covenants may be affected by events beyond our control, and we may have to curtail some of our operations and growth plans to maintain compliance.

The Issuer may be unable to purchase the Notes upon a Change of Control Triggering Event.

The Issuer may not be able to purchase the Notes upon a Change of Control Triggering Event. Upon a Change of Control Triggering Event, the Issuer must make an offer to purchase all outstanding Notes. Pursuant to this offer, the Issuer must purchase the tendered Notes at 101% of their principal amount plus accrued interest and unpaid interest, if any, up to, but not including the date of purchase.

The source of funds for any such purchase would be our available cash or third party financing. However, we may not have enough available funds at the time of the occurrence of any Change of Control Triggering Event to make purchases of tendered outstanding Notes. See "Terms and conditions of the Notes—Redemption and purchase—Change of Control." Our failure to make the offer to purchase or purchase tendered Notes would constitute an Event of Default under the Notes. This Event of Default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If our other debt were to be accelerated, we may not have sufficient funds to purchase the Notes and repay the debt.

In addition, the definition of Change of Control Triggering Event in the Trust Deed governing the Notes does not necessarily afford protection for the Noteholders in the event of certain highly leveraged transactions, including certain acquisitions, mergers, refinancings, restructurings or other recapitalizations. These transactions could increase our indebtedness or otherwise affect our capital structure, credit ratings and the Noteholders. The definition of Change of Control Triggering Event in the Trust Deed governing the Notes also includes a phrase relating to the sale of "all or substantially all" of our assets. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition under applicable law.

Accordingly, our obligation to make an offer to purchase the Notes, and the ability of a Noteholder to require us to purchase our Notes pursuant to the offer as a result of a highly leveraged transaction or a sale of less than all of our assets, may be uncertain.

An active trading market for the Notes may not develop, and the liquidity and trading price of the Notes could be volatile.

The Notes are a new issue of securities for which there is currently no trading market. Application will be made to HKSE for the listing of, and permission to deal in, the Notes. However, no assurance can be given that we will be able to obtain or maintain such listing or that, if listed, a trading market will develop. No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for, the Notes. We do not intend to apply for listing of the Notes on any securities exchange other than the HKSE. If an active trading market for the Notes does not develop or is not maintained, the market price and liquidity of the Notes may be adversely affected. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the price at which the Notes have been issued.

The price at which the Notes trade depends on many factors, including:

- prevailing interest rates and interest rate volatility;
- our results of operations, financial condition and future prospects;
- proposals of new instruments, strategic alliances and/or acquisitions;
- changes in our industry and competition;
- the market conditions for similar securities; and
- general economic conditions, almost all of which are beyond our control.

As a result, there can be no assurance that you will be able to resell the Notes at attractive prices or at all.

Our credit ratings may be lowered again or withdrawn in the future.

On August 27, 2012, Moody's changed the ratings of our corporate family and senior unsecured debt ratings from Ba3 to B1 with a stable outlook. Our outlook was revised from stable to negative by Standard and Poor's on September 30, 2011 and was reaffirmed on August 30, 2012.

Our corporate credit and senior unsecured notes rating of BB- by Standard and Poor's Credit ratings address the Issuer's and our ability to perform our respective obligations under the terms of the Notes and the Guarantees and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. There is no assurance that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if, in its judgment, circumstances in the future so warrant. We have no obligation to inform Noteholders of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the ratings assigned to the Notes may adversely affect the market price of the Notes. In addition, any ratings downgrade could adversely affect our ability to access the debt capital markets in the future which may have a material adverse effect on our financial condition and results of operations.

The Notes will initially be held in book entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Notes will initially only be issued in global certificate form and held through Euroclear and Clearstream. Interests in the Notes represented by the global certificate will trade in book entry form only, and notes in definitive registered form, or definitive registered notes, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book entry interests will not be considered owners or holders of the Notes. The nominee of the common depositary for Euroclear and Clearstream will be the sole registered holder of the global certificate representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the global certificate representing the Notes will be made to the paying agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to accounts of participants that hold book-entry interests in the global certificate representing the Notes and credited by such participants to indirect participants. After payment to the nominee of the common depositary for Euroclear and Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book entry interests. Accordingly, if you own a book entry interest, you must rely on the procedures of Euroclear and Clearstream, and if you are not a participant in Euroclear and Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of Noteholder under the Trust Deed.

Unlike the holders of the Notes themselves, owners of book entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from Noteholders. Instead, if you own a book entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis.

Similarly, upon the occurrence of an Event of Default under the Trust Deed, unless and until definitive registered notes are issued in respect of all book entry interests, if you own a book entry interest, you will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes.

We may be unable to obtain and remit foreign exchange.

Our ability to satisfy our obligations under the Notes depends solely upon the ability of our PRC Subsidiaries and joint venture companies to obtain and remit sufficient foreign currency to pay dividends to us and to repay shareholder loans. Our PRC Subsidiaries and joint venture companies must present certain documents to the SAFE, its authorized branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of the PRC (including, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of shareholder loans, evidence of the registration of the loan with the SAFE). Prior to repayment of any shareholder loan, the relevant PRC Subsidiary or joint venture company must also present evidence of payment of the withholding tax on the interest payable in respect of such shareholder loan. In addition, except as discussed above with respect to SAFE's "Notice of the list of first batch of foreign-invested real estate projects that have been filed with MOFCOM" promulgated on July 10, 2007, SAFE's approval for repayment of interest and principal is required for the remittance of such interest and principal outside of the PRC. We intend to use a portion of the proceeds from this Offering of the Notes to make contributions to the registered capital of certain of our PRC Subsidiaries to finance the property development projects and/ or land acquisitions that they are currently undertaking or are to undertake. If any of our PRC Subsidiaries or joint venture companies under the shareholder loans are unable to remit foreign currency for any reason, for example, the failure of the SAFE to approve the payments under the loans, the PRC Subsidiary or joint venture company, as the case may be, will be unable to pay us interest and principal, when due, on our shareholder loans, which may affect our ability to satisfy our obligations under the Notes.

Because our PRC Subsidiaries and joint venture companies' ability to pay dividends may be restricted, the Issuer may not have sufficient funds available to pay amounts due under the Notes.

We currently conduct, and expect to continue to conduct, our operations through our joint ventures and WFOEs, in the PRC. Accordingly, we must receive dividends from our operating companies, in order to meet our cash needs. PRC laws require that dividends can only be paid out of the net income calculated according to financial regulations in the PRC and PRC GAAP. In addition, even if sufficient funds are available, our subsidiaries and joint ventures in the PRC are FIEs and, as such, their ability to pay dividends or make other distributions to us may be restricted by, among other things, statutory and other legal restrictions, including PRC foreign exchange control restrictions, as well as relevant shareholders' agreements or constitutive documents and restrictions contained in debt instruments of such subsidiaries and associated companies. For example, under the articles of association adopted in accordance with PRC regulations, our joint venturers and WFOEs may only declare and distribute dividends annually. Although we receive monthly cash distributions from the toll road joint ventures, we cannot assure you that the cash from dividends from the joint ventures will be available on each interest payment date to pay the interest due and payable under the Notes, or on the maturity date to pay the principal of the outstanding Notes.

None of the Subsidiary Guarantors have appointed a service process agent in England, which can significantly limit the ability to obtain and enforce judgments against the Subsidiary Guarantors.

The transaction documents in relation to the Notes, which include the Global Certificate, the Subscription Agreement, the Agency Agreement and the Trust Deed, are governed by the laws of

England. All of the Subsidiary Guarantors are companies incorporated in jurisdictions under laws outside of England. In addition, none of their respective directors are residents of England and all of their assets and the assets of such persons are located outside England. However, none of the Subsidiary Guarantors have appointed an agent for service of process in England. As a result, it may be difficult for the Noteholders to affect service of process within England upon any Subsidiary Guarantors or its respective directors or to enforce judgments against any of them in English courts. In the event that bankruptcy, insolvency or similar event proceedings are initiated outside England, such proceedings are likely to be complex and costly for the Noteholders and otherwise may result in greater uncertainty and delay regarding the enforcement of the Noteholders' rights.

The insolvency laws of the British Virgin Islands, Bermuda and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Notes are familiar.

Because the Issuer and the Subsidiary Guarantors are incorporated under the laws of the British Virgin Islands and RKIL is incorporated under the laws of Bermuda, any insolvency proceeding relating to the Issuer, the Subsidiary Guarantors and RKIL would likely involve the insolvency laws of the British Virgin Islands and Bermuda, respectively, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Notes are familiar.

Risks relating to the Subsidiary Guarantors

Our initial Subsidiary Guarantors do not currently have significant operations.

None of our current PRC Subsidiaries will provide a Subsidiary Guarantee either upon issuance of the Notes or at any time thereafter. Moreover, no future subsidiaries that may be organized under the laws of the PRC will provide a Subsidiary Guarantee at any time in the future. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of the PRC Subsidiaries. The initial Subsidiary Guarantors that will guarantee the Notes do not have significant operations. We cannot assure you that the initial Subsidiary Guarantors or any subsidiaries that may become Subsidiary Guarantors in the future would have the funds necessary to satisfy our financial obligations under the Notes if we are unable to do so.

The Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws which may affect the enforceability of the Subsidiary Guarantees.

Under bankruptcy laws, fraudulent transfer laws, insolvency or unfair preference or similar laws in the jurisdictions where current and future Subsidiary Guarantors are or may be established, a guarantee could be voided, or claims in respect of a guarantee could be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by, or when it gives, its guarantee:

- incurred the debt with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the guarantee in a position that, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;
- received less than the reasonably equivalent value or fair consideration for the incurrence of such guarantee;

- was insolvent or rendered insolvent by reason of such incurrence;
- was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, any debt beyond its ability to pay as it matures.

The measure of insolvency for the purposes of the foregoing will vary depending on the laws of the jurisdiction which is being applied. Generally, however, a guarantor would be considered insolvent at a particular time if it was unable to pay its debts as they fall due or if the sum of its liabilities was then greater than all of its assets at a fair valuation.

In addition, a guarantee may be subject to review under applicable insolvency or fraudulent transfer laws in certain jurisdictions or subject to a lawsuit by or on behalf of creditors of the guarantors. In such a case, the analysis set forth above would generally apply, except that the guarantee could also be subject to the claim that, since the guarantee was not incurred for the benefit of the guarantor, the obligations of the guarantor thereunder was incurred for less than reasonably equivalent value or fair consideration.

In an attempt to limit the applicability of insolvency and fraudulent transfer laws in certain jurisdictions, the obligations of the Subsidiary Guarantors under each Subsidiary Guarantee will be limited to the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under such applicable insolvency or fraudulent transfer laws.

If a court avoided a Subsidiary Guarantee, subordinated a Subsidiary Guarantee to other indebtedness of the relevant Subsidiary Guarantor, or held a Subsidiary Guarantee unenforceable for any other reason, Noteholders would cease to have a claim against that Subsidiary Guarantor based upon the Subsidiary Guarantee, would be subject to the prior payment of all liabilities (including trade payables) of such Subsidiary Guarantor, and would solely be our creditors and any Subsidiary Guarantor whose Subsidiary Guarantee was not voided or held unenforceable. There is no assurance that, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the Noteholders.

Risks relating to the Issuer

The Issuer is our wholly-owned subsidiary with no operations of its own and will be dependent upon payments from us under intercompany loans and/or pursuant to Guarantees to meet its obligations under the Notes.

The Issuer is our wholly-owned subsidiary with limited assets and has no business operations other than issuing the Notes and engaging in related transactions and future issuances of debt securities upon and with terms substantially similar to the Notes. The proceeds from the issuance of the Notes will be used by the Issuer to provide financing to us for the uses described in "Use of proceeds" elsewhere in this offering memorandum. The Issuer's ability to make payments on the Notes is dependent directly on payments to the Issuer by us and certain of our subsidiaries. Our ability and that of the Subsidiary Guarantors to make payments to the Issuer under intercompany loans and/or pursuant to the Guarantees will depend on a number of factors, some of which may be beyond our and their control. If we and the Subsidiary Guarantors fail to make scheduled payments to the Issuer under intercompany loans and/or pursuant to the Guarantees, the Issuer will not have any other source of funds to meet its payment obligations under the Notes.

Management's discussion and analysis of financial condition and results of operations

You should read the following discussion in conjunction with our audited consolidated financial statements as of and for each of the years ended December 31, 2009, 2010 and 2011 and the unaudited condensed consolidated financial statements as of and for the six months ended June 30, 2012 and the notes thereto, which are prepared in accordance with HKFRS and included elsewhere in this offering memorandum, and the section entitled "Risk factors."

This section includes forward-looking statements. All statements, other than statements of historical facts, included in this section that address activities, events or developments that we expect or anticipate will or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses we made in light of experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. See "Forward-looking Statements."

Certain comparative amounts as of December 31, 2011 and as of and for the six months ended June 30, 2011 have been restated to reflect the adoption of HKAS 12 "Deferred Tax: Recovery of Underlying Assets." In 2012, we adopted the Amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets", which became effective on January 1, 2012. See Note 2 to the unaudited consolidated financial statements for the six months ended June 30, 2012 on pages F-8 to F-10 included elsewhere in this offering memorandum for further details of the Amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets." Therefore, the comparative amounts as of and for the years ended December 31, 2010 and 2009 (which were not restated) may not be presented on a comparable basis as those as of ended December 31, 2011 (which were restate) and as of and for the six months ended June 30, 2012 and 2011. We have presented both restated and unrestated consolidated financial position information as of December 31, 2011 in the section headed "Summary consolidated financial and other data."

Overview

As one of the earliest companies which entered into the PRC toll road business, we have been principally engaged in the investment, operation and management of toll roads and expressways in the PRC since 1994. In 2004, we began engaging in the development of residential and commercial properties in the PRC and, in 2007, further solidified our entry into the property development business with our acquisition of a 49% equity interest in Sunco Property (of which we own a 94.74% equity interest as of the date of this offering memorandum). Our business is now comprised of two segments: our toll road business and our property development business.

As of June 30, 2012, our major toll road projects comprised 12 expressways and highways spanning approximately 732 km located in seven provinces across the PRC: Anhui, Guangxi, Hebei, Henan, Hunan, Jiangsu and Shanxi. As of June 30, 2012, net assets of our toll road portfolio attributable to us were approximately HK$4,260.6 million. These investments in toll road projects are held through our wholly-owned subsidiaries that, together with their PRC joint venture partners, have established joint ventures for investment in various projects.

For the year ended December 31, 2011 and the six months ended June 30, 2012, the total traffic volume during the period recorded by our toll road projects was approximately 90.6 million vehicles and 35.9 million vehicles, respectively, our share of toll revenue was HK$844.2 million and HK$407.4 million, respectively, and our share of cash distributions from our toll road joint ventures was HK$657.6 million and HK$255.6 million, respectively.

As of June 30, 2012, we had over 20 residential and commercial property development projects in the PRC with approximately 4.4 million sq.m. of saleable GFA attributable to us. During the year ended December 31, 2011 and the six months ended June 30, 2012, we had revenues from property development of HK$6,832.5 million and HK$2,320.9 million, respectively.

For the year ended December 31, 2011 and the six months ended June 30, 2012, our EBITDA, calculated on a consolidated basis, was equal to HK$2,852.2 million, and HK$1,127.7 million, respectively.

Our revenue and profit for the periods indicated for each of our segments are as follows:

For the six months ended	**Toll Road**	**Property development**	**Total**
		(in HK$ thousands)	
June 30, 2012			
Reportable segment revenue	-	2,320,901	2,320,901
Reportable segment profit	97,002	150,076	247,078
Included in reportable segment profit are:			
Interest income	3,912	12,557	16,469
Fair value gains on transfer of completed properties held for sale to investment properties	-	35,366	35,366
Change in fair value of investment properties	-	50,000	50,000
Share of results of joint ventures	142,682	6,201	148,883
Depreciation	(86)	(4,648)	(4,734)
Finance costs	(1,745)	(54,354)	(56,099)
Income tax expenses	(7,519)	(338,511)	(346,030)

For the six months ended (restated)	**Toll Road**	**Property development**	**Total**
		(in HK$ thousands)	
June 30, 2011			
Reportable segment revenue	-	2,884,167	2,884,167
Reportable segment profit	29,083	268,385	297,468
Included in reportable segment profit are:			
Interest income	851	11,776	12,627
Impairment losses on interests in joint ventures	(60,000)	-	(60,000)
Fair value gains on transfer of completed properties held for sale to investment properties	-	159,437	159,437
Change in fair value of investment properties	-	22,275	22,275
Share of results of joint ventures	144,650	31,185	175,835
Depreciation	(62)	(5,218)	(5,280)
Finance costs	(4,467)	(57,566)	(62,033)
Income tax expenses	(10,707)	(349,468)	(360,175)

For the year ended	Toll Road	Property development	Total
		(in HK$ thousands)	
December 31, 2011			
Reportable segment revenue	-	6,832,508	6,832,508
Reportable segment profit	89,350	727,213	816,563
Included in reportable segment profit are:			
Interest income	1,233	25,150	26,383
Impairment losses on interests in joint ventures	(118,343)	-	(118,343)
Fair value gains on transfer of completed properties held for sale to investment properties	-	292,562	292,562
Change in fair value of investment properties	-	62,467	62,467
Share of results of joint ventures	298,305	36,914	335,219
Depreciation	(142)	(10,091)	(10,233)
Finance costs	(3,385)	(87,122)	(90,507)
Income tax expenses	(15,335)	(1,018,545)	(1,033,880)

For the year ended	Toll Road	Property development	Total
		(in HK$ thousands)	
December 31, 2010			
Reportable segment revenue	-	4,942,028	4,942,028
Reportable segment profit	144,990	482,435	627,425
Included in reportable segment profit are:			
Interest income	2,608	25,723	28,331
Impairment losses on interests in joint ventures	(162,103)	-	(162,103)
Fair value gains on transfer of completed properties held for sale to investment properties	-	91,013	91,013
Change in fair value of investment properties	-	179,749	179,749
Share of results of joint ventures	395,634	(4,156)	391,478
Depreciation	(71)	(16,984)	(17,055)
Finance costs	(4,192)	(75,727)	(79,919)
Income tax expenses	(20,230)	(951,560)	(971,790)

For the year ended	Toll Road	Property development	Total
	(in HK$ thousands)		
December 31, 2009			
Reportable segment revenue	-	4,600,424	4,600,424
Reportable segment profit (loss)	823,968	(10,248)	813,720
Included in reportable segment profit (loss) are:			
Interest income	349	20,241	20,590
Gains on disposal of interests in joint ventures	578,597	-	578,597
Impairment losses on interests in joint ventures	(158,000)	-	(158,000)
Change in fair value of investment properties	-	40,678	40,678
Share of results of joint ventures	484,429	29,894	514,323
Depreciation	(163)	(21,616)	(21,779)
Finance costs	(5,600)	(10,018)	(15,618)
Income tax expenses	(18,017)	(284,264)	(302,281)

Certain comparative amounts for the six months ended June 30, 2011 as included in the unaudited condensed consolidated financial information as of and for the six months ended June 30, 2012 shown in the tables above have been restated to reflect the adoption of HKAS 12 "Deferred Tax: Recovery of Underlying Assets." In 2012, we adopted the Amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets", which became effective on January 1, 2012. Therefore, the comparative amounts for the years ended December 31, 2009, 2010 and 2011 shown in the tables above (which were not restated) may not be presented on a comparable basis as those for the six months ended June 30, 2012 and 2011.

The adoption of the Amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets" has impacts on the income tax expenses and accordingly the profit after tax for the property development segment. Should such Amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets" be adopted in January 1, 2009, the income tax expenses for the property development segment and for the Group as a whole for each of December 31, 2010 and 2011 would be increased by HK$44.0 million and HK$83.0 million, respectively, and the reportable segment profit for property development segment and the Group for each of December 31, 2010 and 2011 would be decreased by the same amount as mentioned above. Such amendments have no impact to the financial results and financial position for the year ended and as of December 31, 2009. See Note 2 to the unaudited consolidated financial statements for the six months ended June 30, 2012 on pages F-8 to F-10 included elsewhere in this offering memorandum for further details of the Amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets."

Key factors affecting our results of operations

Our toll road business

Toll revenues

Our share of results of joint ventures, and consequently our profitability, are dependent on the amount of toll revenues generated by our toll road joint ventures. On a non-consolidated basis, our joint ventures' ability to pay dividends to us as a shareholder and principal payments to us as a lender is also affected by the amount of cash that they are able to generate through toll revenues.

The operation of toll roads principally involves collection of tolls and maintenance. Revenues from our toll road projects are substantially comprised of toll receipts collected at toll plazas located at each of the interchanges and barriers. Toll revenues generated by each of our joint ventures are subject to a number of factors, including traffic volume and applicable toll rates. Traffic volume is determined by user demand and road capacity. The volume can vary with the location of the asset and the period of operation, as well as seasonal effects. Toll rates are set by the relevant provincial government and provincial price bureaus. Approvals for toll increases rest primarily with these entities, which generally take into account factors such as the toll rate of comparable toll highways in the same region, affordability to users, prevailing rate of inflation and the return for investors. We continuously review the toll rates in effect at our projects.

There are two types of toll collection systems in the PRC: open system and closed system. An open system is a toll system in which a fixed toll for each vehicle category is collected at each toll station on the highway. Vehicles traveling on the highway must stop at each toll station and pay the fixed toll. After paying a toll the vehicle is free to leave the highway or continue to the next toll station. A closed system is a toll system in which a ticket is issued to each vehicle at the interchange toll station on entering the expressway and a toll collected on exit calculated by reference to the distance traveled on the expressway. Each of our joint ventures collects tolls by means of either open system or closed system. All of our joint ventures utilize a manual toll collection system where toll collectors stationed in the toll booths collect tolls in cash, whereas a small number of toll stations have installed automatic toll collection systems. Each of our joint ventures is responsible for the maintenance and repair of its toll road at its own cost throughout the operating concession period. Toll receipts are therefore principally dependent on traffic volume by vehicle categories, weight of the vehicle, applicable toll rates and distance traveled. See "Our business—Our toll road business" for further details regarding the toll collection system at our joint ventures.

Local provincial economies

Our financial results from toll road operations are dependent upon growth in provincial economies in which our toll roads are operated and other factors, such as fluctuations in passenger transport by highway, road maintenance and repair work, as well as competition from other roadways, each of which affect traffic flow and volume on each individual toll road. We currently derive a substantial portion of the share of cash distributions from our expressway projects, which are located in Hunan and Hebei Provinces, and we intend to continue divesting our Class I and Class II highway projects as a part of our strategy to optimize our toll road portfolio.

As of June 30, 2012, we had 12 major toll road joint venture projects, four of which were expressways. As of June 30, 2012, among the 12 major toll road joint venture projects, 11 were operating and one, namely Longcheng Expressway, was under construction. With the completion of construction work in July 2012, Longcheng Expressway was open for traffic in July 2012 and we commenced toll collection in the same month. Our expressway projects accounted for HK$420.3 million, HK$551.7 million, HK$503.1 million, HK$270.8 million and HK$172.7 million, or 77.9%, 73.5%,76.5%,69.6% and 67.6%, respectively, of our share of cash distributions from toll road joint ventures in the years ended December 31, 2009, 2010 and 2011 and for the six months ended June 30, 2011 and 2012, respectively. See "Risk factors—Risks relating to our business—We rely on our expressway projects for a large proportion of our share of cash distributions from toll road joint ventures." Set out below is a summary of some of the factors that affected traffic volume and annual gross toll revenue of our expressway projects, which, in turn, affected cash distributions from, and share of results of, joint ventures in 2011 and the first half of 2012.

Hebei Province

We have a 40.0% equity interest in the Baojin Expressway project and a 45.0% equity interest in the Tangjin Expressway project, both located in Hebei Province. The Baojin Expressway is an East-West corridor linking Tianjin and other cities in Southeast Hebei Province. In 2011, both average daily traffic volume and annual gross toll revenues on the Baojin Expressway maintained a similar level as 2010. For the six month ended June 30, 2012, the average daily traffic volume and the gross toll revenue decreased by 7.0% and 7.3%, respectively, as compared with the six months ended 30 June, 2011. During the six months ended June 30, 2012, traffic volume and gross toll revenue decreased primarily due to weaker demand for the transportation of raw materials, including iron and steel, as a result of the austerity measures in PRC and the diversion of traffic resulting from the completion of major repair work of the competing National 112 Highway at the end of 2011.

The Tangjin Expressway is an important corridor connecting the northern coastal area, the northeast and the southern provinces. In 2011, the Tangjin Expressway project's average daily traffic volume increased by 26.1% compared to 2010 and recorded CNY634.8 million in annual gross toll revenues, as compared with CNY526.5 million in 2010. The increase in average daily traffic and annual gross toll revenues in 2011 was mainly due to repair work carried out on competing expressways during the period, which positively impacted access to the Tangjin Expressway. For the six months ended June 30, 2012, the average daily traffic volume and gross toll revenue decreased by 5.3% and 8.1%, respectively, as compared with the six months ended June 30, 2011. The decrease in traffic volume and gross toll revenue was mainly due to the commencement of expansion works at the Jintang Expressway (Tianjin section), which connected to us, to increase the number of lanes from four to six and weaker demand for the transportation of iron ore, coal and steel in the Tangshan region, which was affected by the overall reduction of steel production and iron mining industries in Beijing and Tianjin particularly in the second half of 2011 as a result of the austerity measures adopted by the government on the property market infrastructure projects.

Hunan Province

We have a 43.17% equity interest in the Changyi Expressway project located in Hunan Province. The Changyi Expressway is a major route linking Changsha City, the provincial capital of Hunan Province, and Yiyang City. The Changyi Expressway's average daily traffic volume increased by 11.5% to 33,910 vehicles per day in 2011 compared to 2010. In 2011, the gross annual toll revenue of the Changyi Expressway was CNY341.7 million, which was similar to the 2010 amount. The increased traffic volume on the Changyi Expressway in the year ended December 31, 2011 as compared to 2010 was mainly due to the growth from the regional economic development. Revenue did not increase by a corresponding amount, however, due to the surface upgrading work commenced in the second half of 2011, which reduced the average traveling distance of the vehicles and subsequently offset the growth driven by the increasing traffic volume during the construction period. For the six months ended June 30, 2012, the average daily traffic volume and gross revenue decreased 3.7% and 3.8%, respectively, as compared with the six months ended June 30, 2011. The decrease in traffic volume and gross toll revenue for the six months ended June 30, 2012 as compared to those of the corresponding period in 2011 was due to the commencement of the surface improvements work for the northern part of the expressway in May 2012, but was partially offset by the increase in long-distance freight traffic primarily resulting from the opening of Jicha Expressway in Hunan in April 2012, which marked the completion of full-length expressway connection between Hunan and Chongqing.

Shanxi Province

We acquired a 40.0% equity interest in Longcheng Expressway project located in Shanxi Province in the first half of 2011. We further increased our equity interest to 45.0% in August, 2011. The Longcheng Expressway is the southeastern section of the outer-ring road of the city centres of Taiyuan and Jinzhong, carrying the eastbound freight transport traffic from southern Shanxi Province and Shaanxi Province to the Bohai region. The expressway commenced operation in July 2012.

Joint venture agreement terms

For our CJVs, a joint venture agreement sets out the terms of our participation, with provisions on, among other things, the time of payment and amount of capital contribution (which is in the form of equity and shareholder loans), and the authorities and the responsibilities of the joint venture parties. The terms for payments of dividends and other distributions in most of our joint ventures are structured such that generally the cash flows we received from our joint ventures typically pass through three stages. During the initial years of a joint venture, we typically receive preferential cash distributions until full recovery of our original capital investment. Thereafter, in a second stage, the cash sharing ratio may be changed to enable our joint venture partner to receive preferential cash distributions to recover its original capital investment, and the cash sharing ratio may be further adjusted in a third stage so that both parties share the cash generated from the project in a predetermined ratio, mainly in proportion to their respective equity interests. For example, in 2009, the cash distribution ratio of our two major expressway projects in Hebei were changed as a result of these provisions, resulting in a decrease in the overall cash contribution of our toll road business to our consolidated results. Our current portfolio of toll road projects is primarily between the second or third stages of the cash sharing arrangements under the joint venture agreements. See "Risk factors—Risks relating to our business—We may not be able to maintain stable cash distributions from our portfolio of toll road investments". See also "Our business—Our toll road business" for details regarding each of our toll road joint ventures and the management of our toll road business.

Remittance of cash distributions

The joint venture agreement for each of our CJVs defines the basis of cash distribution for that joint venture. Cash distribution is principally comprised of annual dividends on our cash sharing ratio, repayments on shareholder loans made to the CJV and return of capital. A negligible amount of the monthly cash distribution has historically been attributable to minimum undertakings for a few toll road projects. At present, none of our current projects are subject to minimum undertakings. Cash distributions are made from the joint venture in Renminbi, and are deposited into the bank accounts of our subsidiaries in the PRC or exchanged into either HK dollars or US dollars and are paid into the designated bank accounts in Hong Kong, where appropriate.

We have provided loans to our joint ventures in the form of shareholder loans as part of our initial capitalization of our toll road projects. Repayments on these loans augment the dividends we receive on our equity interest in those projects. We typically structure our investments in our joint ventures such that approximately 60.0% of our investment is in the form of shareholder loans, and the remainder is through equity contributions. Repayments on shareholder loans to our joint ventures provide us with a more frequent, regular and predictable cash flow from our joint ventures over the life of the joint venture rather than relying on dividends alone. This is particularly relevant in the second cash distribution stage, during which time our joint venture partner receives preferential cash distribution to recover its original capital investment, and in the final stage of cash distribution under the joint venture agreement, during which time we receive dividends in proportion to our equity interest on an annual basis.

Aggregate cash receipts from our toll road joint ventures in the form of repayment of shareholder loans, dividends or return of capital amounted to HK$539.4 million, HK$751.1 million, HK$657.6 million, HK$388.8 million and HK$255.6 million in the years ended December 31, 2009, 2010 and 2011 and for the six months ended June 30, 2011 and 2012, respectively.

Our property business

Economic growth, speed of urbanization and demand for residential properties in the PRC

Economic growth, urbanization and higher standards of living in the PRC have been the main driving forces behind the increasing market demand for residential properties. At the current stage of the PRC economic development, while the property industry is regarded by the PRC Government as one of the PRC's most important industries, the property industry is significantly dependent on the overall economic growth and the resultant consumer demand for residential properties. As we target mainly middle to higher income residents, we believe that private sector developments and urbanization in the PRC are especially important to our operations. Developments in the private sector, urbanization and the resultant demand for residential properties in the PRC have in the past increased the pre-sales and sales of our properties. These factors will continue to have a significant impact on our results of operations.

Regulatory measures in the real estate industry in the PRC

PRC Government policies and measures on property development and related industries have a direct impact on our business and results of operations. From time to time, the PRC Government adjusts its macroeconomic control policies to encourage or restrict development in the private property sector through measures relating to, among others, land grants, pre-sales of properties, bank financing and taxation. However, in 2004, the PRC Government implemented a series of fiscal stimulus measures with a view to stimulating the growth of the economy. These measures included cutting mortgage rates for first time buyers and lowering the minimum capital requirement ratio for ordinary residential developments. However, in 2006, the PRC Government tightened regulations to restrict growth. The PRC Government subsequently loosened credit, lowered taxes and increased infrastructure spending in response to the global financial crisis in 2008 in an effort to stimulate the economy. Following the revival of the economy in 2009, the PRC Government reduced or suspended certain of these stimulus measures. Moreover, in response to concerns over the scale of the increase in property investments, in April 2010, the PRC Government introduced policies to slow down rising housing prices and address the housing problems of the rural population. We believe that these policies have resulted in decreased customer demand, which has resulted in lower transaction volumes. In addition, at the end of 2010, the PRC Government announced that it planned to slow the inflow of foreign capital into the PRC real estate market. In January 2011, the State Council further issued a notice to consolidate and expand the results of regulation and control, further integrate and tighten the regulations and control of the real estate market. We believe that PRC regulatory measures in the real estate industry will continue to impact our business and results of operations.

Pre-sales

Pre-sales constitute the most important source of our operating cash inflow during the process of our project development. PRC law allows us to pre-sell properties before their completion upon satisfaction of certain requirements and requires us to use the pre-sale proceeds to finance the property projects so pre-sold. The amount and timing of cash inflows from pre-sales are affected by a number of factors, including timing and other restrictions on pre-sale imposed by the PRC Government, market demand for our properties subject to pre-sale and the number of properties we have available for pre-sale. Reduced cash flow from pre-sales of our properties will increase our reliance on external financing and will impact our ability to finance our continuing property developments. Because we recognize revenue from property sales at the time of delivery of the property and not upon pre-sale of the property, there is typically a twelve to eighteen month time lag between pre-sale and recognition of revenues for the associated property.

Access to and cost of financing

Bank borrowing is another important source of funding for our property developments. As of June 30, 2012, we had an aggregate outstanding amount of CNY1,623.3 million in onshore loans to fund our property business at our PRC subsidiary level. As commercial banks in the PRC link the interest rates on their bank loans to benchmark lending rates published by PBOC, any increase in such benchmark lending rates will increase the interest costs for our developments. Our access to capital and cost of financing are also affected by restrictions imposed from time to time by the PRC Government on bank lending for property developments.

LAT

Our property developments are subject to LAT with respect to the appreciated value of the related land and properties and improvements on such land and properties. LAT applies to both domestic and foreign investors in properties in the PRC, irrespective of whether they are corporate entities or individuals. Our provision for LAT was HK$123.4 million and HK$89.7 million for the six months ended June 30, 2011 and 2012, respectively. There is a positive correlation between changes to our profit margin and the amount of LAT to which we are subject. However, we cannot assure you that the relevant tax authorities will agree with the basis on which we have calculated our LAT liabilities for provision purposes. Our financial condition may be materially adversely affected if our LAT liabilities as calculated by the relevant tax authorities are substantially higher than our provisions. We have provided more details on the PRC regulations on LAT in "Regulation—PRC taxation."

Ability to acquire suitable land

Our ability to secure quality land at prices that can yield reasonable returns will affect our growth in the future. As the PRC economy continues to grow at a relatively high speed and demand for residential properties remains relatively strong, we expect that competition among developers for land reserves that are suitable for property development will intensify. In addition, the public tender, auction and listing-for-sale practice in respect of the grant of state-owned land use rights is also likely to increase competition for development land and to increase land acquisition costs as a result.

Factors affecting comparability of results of our property business from year to year

In addition to the mechanical effects resulting from the consolidation (or exclusion) of properties and toll roads acquired or divested within a period and the adoption of the Amendments to HKAS 12 "Deferred Tax": Recovery of Underlying Assets" as described in the section headed "Management's discussion and analysis of financial condition and results of operations- Changes in accounting policies" and Note 2 to the unaudited consolidated financial statements for the six months ended June 30, 2012, our results of operations from our property operations tend to fluctuate from year to year and will continue to fluctuate in future periods. The number of properties that we have been and will be able to develop or complete during any particular period is limited due to substantial capital requirements for land acquisition and construction, as well as limited land supplies and lengthy development period before positive cash flows may be generated. We develop larger scale property developments through different phases during the course of several years and we do not record sales of our property projects until the property is delivered to the customer. As a result, our results of operations from our property development business fluctuate and our annual results may not be comparable from year to year in future periods.

Critical accounting policies

Critical accounting policies are those that require application of our management's most difficult, subjective or complex judgments often as a need to make estimates about the effects of matters that are inherently uncertain and may change in subsequent periods. Certain accounting estimates that are made based on past experience, expectations for the future and other information are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting the estimate may differ significantly from management's current judgments. Our significant accounting policies are more fully described under Note 3 of the audited consolidated financial statements for the year ended December 31, 2011 on pages F-35 to F-48 included elsewhere in this offering memorandum. We have described below the critical accounting policies that our management believes are the key sources of estimation uncertainty at the balance sheet date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Amortization of toll highway operation rights

Amortization of toll highway operation rights of our toll road joint ventures is provided to write off our cost on a units-of-usage basis whereby depreciation is provided based on the share of traffic volume for a particular year over projected total traffic volume throughout the operating years of the respective toll road. These projections require the use of judgments and estimates. If such judgment or estimates prove to be inaccurate, our actual results may be materially adversely affected.

Land appreciation tax

Under the Provisional Regulations on LAT implemented upon the issuance of the Provisional Regulations of the PRC on January 27, 1995, all gains arising from transfer of real estate property in the PRC effective from January 1, 1994 are subject to LAT at progressive rates up to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including borrowing costs and all property development expenditures. The provision of LAT is estimated and made according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects.

Impairment of assets

In accordance with applicable accounting policies, we are required to test our assets for impairment at each balance sheet date. We recognize an impairment loss when the market value or the sum of future discounted net cash flows expected to be realized from the asset is less than its carrying amount. If an asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value. Considerable judgment is necessary to estimate the fair value of the assets and accordingly, actual results could vary significantly from such estimates.

Fair value accounting for investment properties

As of June 30, 2012, we had investment properties of HK$1,987.1 million. Under applicable accounting policies, we account for our investment properties at fair value, and changes in fair value will have a direct effect on our profit and loss. The determination of fair value requires the use of significant judgments and assumptions by management. If management does not correctly estimate the fair value of investment properties, it could result in the value of our investment properties being overstated or understated in any period, with corresponding gains or losses based on such overstated or understated value being recorded in our profit and loss for such period.

Changes in accounting policies

We applied new and revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The application of the new HKFRSs has resulted in a change in the presentation of the consolidated financial statements, in particular, the presentation of segment reporting and the inclusion of consolidated statement of comprehensive income. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has also resulted in changes to our accounting polices in several areas that have an effect on how the results for the current and/or prior accounting years are prepared and presented. These changes are more fully described under Note 2 to our unaudited condensed consolidated financial statements as of and for the six months ended June 30, 2012 on pages F-8 to F-10 and Note 2 to our audited consolidated financial statements as of and for each of the years ended December 31, 2011 and 2010 on pages F-32 to F-35 and pages F-95 to F-97, respectively included elsewhere in this offering memorandum.

In 2012, we adopted the Amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets", effective on January 1, 2012. We measure our investment properties using the fair value model. With the adoption of Amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets", investment properties are presumed to be recovered through sale unless the presumption is rebutted and accordingly, the measuring of deferred taxes is based on such presumption while we did not recognise the deferred taxes under such presumption in the past.

The Amendments to HKAS 12 have been applied retrospectively, resulting in the increase of deferred tax liabilities and decrease in the profit after tax of the Group by HK$12.8 million, HK$47.1 million, HK$83.0 million and HK$44.0 million for the six months ended June 30, 2012 and 2011 as well as for the year ended December 31, 2011 and 2010, respectively. Such amendments have no impact to the financial results and financial position for the year ended and as of December 31, 2009.

Except for Amendments to HKAS 12 "Deferred Tax": Recovery of Underlying Assets", the adoption of other new HKFRSs has had no material effect on how the results and financial position for the six month period ended June 30, 2012, the year ended December 31, 2011 and prior accounting periods are prepared and presented.

We have not early applied certain new financial reporting standards, amendments or interpretations that have been issued but are not yet effective. We are not yet in the position to reasonably estimate the impact that may arise on our results and financial position from the application of these standards, amendments or interpretations. However, 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, include: amortization of toll road operation rights and net realizable values of properties under development for sale.

Amortization of toll road operation rights of the Group's infrastructure joint venture is calculated based on the traffic volume for a particular year to the projected total traffic volume throughout the operating years of the respective toll road. These projections require the use of judgments and estimates. The assessment of the net realizable 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 realizable 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.

Results of operations

The table below sets forth, for the periods indicated, certain revenue and expense items for our consolidated operations:

	For the year ended December 31,				For the six months ended June 30,		
	2009	2010	2011	2011	2011[1] (Restated)	2012	2012
	HK$	HK$	HK$	US$	HK$	HK$	US$
	(in thousands)						
Revenue	4,600,424	4,942,028	6,832,508	880,796	2,884,167	2,320,901	299,193
Cost of sales	(4,061,924)	(3,398,281)	(4,921,765)	(634,477)	(2,232,631)	(1,621,436)	(209,023)
Gross profit	538,500	1,543,747	1,910,743	246,319	651,536	699,465	90,170
Interest income	23,090	33,428	30,441	3,924	16,391	18,064	2,328
Other income	33,987	46,476	18,581	2,395	11,638	5,010	646
Other gains and losses	526,533	279,628	396,569	51,123	231,890	119,415	15,394
Selling expenses	(127,682)	(167,581)	(246,131)	(31,730)	(89,085)	(120,105)	(15,483)
Operating expenses	(358,858)	(407,393)	(453,457)	(58,456)	(237,263)	(216,068)	(27,854)
Share of results of joint ventures	514,323	391,478	335,219	43,214	175,835	148,883	19,193
Finance costs	(104,435)	(115,272)	(132,379)	(17,065)	(90,816)	(82,250)	(10,603)
Profit before taxation	1,045,458	1,604,511	1,859,586	239,724	670,126	572,414	73,791
Income tax expenses	(302,281)	(971,790)	(1,033,880)	(133,280)	(360,175)	(346,030)	(44,607)
Profit for the year/period	743,177	632,721	825,706	106,444	309,951	226,384	29,184
Attributable to:							
Owners of the Company	728,080	625,008	818,000	105,451	316,247	228,122	29,408
Non-controlling interests	15,097	7,713	7,706	993	(6,296)	(1,738)	(224)
	743,177	632,721	825,706	106,444	309,951	226,384	29,184

(1) Certain comparative amounts for the six months ended June 30, 2011 as included in the unaudited condensed consolidated financial information for the six months ended June 30, 2012 shown in the table above have been restated to reflect the adoption of HKAS 12 "Deferred Tax: Recovery of Underlying Assets." In 2012, we adopted the Amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets", which became effective on January 1, 2012. See Note 2 to the unaudited consolidated financial statements for the six months ended June 30, 2012 on pages F-8 to F-10 included elsewhere in this offering memorandum for further details of the Amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets." Therefore, the comparative amounts for the years ended December 31, 2009, 2010 and 2011 shown in the table above (which were not restated) may not be presented on a comparable basis as those for the six months ended June 30, 2012 and 2011.

Principal components of results of operations

Revenue

The principal component of our revenue is the sale of completed properties held for sale, which we recognize after certain criteria have been met, including the completion and delivery to the purchaser pursuant to the sale agreements. Cash distributions from our toll road business are not recorded as "Revenue" but rather as "Share of results of joint ventures."

Cost of sales

Cost of sales principally comprises costs incurred for the development of our properties being delivered, including land acquisition costs, construction costs, staff costs and finance costs.

Interest income

Our interest income is mainly comprised of interest earned on bank deposits.

Other income

Other income mainly comprises income received in respect of a development project in Jinan, subsidy income from the PRC Government, car park rental income, gains from trading of financial instruments and other sundry income.

Other gains and losses

Other gains and losses is comprised of gains on disposal of interests in joint ventures, increase in fair value of investment properties, impairment losses on interests in joint ventures and losses on disposal of property, plant and equipment and net exchange gain.

Selling expenses

Selling expenses principally comprises costs associated with the marketing and sales of our properties in our property development projects.

Operating expenses

Operating expenses principally comprises staff costs, including salaries, benefits and stock options granted to employees.

Share of results of joint venture

Our share of results of joint ventures comprises our share of post-acquisition profits of toll road joint ventures, net of depreciation of toll highway operation rights, current tax and deferred tax. We also receive a small portion from a property joint venture that operates a residential property project in Shanghai.

Finance costs

Finance costs principally comprise interest costs net of capitalized interest expenses relating to loans for property developments. Because the construction period for a project or project phase does not necessarily coincide with the interest payment period of the relevant loan, not all of the interest costs related to a project or project phase can be capitalized. As a result, our finance costs fluctuate from period to period depending on the level of interest costs that are capitalized within the reporting period.

Income tax

Income tax principally comprises tax assessed on the sale of properties in the PRC, enterprise income tax and LAT. Our share of results of joint ventures is net of all taxes. Deferred tax is provided for temporary differences arising from subsidiaries mainly in respect of accelerated tax depreciation and tax losses. PRC income tax has been assessed on our PRC Subsidiaries at a 25.0% statutory tax rate.

Six months ended June 30, 2012 and 2011

Due to the adoption of the Amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets, certain comparative amounts for the six months ended June 30, 2011 have been restated. This section "—Six months ended June 30, 2012 and 2011" presents such restated figures, which are directly comparable to the figures for the six months ended June 30, 2012. However, such restated figures are not directly comparable to the audited but unrestated figures for the years ended December 31, 2009, 2010 and 2010, which are presented in the sections "—Years ended December 31, 2011 and 2010" and "—Years ended December 31, 2010 and 2009" below.

Revenue. Our revenue decreased 19.5% to HK$2,320.9 million for the six months ended June 30, 2012 from HK$2,884.2 million for the six months ended June 30, 2011. We delivered 226,000 sq.m. and 368,000 sq.m., respectively, for each of the six months ended June 30, 2012 and 2011. The decrease in revenue was primarily the result of a decrease in properties delivered due to timing differences between the property delivery schedules for the first half of 2012 and the first half of 2011.

Cost of sales. Our cost of sales decreased 27.4% to HK$1,621.4 million for the six months ended June 30, 2012 from HK$2,232.6 million for the six months ended June 30, 2011, primarily as a result of a decrease in GFA delivered.

Gross Profit. Our gross profit increased 7.4% to HK$699.5 million for the six months ended June 30, 2012 from HK$651.5 million for the six months ended June 30, 2011 and our gross profit margin also improved significantly, reaching 30.1% for the six months ended June 30, 2012, compared with 22.6% for the six months ended June 30, 2011. The significant improvement in gross profit and gross margin in the first half of 2012 as compared to the same period in 2011 was mainly due to higher average selling price for product delivered in the first half of 2012. The average selling price per sq.m. increased from CNY6,603.3 for the six months ended June 30, 2011 to CNY8,495.6 for the six months ended June 30, 2012.

Interest income. Our interest income increased 10.4% to HK$18.1 million for the six months ended June 30, 2012 from HK$16.4 million for the six months ended June 30, 2011. This increase was primarily attributable to higher average bank balances during the six months ended June 30, 2012 as compared to the six months ended June 30, 2011, as a result of the increase in proceeds received from property sales.

Other income. Our other income decreased 56.9% to HK$5.0 million for the six months ended June 30, 2012 from HK$11.6 million for the six months ended June 30, 2011. This decrease was primarily due to an one-time gain on the disposal of an investment in financial instruments which we recognized in the first half of 2011. Excluding the effects of the one-time gain, other income mainly included subsidy income from the PRC government and car park rental income.

Other gains and losses. Our other gains decreased 48.5% to HK$119.4 million for the six months ended June 30, 2012 from HK$231.9 million for the six months ended June 30, 2011. The decrease was primarily the result of the combined effect of a HK$73.2 million reduction in foreign exchange gains mainly resulting from appreciation of the Renminbi against the US dollar (which decreased from HK$110.0 million for the six months ended June 30, 2011 to HK$36.8

million for the six months ended June 30, 2012) and the reduction in the gain of the appreciation of our investment properties by HK$96.3 million, and was offset by the decrease in provision made for the impairment losses on interests in toll road joint ventures amounting to HK$60 million.

Selling expenses. Our selling expenses increased 34.8% to HK$120.1 million for the six months ended June 30, 2012 from HK$89.1 million for the six months ended June 30, 2011. The increment was due to more promotion and advertising activities launched to assist the growth of the pre-sales of properties, mainly in Beijing, Tianjin and Jiangsu Province.

Operating expenses. Our operating expenses decreased 8.9% to HK$216.1 million for the six months ended June 30, 2012 from HK$237.3 million for the six months ended June 30, 2011. The decrease in our operating expense was mainly due to an effective cost control management in 2012. In addition, there was professional fees incurred in connection with the issuance of 2011 Guaranteed Notes in February 2011 while there was no similar financing activities in the first half of 2012.

Share of results of joint ventures. Our share of results of joint ventures decreased 15.3% to HK$148.9 million for the six months ended June 30, 2012 from HK$175.8 million for the six months ended June 30, 2011. The drop in share of results of joint ventures for the six months ended June 30, 2012 was mainly due to fewer properties delivered by our Shanghai property joint venture in the first half of 2012 than that of the corresponding period in 2011.

Profit for the period. Our profit for the period decreased 27.0% to HK$226.4 million for the six months ended June 30, 2012 from HK$310.0 million for the six months ended June 30, 2011. Our profit before taxation also decreased from HK$670.1 million in the six months ended June 30, 2011 to HK$572.4 million in the six months ended June 30, 2012. Decrease in the profit was mainly due to the slowdown in the appreciation of Renminbi against US dollars in the first half of 2012, leading to the reduction of the Group's exchange gain and driving the profit of the Group for the period lower than that of last year. The decrease was also accelerated by the reduction of the net gain in the appreciation of the investment properties.

Years ended December 31, 2011 and 2010

Due to the adoption of the Amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets, certain comparative amounts as of December 2011 have been restated. Nevertheless, this section "—Years ended December 31, 2011 and 2010" presents the audited but unrestated figures for the year ended December 31, 2011, which are directly comparable to the figures for the year ended December 31, 2010. However, such unrestated figures are not directly comparable to the restated figures for the six months ended June 30, 2011 or the figures for the six months ended June 30, 2012, which are presented in the section "—Six months ended June 30, 2012 and 2011."

Revenue. Our revenue increased 38.3% to HK$6,832.5 million in 2011 from HK$4,942.0 million in 2010. We were able to deliver 733,000 sq.m. in 2011 compared to 494,000 sq.m. in 2010. The increase was mainly attributable to increment in the GFA delivered in 2011.

Cost of sales. Our cost of sales increased 44.8% to HK$4,921.8 million in 2011 from HK$3,398.3 million in 2010. This increase is reflective of the increase in revenue.

Gross Profit. Our gross profit increased 23.8% to HK$1,910.7 million in 2011 from HK$1,543.7 million in 2010 and our gross margin decreased to 28.0% in 2011 compared to 31.2%

in 2010. The increase in our gross profit was mainly due to the increment in the GFA delivered in 2011 than that of 2010 and the decrease in our gross margin was primary due to the fact that the majority of properties delivered in 2011 were not located in first-tier cities and therefore had lower average selling prices compared to that of most properties which contributed to the revenue and gross profit in the previous corresponding period.

Interest income. Our interest income decreased 9.0% to HK$30.4 million in 2011 from HK$33.4 million in 2010. This decrease was primarily attributable to overall lower bank balances in 2011 compared to 2010.

Other income. Our other income decreased 60.0% to HK$18.6 million in 2011 from HK$46.5 million in 2010 primarily due to an one–time gain on the return from a development project in Jinan recognized in 2011.

Other gains and losses. Our other gains increased 41.8% to HK$396.6 million in 2011 from HK$279.6 million in 2010 primarily due to the increase in the exchange gain and increase in fair value of our investment properties amounting to HK$38.7 million and HK$84.3 million, respectively. Such increase was accelerated by less provision made for the impairment losses on interest in toll road joint ventures amounting to HK$43.8 million (which decreased from HK$162.1 million in 2010 to HK$118.3 million in 2011) but offset by a fair value loss on the cross-currency interest rate swap contract of HK$84.2 million.

Selling expenses. Our selling expenses increased 46.8% to HK$246.1 million in 2011 from HK$167.6 million in 2010. This increase was due to increased promotion and advertising activities launched for several new developments in different cities, such as Tianjin, Beijing and Wuxi.

Operating expenses. Our operating expenses increased 11.3% to HK$453.5 million in 2011 from HK$407.4 million in 2010. The primary reason for the increase in our operating expenses was due to increases in staff costs resulting from the fact that additional property projects were added to property development portfolio during the period and accelerated by inflationary impact.

Share of results of joint ventures. Our share of results of joint ventures decreased by 14.4% to HK$335.2 million in 2011 from HK$391.5 million in 2010. The decrease was primarily attributable to an one-off compensation granted by the local government for the restructure of the toll station in Changyi Expressway recognized in 2010 and was offset by additional properties delivered by our Shanghai property joint venture in 2011.

Profit for the year. Our profit for the year increased 30.5% to HK$825.7 million in 2011 from HK$632.7 million in 2010 mainly as a result of more properties delivered in 2011 than in 2010.

Years ended December 31, 2010 and 2009

Revenue. Our revenue increased 7.4% to HK$4,942.0 million in 2010 from HK$4,600.4 million in 2009. This increase was mainly attributable to higher average selling price for properties delivered in first-tier cities such as Guangzhou and Beijing, and such increase was offset by less GFA delivered in 2010. The average property selling price per square meter for 2010 was around CNY8,854.3 comparing to CNY6,234.0 in 2009, representing an increase of 42.1%, while the GFA delivered reduced from 678,000 sq.m. in 2009 to 494,000 sq.m. in 2010, a decrease of 27.1%. The increase in average selling price per square meter in 2010 was the result of recovery of the PRC property market as well as increase in recognition of sales in 2010 of higher quality properties located in first-tier cities where we can charge a higher price compared to the average selling price of properties delivered in 2009.

Cost of sales. Our cost of sales decreased 16.3% to HK$3,398.3 million in 2010 from HK$4,061.9 million in 2009. This decrease was primarily due to reduction of the total GFA delivered in 2010 and partially offset by the higher land cost for properties delivered in 2010 due to the fact that they were located at the first-tier cities.

Gross Profit. Our gross profit had a significant 186.7% increase to HK$1,543.7 million in 2010 from HK$538.5 million in 2009 and our gross margin also increased to 31.2% in 2010 compared to 11.7% in 2009. The significant improvement in both gross profit and gross margin in 2010 as compared to 2009 is primarily attributable to the higher average selling prices of the properties delivered in 2010.

Interest income. Our interest income increased to HK$33.4 million in 2010 from HK$23.1 million in 2009. This increase was mainly due to the increase in cash receipts from the pre-sales of properties in 2010 and the net proceeds from the issuance of 2011 Guaranteed Notes.

Other income. Our other income increased to HK$46.5 million in 2010 from HK$34.0 million in 2009. This increase was primarily due to more cash received from a development project in Jinan and more subsidy income from the PRC local government.

Other gains and losses. Our other gains decreased 46.9% to HK$279.6 million in 2010 from HK$526.5 million in 2009 primarily due to the fact that there was a gain of HK$578.6 million mainly from the disposal of our interests in Jihe Expressway (Eastern Section) in 2009. It was partially offset by the increase of HK$91.0 million in fair value gain on transfer of completed properties held for sale in Guangzhou City to investment properties, an increase of HK$139.0 million in change in fair value of investment properties (which increased from HK$40.7 million in 2009 to HK$179.7 million in 2010), and an increase of HK$106.4 million in foreign exchange gains mainly resulting from appreciation of the Renminbi against the US dollars (which increased from HK$66.7 million 2009 to HK$173.1 million in 2010), respectively.

Selling expenses. Our selling expenses increased 31.2% to HK$167.6 million in 2010 from HK$127.7 million in 2009. This increase was primarily due to increased promotion and advertising activities launched in 2010 related to pre-sales of properties at several new developments, such as Phases II and III of Phoenix City, Royal Panorama, and Shine June Garden.

Operating expenses. Our operating expenses increased 13.5% to HK$407.4 million in 2010 from HK$358.9 million in 2009. This increase was primarily due to the professional fees incurred for the issuance of 2010 Guaranteed Notes and the fair value expense on the share options granted in April 2010.

Share of results of joint ventures. Our share of results of joint ventures decreased by 23.9% to HK$391.5 million in 2010 from HK$514.3 million in 2009. This decrease was primarily attributable to the loss of contribution from Jihe Expressway (Eastern Section) after its disposal in the second half of 2009 and the change in distribution ratio of our two expressways in Hebei.

Profit for the year. For the foregoing reasons, our profit for the year decreased 14.9% to HK$632.7 million in 2010 from HK$743.2 million in 2009. Although our gross profit increased significantly from HK$538.5 million in 2009 to HK$1,543.7 million in 2010, our income tax expense also increased significantly from HK$302.3 million in 2009 to HK$971.8 million in 2010 due to the positive correlation between changes to our profit margin and the amount of LAT to which we are subject.

Liquidity and capital resources

Cash flows

We fund our short-term working capital requirements through cash flow from operations, working capital facilities and long-term borrowings. As of December 31, 2009, 2010 and 2011 and June 30, 2012, we had cash and cash equivalents of HK$2,887.1 million, HK$4,957.6 million, HK$2,640.5 million and HK$3,218.6 million, respectively. These sources of funding, and our ability to fund our capital expenditure needs, could be adversely affected by a decrease in cash received from our toll road joint ventures, pre-sales of our properties or an inability to obtain funds from external sources on acceptable terms or in a timely manner. We believe that our existing credit lines under our short-term loans, together with cash generated from our operations and the proceeds of this Offering, will be sufficient to finance our working capital needs for the next 12 months.

Operating activities

We generated HK$180.5 million, HK$ 2,494.8 million and HK$1,944.1 million of net cash from operating activities in 2010 and 2009 and in the first half of 2012, respectively. We used HK$2,238.6 million of net cash in operating activities in 2011. The improved performance in property sales in the first half of 2012 increased the balance of deposits from pre-sale of properties, which in turn contributed to the increase in net cash from operating activities during the period. Such increase was partially offset by the increase in inventory of properties during the same period. The negative cash outflow resulting from our operating activities in 2011 was mainly attributable to the payment for the acquisitions of lands of HK$3,503.0 million, which was in line with our plan to replenish the land reserves. We had a significant increase in deposits from pre-sale properties of HK$2,256.2 million in 2010 as compared to 2009, which was primarily resulting from the recovery of the PRC property. The increase in deposits from pre-sale properties was partially offset by the use of cash as prepayment for land leases in 2010, in light of the increased level of development activity on our properties in 2010 as compared to 2009, when we were more focused on reducing our inventories than construction activity. As a result of such strategy, we had a significant decrease in properties under development for sale of HK$2,328.0 million in 2009, which enabled us to generate cash from operating activities in 2009.

Investing activities

We used HK$188.8 million and HK$1,053.8 million of net cash in investing activities in the first half of 2012 and in 2011, respectively, and generated HK$272.7 million and HK$1,049.9 million in 2010 and 2009, respectively, of net cash from investing activities. For the six months ended June 30, 2012, we granted loans to our toll road joint venture companies in an amount of HK$107.1 million, including a loan of HK$86.2 million and additional advances to Jinzhong Longcheng Expressway Co., Ltd. and Hunan Changyi Expressway Co., Ltd. for the construction and surface improvement work of Longcheng Expressway and Changyi Expressway respectively, and had an increase of HK$198.5 million in restricted bank balances and an increase of HK$140.1 million in additions to investment properties. Such cash outflow was partially offset by the

HK$255.6 million of cash distributions/dividends received from our joint ventures in the same period. In 2011, we used HK$648.2 million for the acquisition of land bank for our investment properties in Beijing, HK$623.7 million to acquire 45% equity interest in Longcheng Expressway, HK$261.0 million for the development of investment properties in Changzhou, and had increase in restricted bank balances of HK$270.5 million, respectively, and such cash outflow was partially offset by cash distribution/dividends of HK$657.6 million received from our joint ventures. In 2010, we received HK$781.0 million of cash distributions/dividends from our joint ventures and repayment of HK$222.7 million from an independent third party for the long-term loan receivable, and used HK$426.4 million and HK$155.6 million for the acquisition of subsidiaries in Shijiazhuang, PRC and construction of our investment properties. The cash inflow in 2010 was also partially offset by an increase of HK$ 272.8 million in restricted bank balances. In 2009, we generated HK$1,251.1 million of cash from divestitures of interests in certain toll road ventures and received HK$548.8 million in dividends from joint ventures, such cash inflow was partially offset by advances to investees (including approximately HK$716.5 million relating to the Tianjin projects).

Financing activities

We used HK$1,216.2 million and HK$1,460.0 million of net cash for financing activities for the six months ended June 30, 2012 and in 2009, respectively. We generated HK$708.7 million of net cash for financing activities in 2011, and HK$1,564.0 million of net cash for financing activities in 2010, respectively. In the first half of 2012, we raised HK$1,428.5 million of new borrowings and repaid HK$2,087.1 million of borrowings. We also paid interest of HK$379.5 million and dividend of HK$178.1 million during the same period. In 2011, we raised HK$4,584.3 million in new borrowings, including issuance of the 2011 Guaranteed Notes and drawdown of several project loans in PRC, and used HK$3,292.7 million to repay our then outstanding borrowings, including the 2004 Guaranteed Notes and the Syndicated Loan. In 2010, the cash generated for financing activities mainly attributable to HK$3,924.4 million of new borrowings, including issuance of the 2010 Guaranteed Notes, and HK$1,674.4 million of repayment to the outstanding loans. In 2009, the use of cash primarily reflects the fact that we raised HK$1,323.4 million of new bank borrowings and repaid HK$2,114.0 million of outstanding borrowings, including US$82.5 million of our Syndicated Loan.

Indebtedness

Our total consolidated bank and other borrowings as of December 31, 2009, 2010 and 2011 and June 30, 2012 were HK$6,401.3 million, HK$8,690.1 million and HK$10,151.1 million and HK$9,613.6 million, respectively. Long-term bank and other borrowings due more than one year from the respective dates were HK$5,200.0 million, HK$5,686.6 million, HK$6,651.4 million and HK$6,891.6 million as of December 31, 2009, 2010 and 2011 and June 30, 2012, respectively. During the period of 2009, 2010 and 2011 and the six months of 2012, the borrowed fund was primarily used to finance our property projects. Total finance costs were HK$404.8 million, HK$436.5 million, HK$673.2 million and HK$395.2 million, for each of the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, respectively. The average interest rate was 5.1%, 5.3% and 6.3% per annum for the years ended December 31, 2009, 2010 and 2011, respectively.

As of June 30, 2012, our offshore bank and other borrowings included borrowings from commercial banks and notes denominated in HK dollars, US dollars and CNY. See section headed "Description of material indebtedness" for further details.

Our ratio of net bank and other borrowings (being non-current bank and other borrowings and current portion of bank and other borrowings less bank balance and cash (including pledged bank deposits)) to shareholders' equity was 33.6%, 31.8%, 60.8% (restated) and 48.2% as of December 31, 2009, 2010 and 2011 and June 30, 2012, respectively.

As of June 30, 2012:

- we and our consolidated subsidiaries had consolidated indebtedness (bank borrowings, contingent liabilities and capital commitments) of HK$13,811.3 million (US$1,780.4 million);

- save for RK Management Consultants Limited which had a HK$175.0 million and CNY 145.0 million term loan facility, the details of which are contained in the section headed "Description of material indebtedness", the Subsidiary Guarantors did not have any indebtedness but have guaranteed our obligations under the 2007 Fixed Rate Note, 2010 Guaranteed Notes, 2011 Guaranteed Notes and several bank loans in Hong Kong; and

- the Non-Guarantor Subsidiaries had total indebtedness of HK$13,264.8 million (US$1,710.0 million), which included total contingent liabilities of HK$4,058.4 million (US$523.2 million), capital commitments of HK$139.3 million (US$18.0 million), secured indebtedness of HK$1,999.1 million (US$257.7 million) and unsecured indebtedness of HK$7,068.0 million (US$911.1 million).

Other than the foregoing, neither we nor any of our subsidiaries had any secured indebtedness as of June 30, 2012.

The following table sets forth our debt by maturity as of the dates indicated:

			As of December 31,		As of June 30,	
	2009	2010	2011	2011	2012	2012
	HK$	HK$	HK$	US$	HK$	US$
			(in millions)			
Repayable:						
Within one year	1,201.3	3,003.4	3,499.7	451.2	2,722.0	350.9
After one year but within two years	2,081.2	1,509.9	384.9	49.6	3,781.1	487.4
After two years but within five years	3,118.8	4,176.8	6,266.5	807.8	3,110.5	401.0
Total borrowings	6,401.3	8,690.1	10,151.1	1,308.6	9,613.6	1,239.3

Our borrowings are primarily denominated in US dollars and CNY. Other than our 2007 Fixed Rate Notes, 2010 Guaranteed Notes and 2011 Guaranteed Notes, our borrowings were primarily on a floating rate basis as of June 30, 2012.

Contractual commitments and capital expenditures

In addition to the payment obligations under our borrowings set forth above, we also have continuing obligations to make future minimum lease payments under non-cancellable operating leases, which represent our rentals payable on our office premises with lease periods ranging from two to twenty years. These commitments fall due as follows:

			As of December 31,		As of June 30,	
	2009	2010	2011	2011	2012	2012
	HK$	HK$	HK$	US$	HK$	US$
			(in millions)			
Repayable:						
Within one year	12.5	10.8	11.9	1.5	12.3	1.6
In the second to fifth year inclusive	3.8	13.6	7.1	0.9	12.1	1.5
Total commitments	16.3	24.4	19.0	2.4	24.4	3.1

We have made, and expect to continue to make, substantial capital expenditures in connection with investments in toll road joint venture projects. Purchases of land for our property development business are not considered capital expenditures unless we hold the property for investment purposes. As of June 30, 2012, we had six properties held for investment purposes.

As of June 30, 2012, in line with industry practice, we provided guarantees of HK$4,058.4 million in favor of our customers in respect of the mortgage loans provided by the banks to such customers for their purchases of our properties, compared to HK$4,696.1 million as of December 31, 2011. These guarantees will be released when the customers pledge their real estate certificates as security to banks for the mortgage loans granted.

As of June 30, 2012, we had deposits of HK$221.5 million charged as security in favor of banks for mortgage loans granted to purchasers of properties in over 10 property projects and short-term facilities granted to our Group. In addition, properties valued at HK$1,843.7 million were pledged as security for certain loan facilities granted to nine property projects. Other than the foregoing pledge and charge, there were no other material charges on our assets or those of our Non-Guarantor Subsidiaries as of June 30, 2012.

Off-balance sheet arrangements

Except for the contingent liabilities set forth above, we have not entered into any off-balance sheet guarantees or other commitments to guarantee the payment obligations of any third parties.

Qualitative and quantitative disclosure about market risk

We are exposed to various types of market risks in the normal course of business, primarily including financial risks of changes in foreign exchange rate, interest rates and prices of financial instruments. The following discussion summarizes our exposure to different market risks.

Foreign currency risk

Certain of our transactions are denominated in foreign currencies which are different from the functional currency of the respective group entities and therefore we are exposed to foreign currency risk. We currently do not have a formal foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

Interest rate risk

We are exposed to cash flow interest rate risk due to 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. Our 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. We currently do not have an interest rate hedging policy. However, our management will consider hedging significant interest rate exposure should the need arise.

Other price risk

In 2011, we entered into two cross-currency interest rate swap contracts with certain financial institutions. We are exposed to the price risk of the financial derivatives. Our profit for the year of 2011 will increase or decrease by approximately HK$81,947,000 where Renminbi strengthens or weakens by 5% against United States dollars.

Our business

Overview

As one of the earliest companies which entered the PRC toll road business, we have been principally engaged in the investment, operation and management of toll roads and expressways in the PRC since 1994. In 2004, we began engaging in the development of residential and commercial properties in the PRC and, in 2007, further solidified our entry into the property development business with our acquisition of a 49% equity interest in Sunco Property (of which we own a 94.74% equity interest as of the date of this offering memorandum). Our business now comprises of two segments: toll road business and property development business.

As of June 30, 2012, our major toll road projects comprised 12 expressways and highways spanning approximately 732 km located in seven provinces across the PRC: Anhui, Guangxi, Hebei, Henan, Hunan, Jiangsu and Shanxi. As of June 30, 2012, net assets of our toll road portfolio attributable to us were approximately HK$4,260.6 million. These investments in toll road projects are held through our wholly-owned subsidiaries that, together with their PRC joint venture partners, have established joint ventures for investment in various projects.

For the year ended December 31, 2011 and the six months ended June 30, 2012, the total traffic volume during the period recorded by our toll road projects was approximately 90.6 million vehicles and 35.9 million vehicles, respectively, our share of toll revenue was HK$844.2 million and HK$407.4 million, respectively, and our share of cash distributions from our toll road joint ventures was HK$657.6 million and HK$255.6 million, respectively.

As of June 30, 2012, we had over 20 residential and commercial property development projects in the PRC with approximately 4.4 million sq.m. of saleable GFA attributable to us. During the year ended December 31, 2011 and the six months ended June 30, 2012, we had revenues from property development of HK$6,832.5 million and HK$2,320.9 million, respectively.

For the year ended December 31, 2011 and the six months ended June 30, 2012, our EBITDA, calculated on a consolidated basis, was equal to HK$2,852.2 million, and HK$1,127.7 million, respectively.

Competitive strengths

We believe that we possess the following principal strengths, which make us competitive in our principal business sectors:

Business and geographic diversification

We believe the diversification between an established core toll road business and a growing and dynamic property development business provides a strong long-term platform to continue to expand our business. Our long established toll road portfolio complements our property development business, which has high growth potential. In addition to the strength provided from the diverse and complementary nature of cash flows from our two business segments, we also derive benefit from geographic diversity within our toll road business. Our toll road investment portfolio includes 12 major toll road projects in seven provinces across the PRC, covering approximately 732 km as of June 30, 2012. Our geographic diversity further strengthens the stability and performance of our core toll road business segment.

Predictable and stable cash flows from toll road investments

Our core toll road business provides predictable and steady cash flows, which give us stability as well as flexibility in managing our operations. The predictability and growth of our toll road business has been demonstrated by the strong growth of traffic volume and toll rate performance since 1998. The national turnover volume of freight traffic by road in the PRC increased from approximately 548.3 billion tons per kilometer in 1998 to approximately 5,061.9 billion tons per kilometer in 2011, and the national turnover volume of passenger traffic by road in the PRC increased from approximately 594.3 billion passengers per kilometer in 1998 to approximately 1,667.6 billion passengers per kilometer in 2011. We believe daily traffic will continue to grow over the long-term as a result of robust vehicle consumption and economic growth in the PRC. Furthermore, the fact that the majority of our existing toll road joint venture companies and projects do not have any bank borrowings enhances the stability and predictability of our cash flows.

Strong local partnerships with highway bureaus and local governments

Over the past 18 years that we have been operating and managing our toll road business, we have established strong, long-term relationships with relevant PRC Government authorities. We have formed these ties because all of our toll road joint venture partners are either subsidiaries or entities under the auspices of local highway bureaus and/or municipal or provincial governments. We believe that our long-term relationship with our PRC joint venture partners and PRC Governmental authorities and our proven track record in operating toll roads position us well to acquire strategic, high quality toll road projects in the future. In addition, we believe that our strong relationships with the PRC Governmental authorities will also be instrumental in growing our property development business.

Strategically located land reserves

Our property development portfolio provides us with an attractive project development pipeline in the coming years. We have selectively acquired land leases in readily accessible strategic locations in areas with high growth potential and well-developed transportation infrastructure. As of June 30, 2012, we had projects comprising of approximately 4.4 million sq.m. attributable saleable GFA.

Proactive and "hands-on" approach led by an independent management team

We believe that active management participation in each of our projects is essential to our success, helping us to properly implement toll collection systems and contributing to efficient operations. Further, in our toll road business, we routinely second our own staff to each joint venture and nominate them to the board of directors and key management positions across major operational functions, such as toll collection, finance and systems/operations. In our property business, we have grouped our development projects into four major geographical regions with each project managed by a PRC-based project manager and supervised by a senior executive (usually PRC-based). Our hands-on management style keeps us involved in the day-to-day operations of, and decision-making at, our two business segments. We believe our management team has helped to maintain prudent cash management policies and stringent internal control systems. In addition, we place a strong emphasis on corporate governance. In 2009 we created a management committee comprised of senior executives who are independent of our shareholders, which supervises and monitors all major issues in daily operations.

Experienced and stable management

Over the 18 years we have operated and managed our toll road business, we have built up a strong management team comprised of experienced professionals based in Hong Kong and the PRC. On the toll road business side, we have management with in-depth experience in the operation of toll roads, local knowledge of the business and strong relationships with PRC Governmental authorities. On the property development business side, with the integration of the Sunco Property Acquisition, we have in place an established management team with significant practical expertise in project management, engineering, construction and sales and marketing. We have experienced managers at our project companies working closely with contractors not only to control costs but also to ensure the quality of the construction work. In 2009 we created a management committee comprised of senior executives who are independent of our shareholders, which supervises and monitors all major issues in daily operations.

Strategies

We intend to achieve our overall business objectives by pursuing the following strategies:

Maintain and expand our core toll road business

We are committed to maintaining and expanding our core toll road business, which provides us with stable and predictable cash flows. We plan to do this by optimizing our toll road portfolio by focusing on expressways and by structuring our investments to maximize our cash returns.

- ***Focus on expressways.*** We believe that expressway investments will create a higher yield for our toll road portfolio. In the first half of 2012, approximately 67.6% of our cash distributions from our toll road joint ventures was generated from tolls collected on our expressway projects. As such, we intend to seek strategic opportunities to invest in expressway projects in the future and to focus on existing revenue-generating Expressway projects and new near-term expressway projects, which are higher yielding in nature so that we are well-positioned to continue to maximize our returns from these types of projects. In 2011, we acquired a 45% equity interest in Longcheng Expressway. In addition, we also intend to continue divesting our Class I and Class II highway projects as part of our strategy to optimize our toll road portfolio.

- ***Structure our toll road investments to maximize our cash returns.*** The major selection criteria of a project are as follows: (i) priority is given to invest in toll road projects that are already operating and collecting tolls, (ii) the investment must meet our internal targeted rate of return and (iii) identifying of new toll road investment opportunities by leveraging our strong relationships with local governments. In addition, before investing in any toll road project, we carefully assess and evaluate various criteria including socio-economic demographics of the project location, the local joint venture partners, the joint venture structure, our financial resources, any applicable quality requirements and financial data of the prospective project.

Prudent and opportunistic approach to property development

We plan to continue to engage in measured growth in our property development business by selectively focusing on acquiring and pursuing primarily residential property development projects in high growth areas near city centers. Prior to making any investment decision, we will adhere to our prudent financial policies and consider the project's expected internal rate of return, cash flows and capital requirements.

- ***Measured growth.*** We plan to continue the measured and disciplined growth of our property development portfolio. Our cautious approach to evaluation of new investments is demonstrated by our limited number of acquisitions since 2007. We will continue our multi-layered and thorough process of evaluating and approving additional property development project, which is designed to ensure proper due diligence has been completed on every investment decision. We conduct a comprehensive analysis to determine whether a prospective project meets our investment strategy and financial standards; we evaluate the effectiveness of the local government and its planning function; and we determine whether the infrastructure and social facilities of the area offer an attractive living and/or working environment, prior to making any decisions regarding property development projects. We plan to maintain a sustainable level of land reserves in line with our operational capacity to develop new and high quality property development projects.

- ***Focus on high growth areas within reasonable travel distance from city centers for residential development.*** We believe high growth areas within reasonable travel distance from city centers offer the most rewarding opportunities for development. We focus on land reserves in these areas because they better match our prudent financial criteria and at the same time still meeting our rate of return, cash flows and capital requirement objectives. We will continue to focus primarily on building residential communities with ancillary commercial developments.

Strengthening our brand by focusing on developing high quality products

We believe that market perception of our "brand" and our reputation as a property developer are very important and that our brand can be best enhanced by consistently delivering high quality products. We have actively participated in the selection of the materials used in our projects in order to achieve desired quality levels and to maintain a cohesive brand image. We will continue to leverage on our expertise in construction and project management to implement strict quality control standards and closely monitor the product quality and the workmanship of our contractors throughout the development process. Our efforts have been recognized by a number of industry groups and publications. For example, China Academy of Real Estate, China Real Estate Association and China Real Estate Appraisal Centre named us as one of the "Top 30 Valuable Real Estate Enterprises Brands in China in 2011." By cultivating a distinctive brand image, we will be able to further enhance our ability to attract our target customers and reinforce our customers' perception of the high quality of our products and services.

Maintain a strong capital structure

From the relatively stable financial position provided by our cash-generating toll road business, we will continue to carefully manage our property development business by taking a balanced approach to growing our overall business while maintaining our stable financial position. As a result, we have been able, and plan to continue, to maintain a strong liquidity position and conservative debt gearing and leverage. As of June 30, 2012, our gross debt to capitalization ratio was 46.1% and we had around HK$4.2 billion of bank deposits (including pledged deposits) and cash on hand. We will also continue to access diversified funding sources.

History and development

A brief summary of our history is set out below:

Year	Key Events
1993	• Our business was started by Wai Kee Holdings Limited investing in toll road projects in the PRC.
1994	• Road King (China) Infrastructure Limited was jointly established by Wai Kee Holdings Limited and AIG Asia Infrastructure Fund L.P.
1996	• Our Company was incorporated in Bermuda as a holding company. • We were listed on the HKSE in July.
1997	• We were voted as one of the "1997 Best Managed Companies in Hong Kong" by Asiamoney Magazine.
1999	• We were selected as a constituent stock of the then Hang Seng MidCap 50 Index.
2001	• We were selected as a constituent of the then 200-stock Hang Seng Composite Index Series.
2004	• We entered the property development business in the PRC.
2006	• We acquired 100% of Suzhou Junyu.
2007	• We acquired our ownership interest in Sunco Property.
2009	• We were ranked 37th in the "Top 500 Chinese Entrepreneur in China Market 2009" list prepared by Global Chinese Entrepreneur.
2012	• We were ranked 2nd in the "Top 10 Foreign Invested Property Developers in China 2012" and 39th in the "Top 50 Property Developers in China 2012" lists prepared by Chinese Real Estate Research Association, China Real Estate Association and China real Estate Appraisal Centre.

Business

Our business activities and interests are divided into two principal areas: operating toll roads and developing properties in the PRC.

The following tables show a breakdown of our business in terms of profit for the year for the periods indicated:

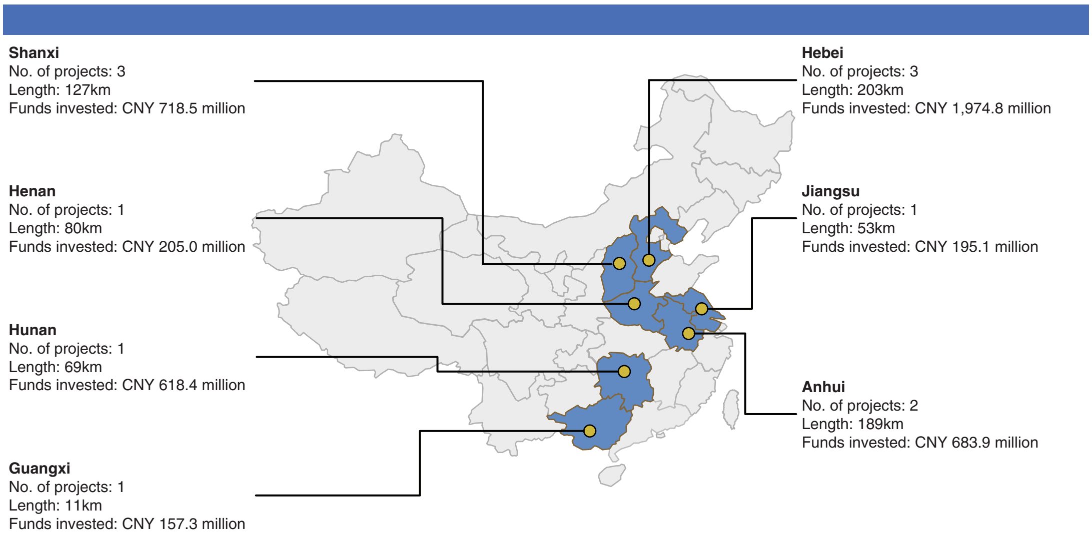
	For the year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011 (Restated)(1)	2012
	(in HK$ thousands)				
Total reportable segment revenue	4,600,424	4,942,028	6,832,508	2,884,167	2,320,901
Toll road reportable segment profit	823,968	144,990	89,350	29,083	97,002
Property reportable segment (loss) profit	(10,248)	482,435	727,213	268,385	150,076
Unallocated(1)	(70,543)	5,296	9,143	12,483	(20,694)
Consolidated profit for the year	743,177	632,721	825,706	309,951	226,384

(1) Unallocated represents income and expenses that are not allocated to either of our two business segments. These include, among other things, interest income, finance costs, and corporate income and expenses.

(2) Certain comparative amounts for the six months ended June 30, 2011 as included in the unaudited condensed consolidated financial information for the six months ended June 30, 2012 shown in the table above have been restated to reflect the adoption of HKAS 12 "Deferred Tax: Recovery of Underlying Assets." In 2012, we adopted the Amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets," which became effective on January 1, 2012. See Note 2 to the unaudited consolidated financial statements for the six months ended June 30, 2012 on pages F-8 to F-10 included elsewhere in this offering memorandum for further details of the Amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets." Therefore, the comparative amounts for the years ended December 31, 2009, 2010 and 2011 shown in the table above (which were not restated) may not be presented on a comparable basis as those for the six months ended June 30, 2012 and 2011.

Our toll road business

As of June 30, 2012, our major toll road projects comprised 12 expressways and highways spanning approximately 732 km located in seven provinces across the PRC: Anhui, Guangxi, Hebei, Henan, Hunan, Jiangsu, and Shanxi, as depicted in the following map:



Our toll road business is carried out through joint ventures, in which our current equity interests range from 35% to 70%. The operation of toll roads principally involves collection of tolls and maintenance.

Toll rates

Revenues from our toll road projects are substantially comprised of toll receipts collected at toll plazas located at each of the interchanges and barriers. Expressways operate on a closed toll system and highways operate on an open toll system. Toll rates for expressways are determined by the provincial government, and are generally assessed as a Renminbi per kilometer traveled based on vehicle classification, including the type and weight of vehicle and the number of axles and wheels, and which range in size from passenger cars, jeeps and motorcycles up to double deck cars, heavy trucks and trailers. We implemented weight-based tolling for the Tangjin Expressway and Baojin Expressway in 2008 and for the Changyi Expressway in August, 2012. Toll rates for highways are not assessed as a Renminbi price per kilometer, but rather on a fixed rate determined by the provincial government for each different vehicle classification. Toll receipts are therefore principally dependent on traffic volume by vehicle categories, applicable toll rates and distance traveled.

Approval for toll increases rests primarily with the relevant provincial government and provincial price bureaus, which generally take into account factors such as the toll rate of comparable toll highways and expressways in the same region, affordability to users, prevailing rate of inflation and the return to investors. There can be no assurance that any applications for increases of toll rates will be approved by the relevant authorities in a timely manner, or at all. See "Risk factors—Risks relating to our business—Our toll rates are subject to the regulation by various provincial or local government authorities."

Joint venture agreement terms

Our interest in the toll road joint ventures is held, through our project holding companies, generally in the form of CJVs with our respective PRC joint venture partners. In the PRC, the structure of a CJV allows the joint venture parties more flexibility in structuring their investments and in determining their rights, liabilities and obligations. Profits of a CJV are distributed to the parties in such manner as the parties may agree to, rather than in strict proportion to their capital investment in the joint venture. For instance, a foreign party may recover its investment first during the joint venture term if it is agreed in the CJV contract that the Chinese party shall keep the fixed assets of the JV without compensation upon expiration of the joint venture term. Except for Longcheng Expressway, under which the profit distribution arrangement is based on the equity ratio, most of our existing toll road joint ventures adopt profit sharing arrangements, pursuant to which the profit sharing arrangements between us and joint venture partners vary through different stages.

When we have identified a potential project that we believe would make valuable contributions to our business, a formal CJV agreement will be negotiated and signed by one of our subsidiaries with the respective PRC joint venture partner. Generally, we provide the financing for the joint venture and the joint venture partner provides the underlying property asset and the toll license. Under the terms of the agreement, the joint venture has the right to operate and collect tolls on roads but does not own the underlying toll road asset. While the operating rights of a toll road cannot be sold to a third party without approval from relevant government departments, we and our respective joint venture partners each have the right of first refusal on the sale of the interest in the joint venture. Each of our joint ventures has the exclusive right to operate the relevant roads for a fixed term, generally ranging from 18-32 years, and upon expiry of the joint venture agreement, all fixed assets are transferred to the respective PRC joint venture partner.

The joint venture agreement sets out our participation in the CJV with provisions on, among other things, the time of payment and amount of capital contribution (which is in the form of equity, giving us long-term returns on our investment, and shareholders' loans, providing us with a more frequent, regular and predictable cash flow over the life of the joint venture), the authorities and the responsibilities of the joint venture parties. We endeavour to include the following terms, where possible and appropriate, in the joint venture agreements:

- assigning to the PRC joint venture partner the primary responsibility for obtaining the necessary government approvals for the relevant joint venture and its operations; and

- preferential cash distribution to us to accelerate the return of our original capital investment.

For details regarding the cash sharing arrangements applicable to our toll road joint ventures and loans we make to our joint ventures, see "Management's discussion and analysis of financial condition and results of operations—Key factors affecting our results of operations."

Existing projects summary

The following table sets forth certain information regarding our existing toll road projects as of June 30, 2012:

Project[(1)]	Length	Beneficial ownership as of June 30, 2012[(2)]	Our Investment[(3)]	Cash received in 2011	Joint venture period	Joint venture expiration date
			(CNY in millions)	(HK$ in millions)		
Expressways						
Hunan Province						
National Expressway G5513 Changsha-Yiyang Expressway[(4)]	69 km	43.17%	618.4	144.1	27 years	Oct 2024
Hebei Province						
National Expressway G18 Baoding-Tianjin Expressway	105 km	40%	960.0	159.4	30 years	Sep 2033
National Expressway G25 Tangshan-Tianjin Expressway	58 km	45%	798.9	199.6	18 years	Jan 2023
Shanxi Province						
Provincial Expressway S60 Yuci Longbai Village-Chengzhao, Qixian	72 km	45%	450.0	-	30 years	Jul 2042
Class I Highways						
Shanxi Province						
National Highway 108 Yuci Dongchangshou-Qixian Dongguan Highway	38 km	65%	160.6	1.5	20 years	Nov 2016
Anhui Province						
National Highway 312 Hefei-Yeji Highway[(5)]	99 km	50%	428.9	47.8	25 years	Mar 2025
Henan Province						
National Highway 311 and Provincial Highway 103 Xuchang-Nanyang Highway	80 km	50%	205.0	-	23 years	Jan 2020
Class II Highways						
Jiangsu Province						
Provincial Highway 343 Suzhou-Shanghai Hongqiao Airport Highway (Suzhou Section)	53 km	50%	195.1	7.8	23 years	Dec 2017
Anhui Province						
National Highway 206 Hefei-Huainan Highway	90 km	60%	255.0	-	25 Years	Jul 2022
Other						
Other Highways[(6)]	150 km	35%-70%	686.3	31.6	20-32 years	Jul 2017-Nov 2029
Total	814 km		4,758.2	591.8		
Toll roads disposed of in 2011[(7)]	96 km		415.6	65.8		

(1) The projects listed in this table are held through various joint ventures; for the name of the joint ventures, please refer to note 19 to the consolidated financial statements as of and for the years ended December 31, 2011 and 2010 and for the years ended December 31, 2010 and 2009 included elsewhere in this offering memorandum.

(2) The cash sharing ratios in these existing toll road project joint ventures (except for the sharing ratio of Provincial Expressway S60 Yuci Longbai Village-Chengzhao, Qixian being the same as the proportion of our beneficial ownership) differ from the proportion of our beneficial ownership. During the early stage of the joint ventures, we typically receive preferential cash distributions until full recovery of our original capital investment. Thereafter, in a second stage, the cash sharing ratio may be changed to enable our joint venture partner to receive preferential cash distributions to recover its original capital investment, and the cash sharing ratio may be further adjusted in a third stage so that both parties share the cash generated from the project in a predetermined ratio, mainly in proportion to their respective equity interests.

(3) Our investment reflects the total investment made and includes investment made in the form of registered capital and shareholder's loan.

(4) Due to relocation of a toll station, the length is reduced by 7km.

(5) We disposed of a section of this toll road in December 2010.

(6) Other Highways includes Bengbu Huaihe Bridge Highway, Benbu Huaimeng Highway, Chaoyanglu Huaihe Bridge, Shijin Highway, Yuci City Bypass and Yulin City Highway

(7) Toll roads disposed of in 2011 include the Taiyu Highway and Hanguan Highway.

A brief description of our toll road projects is as follows:

National Expressways

National Expressway G5513 Changsha-Yiyang Expressway—Changyi Expressway in Hunan Province is a project consisting of an expressway (Changyi Expressway) approximately 69 km in length, linking Changsha City, the provincial capital of Hunan Province, and Yiyang City and serves as a cross-link between two national trunk roads connecting northern and southern China. Changyi Expressway is the major connecting route between Changsha-Yongan Expressway and Changsha Huanghua Airport. The total project cost is approximately CNY1,432.6 million, of which we have contributed CNY618.4 million. We have a 43.17% equity interest in this project. This project earned CNY341.7 million in gross toll revenues in 2011. We received cash distributions of HK$144.1 million from this CJV project in 2011. The term of this joint venture is 27 years beginning October 1997. Changyi Expressway is fully operational and has been collecting tolls since 1998. The joint venture period is the same as that for Changyi Expressway.

National Expressway G18 Baoding-Tianjin Expressway—Baojin Expressway in Hebei Province is an expressway with a length of approximately 105 km situated in Hebei. It is part of the trunk road of Hebei Province that runs from the border between Hebei Province and Tianjin to Xushui in Baoding and connects to the Beijing-Shijiazhuang Expressway. Baojin Expressway is one of the major routes connecting Tianjin and north-eastern provinces with Shijiazhuang and provinces to the south such as Shanxi and Henan. The total project cost is approximately CNY2,400.0 million, of which we have contributed CNY960.0 million. We have a 40.0% equity interest in this project. This project earned CNY709.7 million in gross toll revenues in 2011. We received HK$159.4 million in cash distributions from this CJV project in 2011. The term of this joint venture is 30 years beginning September 2003. Baojin Expressway is fully operational and has been collecting tolls since 1999.

National Expressway G25 Tangshan-Tianjin Expressway—Tangjin Expressway in Hebei Province is an expressway with a length of approximately 58 km situated in Hebei Province. It connects Tangshan and Tianjin and is a major road connecting the southern and eastern coastal areas, Tianjin, Tangshan, Qinhuangdao and the north-eastern region of China. The total project cost is approximately CNY1,775.4 million, of which we have contributed CNY798.9 million. We have a 45.0% equity interest in this project. This project earned CNY634.8 million in gross toll revenues in 2011. We received HK$199.6 million in cash distributions from this CJV project in 2011. The term of this joint venture is 18 years beginning in January 2005. Tangjin Expressway is fully operational and has been collecting tolls since 1999.

Provincial Expressway S60 Yuci Longbai Village- Chengzhao, Qixian Expressway

In the first half of 2011, we acquired a 40% of the equity interest in Longcheng Expressway. We further increased our equity interest in this expressway to 45% in August, 2011. Longcheng Expressway in Shanxi Province is an expressway with a length of approximately 72 km located in the southeast of Taiyuan City. It connects Yuci Longbai Village located in the east of Taiyuan City which connects to Taijiu Expressway, and ends at Chengzhao in Qixian which connects with

Dayun Expressway. It is expected to become the southeastern section of the outer-ring road in the city centres of Taiyuan and Jinzhong, carrying the eastbound freight transportation traffic from the southern Shanxi Province and Shaanxi Province to the Bohai region. As of June 30, 2012, the total registered paid-up capital was CNY1,000.0 million, of which we contributed CNY450.0 million. The operation of Longcheng Expressway commenced in July 2012.

Class I Highways

As of June 30, 2012 we had six Class I Highways located in Anhui Province, Guangxi Zhuang Autonomous Region, Hebei Province, Henan Province and Shanxi Province. The length of our Class I Highways range from 11 km to 99 km. Our equity interest in the relevant joint venture ranges from 50% to 70%. We received CNY264.6 million in annual gross toll revenue and HK$63.6 million in cash distributions in 2011 from our Class I Highways.

Class II Highways

As of June 30, 2012, we had five Class II Highways and bridge located in Anhui Province and Jiangsu Province. The length of our Class II Highways range from 2 km to 90 km. Our equity interest in the relevant joint venture ranges from 35% to 60%. We received CNY88.3 million in annual gross toll revenue and HK$25.1 million in cash distributions in 2011 from our Class II Highways.

Traffic flow and toll revenue

A summary of annual daily traffic on each of our existing toll roads and the annual gross toll revenue collected by each project CJV for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012 is set out below:

	For the year ended December 31,						For the six months ended June 30,			
	2009		2010		2011		2011		2012	
Project	**Average Daily Traffic**	**Annual Gross Toll Revenue**	**Average Daily Traffic**	**Annual Gross Toll Revenue**	**Average Daily Traffic**	**Annual Gross Toll Revenue**	**Average Daily Traffic**	**Gross Toll Revenue**	**Average Daily Traffic**	**Gross Toll Revenue**
		(CNY in millions)		**(CNY in millions)**		**(CNY in millions)**		**(CNY in millions)**		**(CNY in millions)**
Expressways										
Hebei Province										
National Expressway G18 Baoding-Tianjin Expressway	28,422	611.0	39,859	703.8	40,340	709.7	39,696	343.1	36,921	318.5
National Expressway G25 Tangshan-Tianjin Expressway . .	30,109	588.3	33,598	526.5	42,374	634.8	40,928	321.1	38,780	294.8
Hunan Province										
National Expressway G5513 Changsha-Yiyang Expressway	27,160	293.4	30,425	346.5	33,910	341.7	35,382	191.3	34,066	184.1
Shanxi province										
Provincial Expressway S60 Yuci Longbai Village-Chengzhao, Qixian Expressway(1)	-	-	-	-	-	-	-	-	-	-
Class I Highways										
Anhui Province										
National Highway 312 Hefei-Yeji Highway(2)	23,811	81.6	27,384	99.8	31,595	124.0	31,403	61.8	21,566	42.1
Henan Province										
National Highway 311 and Provincial Highway 103 Xuchang-Nanyang Highway	12,196	67.9	12,621	68.6	13,795	70.3	14,695	33.2	12,893	34.5
Shanxi Province										
National Highway 108 Yuci Dongchangshou -Qixian Dongguan Highway	7,440	15.9	8,460	19.2	9,454	28.2	8,601	13.8	9,998	18.9

Project	For the year ended December 31, 2009 Average Daily Traffic	2009 Annual Gross Toll Revenue	2010 Average Daily Traffic	2010 Annual Gross Toll Revenue	2011 Average Daily Traffic	2011 Annual Gross Toll Revenue	For the six months ended June 30, 2011 Average Daily Traffic	2011 Gross Toll Revenue	2012 Average Daily Traffic	2012 Gross Toll Revenue
		(CNY in millions)		(CNY in millions)		(CNY in millions)		(CNY in millions)		(CNY in millions)
Class II Highways										
Anhui Province										
National Highway 206 Hefei Huainan Highway	6,407	26.2	5,786	25.5	6,272	28.3	6,379	14.4	6,207	11.7
Jiangsu Province										
Provincial Highway 343 Suzhou- Shanghai Hongqiao Airport Highway	5,268	30.3	5,838	30.4	4,804	25.8	5,103	13.4	5,342	9.8
Other Highways(3)	61,978	135.3	70,760	116.2	60,684	76.3	69,724	47.2	31,232	29.5
Total		1,849.9		1,936.5		2,039.1		1,039.3		943.9
Disposed Projects										
Hebei Province										
National Highway 309, Handan-Guantao Highway(4)	5,570	25.8	6,107	10.4	-	-	-	-	-	-
Shanxi Province										
Taiyuan-Yuci Highway(5)	6,817	13.5	5,629	12.5	4,857	3.9	4,857	3.9	-	-

(1) The construction work was completed and the operations commenced in July 2012.
(2) We disposed of a section of this toll road in 2010.
(3) Other Highways includes Bengbu Huaihe Bridge Highway, Bengbu Huaimeng Highway, Chaoyanglu Huaihe Bridge, Shijin Highway, Yuci City Bypass and Yulin City Highway.
(4) We disposed of our entire interest in this toll road in 2010.
(5) We disposed of our entire interest in this toll road in 2011.

Competition in our toll road business

Our projects face competition from existing routes or alternative routes of comparable quality to our roads and bridges and alternative modes of transportation, which may avoid the tolls or charge lower or zero tolls or provide more direct routing.

The profitability of a toll road may be affected by the existence of other competing means of transport and alternative routes which are of similar quality, and their proximity to such toll road.

Several of our existing toll road projects have directly competing routes. We prefer to invest in projects where there are no existing alternative routes, but there can be no assurance that alternate routes that avoid the tolls or impose lower charge or zero tolls will not be devised, or that alternate means of transport competing with our existing toll roads will not be constructed or established in the future. All of our projects in the PRC are undertaken by means of joint ventures with entities under the auspices of local government authorities, and we believe these arrangements minimize the risk of these local authorities to approve the construction of alternative routes to compete directly with our projects in which they already have interests.

In addition, some of our toll road joint venture agreements contain provisions that give us a first right to participate in any project of the relevant joint venture partner to operate and manage competing routes. See "Risk factors—Risks relating to our business—Our profitability may be affected by the existence and development of other competing means of transport."

Toll road operations

Our toll road operations can be divided into two phases: the first phase involves the identification, evaluation and negotiation of new road projects and the second phase encompasses the management of daily operations and on-going maintenance of these roads after acquisition.

Project selection criteria and evaluation process

Our toll road investment strategy is to select projects to maximize our internal target rate of return over the life of a project, while maximizing our cash returns in the early stage of a project and to minimize the uncertainty of cash flow generated from the projects. In addition, we prefer to invest in toll roads that are at least partially completed or currently collecting tolls, which we believe minimizes our exposure to uncertainties involved with construction, such as cost overruns or delays in completion of a project, and reduces the time before traffic growth is achieved. We are also gradually restructuring our investment portfolio to include more expressway projects.

We aim to enter into CJVs with joint venture partners who are under the supervision of local highway bureaus or municipal/provincial governments. We believe these government entities have in-depth knowledge of the local conditions and technical expertise.

We undertake due diligence on each prospective project, which includes conducting feasibility studies, traffic studies, detailed financial analysis as well as vetting prospective joint venture partners and reviewing relevant contracts, approval and licenses. The following steps are typically taken in the project evaluation process:

- We review feasibility reports to assess the economic and technical viability of each proposed project. These feasibility reports are generally prepared by PRC transport organizations for submission to municipal planning committees for approval. They generally consist of analyses of (i) traffic demand in the region; (ii) traffic volume forecasts; (iii) the regional social and economic environment; (iv) technical specifications and construction cost of the roads; and (v) financial aspects of the project.

- We conduct our own traffic studies at project locations and perform internal financial analyses, taking into account factors such as (i) past economic growth; (ii) historic traffic growth and forecasts of future growth; (iii) exchange rate and inflation rate forecasts; (iv) profit distribution arrangements; (v) development of new roads, townships and industrial sites in nearby areas; and (vi) projected increases in toll rates.

- We conduct background checks of key personnel of potential partners through interviews and by checking the relevant government records in order to ensure that such personnel are authorized to act on behalf of the respective PRC joint venture partners.

Joint venture management

We believe that our direct involvement and application of efficient management techniques are the key factors for successful management of our joint ventures. The decision making processes are jointly controlled by the PRC joint venture partners and us. We send an experienced project manager to each of our joint ventures to act as either the general manager or the deputy general manager of the joint venture. These project managers have key responsibilities in relation to the ongoing management functions of such joint ventures including, but not limited to, accounting, internal control, toll collection, road repair and maintenance, taxation and administration.

These project managers work with teams of experienced management, engineering and financial staff stationed at their respective project locations. Members of staff from both our operations division and the finance and administration division in Hong Kong also regularly visit the various offices of our joint ventures in the PRC to oversee and monitor the operations of the local project teams.

In addition to project management staff, we have an engineering technical team, a traffic audit team and an accounting audit team providing specialized services to assist our project management staff at each project location. The engineering technical team comprises expert engineers responsible for resolution of technical problems and assistance in assessing new projects. The traffic audit team is responsible for auditing traffic flow of existing projects and assisting in the assessment of traffic flow for new projects. The accounting audit team is responsible for internal control reviews and financial audit of existing projects.

Toll collection operations

There are two types of toll collection systems in the PRC: open system and closed system. An open system is a toll system in which a fixed toll for each vehicle category is collected at each toll station on the highway. Vehicles traveling on the highway must stop at each toll station and pay the fixed toll. After paying a toll the vehicle is free to leave the highway or continue to the next toll station. A closed system is a toll system in which a ticket is issued to each vehicle at the interchange toll station on entering the expressway and a toll collected on exit calculated by reference to the distance traveled on the expressway. Each of our joint ventures collects tolls by means of an closed system. Most of our joint ventures utilize a manual toll collection system where toll collectors stationed in the toll booths collect tolls in cash, whereas a small number of toll stations have installed automatic toll collection systems. Toll receipts are principally dependent on traffic volume by vehicle categories, weight of the vehicle, applicable toll rates and distance traveled.

We closely monitor the collection of tolls and endeavor to minimize fraud and pilfering. Every toll collector must issue a ticket, pre-printed or computer printed, for each vehicle passing through his or her collection point and place all cash received into a sealed box. At the end of his or her shift, the toll collector delivers the box and ticket stubs of the pre-printed tickets to the station supervisor. A reconciliation of the cash receipts against the total number of tickets issued is carried out by a cashier. Each joint venture adopts a policy requiring every toll collector to be accountable for any shortfall in the tolls he or she collects.

In addition to regular reconciliation, we carry out periodic spot checks of each toll collector. Each toll booth and toll plaza is installed with closed circuit television cameras and monitoring systems to monitor traffic and toll collection 24 hours a day, seven days a week. Pictures of each vehicle passing through the station are captured and video recordings are retained for three months. Video records are retrievable from internal computer networks by supervisors or management staff for systematic investigations for any losses of tolls.

Road maintenance

Each of our joint ventures is responsible for the maintenance and repair of its toll road at its own cost throughout the operating concession period and is generally funded through the joint venture's regular working capital. Maintenance is carried out to ensure compliance with the requirements and standards of maintenance under each road's class classification. Maintenance of roads and other facilities falls into two main categories: routine maintenance and major repairs. Routine maintenance includes the clearing of carriageways, minor road pavement repairs, replacement of damaged road equipment, clearing of culverts and drains, grass cutting, landscape and building maintenance. Major repairs include substantial repair of damaged road pavement or rectification of major structural defects or failures to works such as drainage systems or embankments. Normally, major repairs of each toll road are carried out every five to seven years. For the year ended December 31, 2011, the expenses incurred by our joint ventures for repairs and maintenance represented approximately 13.4% of the aggregate annual toll revenue of such joint ventures for that year.

For some projects, we have entered into maintenance agreements with the PRC joint venture partners who undertake maintenance works for an annual fee. However, in order to improve the quality of the maintenance services for our toll roads and to reduce costs, maintenance contractors (especially in relation to the provision of major repair works) are selected on an open tender basis.

We are developing the second phase of the "Pavement Management System" to monitor the conditions of the roads and to optimize the road maintenance program in order to achieve an economical way of maintenance expense. The Pavement Management System is a comprehensive tool for evaluating highway conditions. This system can be customized to meet project needs in relation to data storage and to assist in making maintenance and rehabilitation plan.

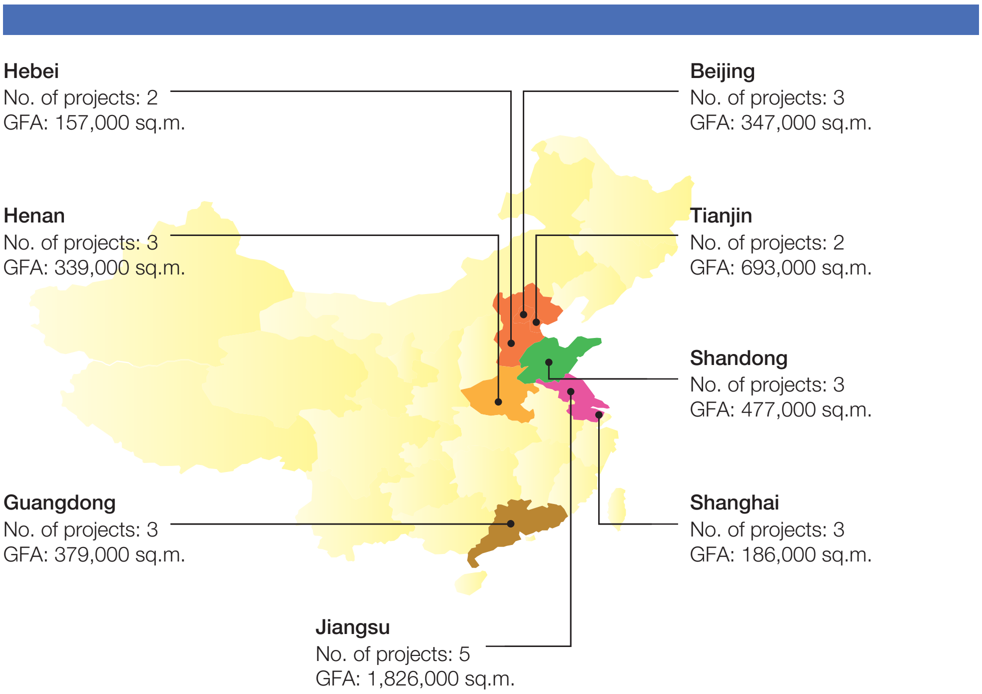
Our property development business

Overview

Our property development business involves the development and sale of residential and commercial properties principally targeting middle-to high-income residents in the PRC. Our projects primarily include residential communities consisting of low-rise and high-rise apartment units with ancillary commercial facilities. Our 2007 acquisition of Sunco Property expanded our property development portfolio, and in January 2010, the Group completed the acquisition of 1,319 shares of Sunco Property from Elite Rich, increasing the Group's interests in Sunco Property from 89.46% as of December 31, 2009 to approximately 94.74% as of the date of this offering memorandum. We also replenished our land bank through auctions in Guangzhou, Shanghai, Beijing and Wuxi in 2010. As of June 30, 2012, we had over 20 major property development projects in the PRC with approximately 4.4 million sq.m. of saleable GFA attributable to us. These projects, at various states of development, comprise three projects located in Changzhou (Jiangsu), one project located in Suzhou (Jiangsu), one project located in Wuxi (Jiangsu), three projects located in Guangzhou (Guangdong), three projects located in Shanghai, three projects located in Beijing, three projects located in Henan, three projects located in Shandong, two projects located in Hebei and two projects located in Tianjin. Virtually all of these development projects are located near major institutions and landmarks and along major transportation routes including the subway and railway lines. We will continue to primarily focus on the development of residential properties, pursuing growth opportunities in strategically selected provincial capitals and cities in the PRC.

As of June 30, 2012, we had an interest in property development projects with total saleable GFA attributable to us of approximately 4.4 million sq.m. We will continue to seek additional development properties generally in the PRC to build up our land bank, focusing on high growth areas nearby city centres such as Jiading District of Shanghai where a 55% owned subsidiary of the Group successfully acquired a piece of land of approximately 136,000 sq.m. in GFA at approximately CNY584.4 million on September 7, 2012 through an open tender process.

As of June 30, 2012, our major property development projects are located in eight provinces and municipalities across the PRC with attributable GFA to us as depicted in the following map:



Our projects

The following table sets forth certain details of our property development projects as of June 30, 2012:

Project name	Interest Attributable to Us	Site Area	Phase	Target Completion Date	Total planned saleable GFA	Total saleable GFA sold & delivered	Total Saleable GFA pre-sold			Total Saleable GFA unsold			Attributable GFA to us[2]
					Total	Total	Residential	Commercial & Others[1]	Total	Residential	Commercial & Others[1]	Total	Total
		(sq.m.)			(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)
Beijing City													
Songs & Sea	94.74%	309,000	1-5, 7-9	Completed	356,000	348,000	-	-	-	3,000	5,000	8,000	8,000
			6	2012	64,000	-	51,000	-	51,000	7,000	6,000	13,000	61,000
Jianguomen Project	100%	11,000		2013	31,000	-	-	-	-	-	31,000	31,000	31,000
RK World City	100%	108,000	1	2013	101,000	-	-	-	-	101,000	-	101,000	101,000
			2	2013	75,000	-	-	-	-	75,000	-	75,000	75,000
			3	2014	71,000	-	-	-	-	50,000	21,000	71,000	71,000
Shanghai City													
Shine June Garden	100%	133,000	1-3	Completed	117,000	116,000	1,000	-	1,000	-	-	-	1,000
			4	2013	95,000	-	63,000	-	63,000	32,000	-	32,000	95,000
The Riverside	29.84%	315,000	1-3	Completed	162,000	140,000	16,000	-	16,000	5,000	1,000	6,000	7,000
			4	2013	35,000	-	-	-	-	31,000	4,000	35,000	10,000
Château du Nord	55%	133,000	1	2013	36,000	-	-	-	-	36,000	-	36,000	20,000
			2	2014	37,000	-	-	-	-	37,000	-	37,000	20,000
			3	2015	47,000	-	-	-	-	47,000	-	47,000	26,000
			4	2013	13,000	-	-	-	-	13,000	-	13,000	7,000
Tianjin City													
Sunny Town	94.74%	820,000	1-5	Completed	555,000	553,000	-	-	-	2,000	-	2,000	2,000
			6	2012	10,000	-	-	-	-	10,000	-	10,000	9,000
			7	2012	43,000	-	-	-	-	41,000	2,000	43,000	41,000
			8	2012	253,000	-	33,000	-	33,000	218,000	2,000	220,000	240,000
			9	2015	227,000	-	-	-	-	227,000	-	227,000	215,000
			10	Completed	12,000	-	-	-	-	-	12,000	12,000	11,000
Leader of Life	94.74%	327,000	1-2	Completed	109,000	86,000	-	1,000	1,000	20,000	2,000	22,000	22,000
			3	2012	60,000	10,000	36,000	-	36,000	14,000	-	14,000	47,000
			4	2013	63,000	-	-	-	-	63,000	-	63,000	60,000
			5	2015	49,000	-	-	-	-	49,000	-	49,000	46,000
Guangdong Province, Guangzhou City													
J·o·Y Heights	100%	134,000	1	2013	86,000	-	-	-	-	81,000	5,000	86,000	86,000
			2	2014	77,000	-	-	-	-	73,000	4,000	77,000	77,000
			3	2015	104,000	-	-	-	-	104,000	-	104,000	104,000
Banyan Riverside	100%	35,000	1	2012	47,000	-	-	-	-	46,000	1,000	47,000	47,000
			2	2013	58,000	-	-	-	-	58,000	-	58,000	58,000
Hebei Province, Shijiazhuang City													
International City	100%	80,000	1-3	Completed	415,000	415,000	-	-	-	-	-	-	-
			4	2013	198,000	45,000	58,000	-	58,000	95,000	-	95,000	153,000
Henan Province Luoyang City													
Sunco Town	94.74%	111,000	1-2	Completed	141,000	137,000	-	1,000	1,000	2,000	1,000	3,000	4,000
			3	2012	99,000	52,000	33,000	-	33,000	14,000	-	14,000	45,000
			4	2013	78,000	-	7,000	-	7,000	71,000	-	71,000	74,000
World & City	94.74%	76,000	1-2	Completed	101,000	96,000	-	2,000	2,000	3,000	-	3,000	5,000
			3	2012	104,000	53,000	40,000	-	40,000	1,000	10,000	11,000	48,000

Project name	Interest Attributable to Us	Site Area	Phase	Target Completion Date	Total planned saleable GFA	Total saleable GFA sold & delivered	Total Saleable GFA pre-sold			Total Saleable GFA unsold			Attributable GFA to us(2)
					Total	Total	Residential	Commercial & Others(1)	Total	Residential	Commercial & Others(1)	Total	Total
		(sq.m.)			(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)
Zhengzhou City													
Central Special Zone	94.74%	219,000	1-2	Completed	294,000	287,000	-	2,000	2,000	-	5,000	5,000	7,000
			3	2013	171,000	85,000	42,000	1,000	43,000	24,000	19,000	43,000	81,000
			4	2014	79,000	-	-	16,000	16,000	-	63,000	63,000	75,000
Jiangsu Province													
Changzhou City													
Royal City	100%	487,000	1-2	Completed	301,000	290,000	4,000	-	4,000	5,000	2,000	7,000	11,000
			3	2013	79,000	35,000	1,000	-	1,000	43,000	-	43,000	44,000
			4	2012	68,000	-	60,000	-	60,000	8,000	-	8,000	68,000
			5	2013	122,000	-	87,000	-	87,000	35,000	-	35,000	122,000
			6	2014	77,000	-	-	-	-	74,000	3,000	77,000	77,000
			7	2015	134,000	-	-	-	-	129,000	5,000	134,000	134,000
			8	2015	63,000	-	-	-	-	60,000	3,000	63,000	63,000
Vista Panorama	100%	127,000	1-2	Completed	261,000	257,000	-	-	-	-	4,000	4,000	4,000
			3	2013	128,000	-	90,000	2,000	92,000	30,000	6,000	36,000	128,000
Grand Metropolis(3)	100%	67,000	1-2	Completed	132,000	-	-	-	-	-	132,000	132,000	132,000
Suzhou City													
Phoenix City	100%	860,000	1	Completed	342,000	325,000	-	-	-	3,000	14,000	17,000	17,000
			2	2015	603,000	212,000	57,000	-	57,000	334,000	-	334,000	391,000
			3	2016	471,000	25,000	8,000	-	8,000	438,000	-	438,000	446,000
Wuxi City													
The Providence	100%	88,000	1	2013	89,000	-	-	-	-	88,000	1,000	89,000	89,000
			2	2015	100,000	-	-	-	-	100,000	-	100,000	100,000
Shandong Province													
Jinan City													
Royal Panorama	94.74%	177,000	1-2	Completed	115,000	114,000	-	-	-	-	1,000	1,000	1,000
			3	2012	102,000	-	92,000	-	92,000	10,000	-	10,000	97,000
			4	2013	93,000	-	-	-	-	86,000	7,000	93,000	88,000
			5	2014	9,000	-	-	-	-	-	9,000	9,000	9,000
Jinan University Project	100%	53,000	1	2015	35,000	-	-	-	-	30,000	5,000	35,000	35,000
			2	2016	62,000	-	-	-	-	55,000	7,000	62,000	62,000
			3	2017	32,000	-	-	-	-	29,000	3,000	32,000	32,000
Qingdao City													
Unusual Landscape	94.74%	249,000	1	Completed	92,000	80,000	-	-	-	2,000	10,000	12,000	11,000
			2	2012	88,000	85,000	-	-	-	3,000	-	3,000	3,000
			3	2015	147,000	-	1,000	-	1,000	146,000	-	146,000	139,000
Other Projects(4)		92,000		Completed	165,000	154,000	2,000	-	2,000	1,000	8,000	9,000	11,000
Total		5,011,000			8,583,000	4,000,000	782,000	25,000	807,000	3,362,000	414,000	3,776,000	4,404,000

(1) Commercial and others includes commercial GFA and parking spaces

(2) Attributable GFA to us includes total saleable GFA presold and the total saleable GFA unsold

(3) Investment Properties

(4) Other Projects includes Blue County and Parkvista Phase II

The following is a brief description of our major property development projects. Unless otherwise noted, the following discussion of property interests and attributable GFA is as of June 30, 2012.

Beijing City

We have a 100% interest in two property development projects in Beijing City with a total planned GFA of approximately 278,000 sq.m., all of which saleable GFA was attributable to us as of June 30, 2012. We have a 94.74% interest in one property development project with a total planned GFA of approximately 420,000 sq.m., of which approximately 69,000sq.m. was attributable to us as of June 30, 2012.

Songs & Sea

Songs & Sea is a multi-phase residential development project located at Lot No.1, Northern District, Huangcun Town, Daxing District, Beijing City, the PRC, occupying a site area of approximately 309,000 sq.m. We have a 94.74% interest in this project.

Songs & Sea has planned GFA of approximately 420,000 sq.m., of which saleable GFA attributable to us as of June 30, 2012 was approximately 69,000 sq.m. Most of the phases of this project have been completed and delivered. Total sales recognized in the first half of 2012 were approximately CNY62.0 million and total contracted sales were approximately CNY408.7 million in the same period.

RK World City

RK World City, formerly known as "Changping Project", is a multi-phase residential and commercial development project located in the centre of Changping New Town, Beijing City, occupying a site area of approximately 108,000 sq.m. with planned GFA of approximately 247,000 sq.m. We have a 100% interest in this project. As of June 30, 2012, all of the saleable GFA was attributable to us. We expect to complete the construction by 2014.

Jianguomen Project

Jianguomen Project is a commercial development project located at Courtyard No. 13 & Courtyard Side, Waijiaobu Street, Dongcheng District, Beijing City, the PRC, occupying a site area of approximately 11,000 sq.m. We have a 100% interest in this project.

Jianguomen Project has planned GFA of approximately 31,000 sq.m., all of which saleable GFA was attributable to us as of June 30, 2012. As of June 30, 2012, this project was at the planning stage.

Shanghai City

We have a 100% interest in one property development project in Shanghai City with a total planned GFA of approximately 212,000 sq.m., of which approximately 96,000 sq.m. saleable GFA was attributable to us as of June 30, 2012. We have a 29.84% interest in another property development projects in Shanghai City with a total planned GFA of approximately 197,000 sq.m., of which approximately 17,000 sq.m. saleable GFA was attributable to us as of June 30, 2012. We also have a 55% interest in another development project in Shanghai City with a total planned GFA of approximately 133,000 sq.m., of which 73,000 sq.m. saleable GFA was attributable to us as of June 30, 2012.

Shine June Garden

Shine June Garden is a multi-phase residential project located at No. 1, Lane 998, Baoxiang Road, Nanxiang Town, Jiading District, Shanghai City, the PRC, occupying a site area of approximately 133,000 sq.m. We have a 100% interest in this project.

Shine June Garden has planned GFA of approximately 212,000 sq.m., of which approximately 96,000 sq.m. saleable GFA was attributable to us as of June 30, 2012. Total sales recognized in the first half of 2012 were approximately CNY51.9 million and total contracted sales were approximately CNY587.2 million in the same period. We expect to complete the construction of Shine June garden in phases by 2013.

The Riverside

The Riverside is a multi-phase residential development project located at Lane 2999, Baian Gong Road, Waigang Town, Jiading District, Shanghai City, the PRC, occupying a site area of approximately 315,000 sq.m. We have a 29.84% interest in this project.

The Riverside has planned GFA of approximately 197,000 sq.m., of which saleable GFA attributable to us as of June 30, 2012 was approximately 17,000 sq.m. Total sales recognized in the first half of 2012 were CNY115.1 million and total contracted sales were CNY238.4 million in the same period. We expect to complete construction of The Riverside in phases by 2013.

Château du Nord

Château du Nord, formerly known as “Waigang Project”, is a multi-phase residential development project located in Jiading District, Shanghai City, the PRC and lies in close proximity to the south of The Riverside project.

We own a 55% interests in the project. The project has a site area of approximately 133,000 sq.m., of which saleable GFA attributable to us as of June 30, 2012 was approximately 73,000 sq.m. The construction of Phase 1 has commenced in 2011 and the pre-sales are expected to commence in the fourth quarter of 2012. We expect to complete the construction of Château du Nord in phases by 2015.

Tianjin City

We have a 94.74% interest in two property development projects in Tianjin with a total planned GFA of approximately 1.4 million sq.m., of which approximately 693,000 sq.m. saleable GFA was attributable to us as of June 30, 2012.

Sunny Town

Sunny Town, also named as “The Aurora City of Charm” and formerly known as “Sun Town”, is a multi-phase residential development project located at the junction of Weiguo Road and Helan Road, Hedong District, Tianjin City, the PRC, occupying a site area of approximately 820,000 sq.m. We have a 94.74% interest in this project.

Sunny Town has planned GFA of approximately 1.1 million sq.m., of which saleable GFA attributable to us as of June 30, 2012 was approximately 507,000 sq.m. We have named part of our commercial area in this project as Joy Park with attributable GFA of approximately 11,000 sq.m. We commenced the sales of Sunny Town in 2011 and the total contracted sales for the first half of 2012 was approximately CNY397.1 million. We expect to complete construction of Sunny Town in phases by 2015.

Leader of Life

Leader of Life, formerly known as "Mountain My Life", is a multi-phase residential development project located at Chengquan Town, Ji County, Tianjin City, the PRC, occupying a site area of approximately 327,000 sq.m. We have a 94.74% interest in this project.

Leaders of Life has planned GFA of approximately 281,000 sq.m., of which saleable GFA attributable to us as of June 30, 2012 was approximately 175,000 sq.m. Total sales recognized in the first half of 2012 were approximately CNY82.0 million and total contracted sales for the six months ended June 30, 2012 was approximately CNY156.7 million. We expect to complete construction of Leader of Life in phases by 2015.

Guangdong Province

We have two wholly-owned property development projects in Guangzhou City with total planned GFA of approximately 372,000 sq.m., of which all saleable GFA was attributable to us as of June 30, 2012. Except for the two projects described below, we also have a 100% interest in a project named as Parkvista Phase II, which we hold a commercial space with attributable GFA of approximately 7,000 sq.m. for lease.

J·o·Y Heights

In Guangzhou City, the J·o·Y Heights, formerly known as "Huadu Project", is a multi-phase residential and commercial development project located at north of Sandong Da Road and east of Guangqing Expressway, Huadu District, Guangzhou City, Guangdong Province, the PRC, occupying a site area of approximately 134,000 sq.m. We have a 100% interest in this project.

The J·o·Y Heights Project has planned GFA of approximately 267,000 sq.m., all of which saleable GFA was attributable to us as of June 30, 2012.

The construction of Phase 1 and part of Phase 2 had commenced in 2011. Sales of the two phases are expected to be launched in the third and fourth quarters of 2012, respectively. Delivery of Phase 1 is expected to take place at the end of 2012.

Banyan Riverside

Banyan Riverside, formerly known as "Liwan Project", is a multi-phase residential development project located at Jiulongxi Road, Liwan District, Guangzhou City, Guangdong Province, the PRC, occupying a site area of approximately 35,000 sq.m. Banyan Riverside has planned GFA of approximately 105,000 sq.m. We have a 100% interest in this project. As of June 30, 2012, all of which saleable GFA was attributable to us. We have commenced the construction of Banyan Riverside in 2011 and expect to complete the project in phases by 2013.

Hebei Province

We have a 100% interest in a property development project in Shijiazhuang City, with a total planned GFA of 613,000 sq.m., of which approximately 153,000 sq.m. saleable GFA was attributable to us as of June 30, 2012. We also have a 94.74% interest in a property development project, namely Blue County, which is almost completed and sold. As of June 30, 2012, remaining saleable GFA attributable to us was 4,000 sq.m.

International City

In Shijiazhuang City, International City is a multi-phase residential development project located at No. 473, Yuhua Dong Road, Yuhua District, Shijiazhuang City, Hebei Province, the PRC, occupying a site area of approximately 80,000 sq.m. We have a 100% interest in this project.

International City has planned GFA of approximately 613,000 sq.m., of which saleable GFA attributable to us as of June 30, 2012 was approximately 153,000 sq.m. Phases 1 to 3 have been completed and sold. Total sales recognized in the first half of 2012 were approximately CNY2.2 million and total contracted sales were approximately CNY462.9 million in the same period. We expect to complete the construction in phases by 2013.

Henan Province

We have a 94.74% interest in two property development projects in Luoyang City, with a total planned GFA of approximately 523,000 sq.m., of which approximately 176,000 sq.m. saleable GFA was attributable to us as of June 30, 2012. We also have a 94.74% interest in a property development project in Zhengzhou City, with a total planned GFA of approximately 544,000 sq.m., of which approximately 163,000 sq.m. saleable GFA was attributable to us as of June 30, 2012.

Sunco Town

In Luoyang City, Sunco Town is a multi-phase residential development project located south of Nanchang Road, Jianxi District, Luoyang City, Henan Province, the PRC, occupying a site area of approximately 111,000 sq.m.. We have a 94.74% interest in this property.

Sunco Town has planned GFA of approximately 318,000 sq.m., of which saleable GFA attributable to us as of June 30, 2012 was approximately 123,000 sq.m. Total sales recognized in the first half of 2012 were CNY99.9 million and total contracted sales were CNY179.5 million in the same period. We expect to complete construction of the remaining portion of the Sunco Town in phases by 2013.

World & City

In Luoyang City, World & City is a multi-phase residential development project located east of Municipal Building, Luoyang New District, Luoyang City, Henan Province, the PRC, occupying a site area of approximately 76,000 sq.m. We have a 94.74% interest in this property.

World & City has planned GFA of approximately 205,000 sq.m., of which saleable GFA attributable to us as of June 30, 2012 was approximately 53,000 sq.m. Total sales recognized in the first half of 2012 were CNY3.2 million and total contracted sales were CNY20.8 million in the same period. We expect to complete construction of World & City in phases by 2012.

Central Special Zone

In Zhengzhou City, Central Special Zone is a multi-phase residential and commercial development project located at the junction of Shangding Road and Nongye Dong Road, Zhengdong New District, Zhengzhou City, Henan Province, the PRC, occupying a total site area of approximately 219,000 sq.m. We have a 94.74% interest in this property.

Central Special Zone has planned GFA of approximately 544,000 sq.m., of which saleable GFA attributable to us as of June 30, 2012 was approximately 157,000 sq.m. We also hold part of the commercial space with attributable GFA of approximately 6,000 sq.m. for lease. Total sales recognized in the first half of 2012 were approximately CNY294.1 million and total contracted sales were approximately CNY311.4 million in the same period. We expect to complete construction of the Central Special Zone in phases by 2014.

Jiangsu Province

We have three wholly-owned property development projects in Changzhou City, one wholly-owned property development project in Suzhou City and one wholly-owned property development in Wuxi City, with a total planned GFA of approximately 3.0 million sq.m., of which approximately 1.8 million sq.m. saleable GFA was attributable to us as of June 30, 2012.

Royal City

In Changzhou City, Royal City is a multi-phase residential development project located at No. 88, Yanzheng Dong Road, Wujin District, Changzhou City, Jiangsu Province, the PRC, occupying a site area of approximately 487,000 sq.m. We have a 100% interest in this project.

Royal City has planned GFA of approximately 844,000 sq.m., of which saleable GFA attributable to us as of June 30, 2012 was approximately 519,000 sq.m. Total sales recognized in the first half of 2012 were approximately CNY79.0 million and total contracted sales were approximately CNY342.9 million in the same period. We expect to complete construction of Royal City in phases by 2015.

Vista Panorama

In Changzhou City, Vista Panorama is a multi-phase residential development project located at No. 8, Changhong Zhong Road, Hutang Town, Wujin District, Changzhou City, Jiangsu Province, the PRC, occupying a site area of approximately 127,000 sq.m. We have a 100% interest in this project.

Vista Panorama has planned GFA of approximately 389,000 sq.m., of which saleable GFA attributable to us as of June 30, 2012 was approximately 132,000 sq.m. Total sales recognized in the first half of 2012 were approximately CNY2.9 million and the total contracted sales were approximately CNY520.0 million in the first half of 2012. We expect to complete construction of Vista Panorama in phases by 2013.

Grand Metropolis

In Changzhou City, Grand Metropolis is a multi-phase "shopping arcade" commercial development project located at No. 33, Huayuan Street, Wujin District, Changzhou City, Jiangsu Province, the PRC, occupying a site area of approximately 67,000 sq.m. We have a 100% interest in this property. This location places Grand Metropolois in the central urban zone of the Wujin

District, which comprises government administration, tourism, culture, commerce and residential facilities. The Wujin Government administrative center is to the southwest, Changzhou University Town with over 100,000 faculty members and students is to the south and Nantian Park is to the north of Grand Metropolis. Our other projects in Changzhou City, Royal City and Vista Panorama, are nearby.

Grand Metropolis has a total GFA of approximately 132,000 sq.m., all of the GFA was attributable to us as of June 30, 2012. We intend to keep this property as an investment property and lease out the commercial space. Phase 1 and Phase 2 each has a total GFA of approximately 26,000 sq.m. and 106,000 sq.m. and was completed in 2008 and in mid of 2012, respectively. We have leased out the commercial development to a number of tenants, including department stores, retail chains, cinema, fitness centre and restaurants.

Phoenix City

In Suzhou City, Phoenix City is a multi-phase residential and commercial development project located at the junction of Susheng Road and Xieyu Road, Suzhou Industrial Park, Suzhou City, Jiangsu Province, the PRC, occupying a site area of approximately 860,000 sq.m. We have a 100% interest in this project.

Phoenix City has planned GFA of approximately 1.4 million sq.m., of which saleable GFA attributable to us as of June 30, 2012 was approximately 840,000 million sq.m. We also hold part of our commercial space with attributable GFA of approximately 14,000 sq.m. for lease. Total sales recognized in the first half of 2012 were approximately CNY1,058.4 million and total contracted sales were approximately CNY685.6 million in the same period. We expect to complete construction of Phoenix City in phases by 2016.

The Providence

The Providence, formerly known as "Lihu Project", is a multi-phase residential development project located at southwest of the junction of Zhongnan Xi Road and Lixi Road, Binhu District, Wuxi City, Jiangsu Province, the PRC, occupying a site area of approximately 88,000 sq.m. We have a 100% interest in this project. As of June 30, 2012, the Providence had a planned GFA of approximately 189,000 sq.m, all of which was attributable to us. As of June 30, 2012, The Providence was at the planning stage and the construction was expected to commence in the second half of 2012. We plan to complete the construction of this project in phases by 2015.

Shandong Province

We have a 94.74% interest in a property development project in Jinan City with a total planned GFA of approximately 319,000 sq.m., of which approximately 195,000 sq.m. saleable GFA was attributable to us as of June 30, 2012. In addition, we have a 100% interest in another property development project in Jinan City with a total planned GFA of approximately 129,000 sq.m., all of which saleable GFA was attributable to us as of June 30, 2012. We also have a 94.74% interest in one property development project in Qingdao City with a total planned GFA of approximately 327,000 sq.m., of which approximately 153,000 sq.m. saleable GFA was attributable to us as of June 30, 2012.

Royal Panorama

In Jinan City, Royal Panorama is a multi-phase residential development project located at No. 9, Weishier Road, Huaiyin District, Jinan City, Shandong Province, the PRC, occupying a site area of approximately 177,000 sq.m. We have a 94.74% interest in this property.

Royal Panorama has planned GFA of approximately 319,000 sq.m, of which saleable GFA attributable to us as of June 30, 2012 was approximately 195,000 sq.m. Total sales recognized in the first half of 2012 were approximately CNY0.7 million and total contracted sales were approximately CNY395.1 million in the same period. We expect to complete construction of Royal Panorama in phases by 2014.

Jinan University Project

The Jinan University Project is a multi-phase residential and commercial development project located in Changqing District, Jinan City, the PRC, near the Jinan University. The site area of the project is 53,000 sq.m. with a planned GFA of 129,000 sq.m. We have a 100% interest in this project. As of 30 June, 2012, the project was at design stage.

Unusual Landscape

In Qingdao City, Unusual Landscape is a multi-phase residential development project located at No. 207, Haier Da Road, Yinghai Town, Jiaozhou District, Qingdao City, Shandong Province, the PRC, occupying a site area of approximately 249,000 sq.m. We have a 94.74% interest in this property.

Unusual Landscape has planned GFA of approximately 327,000 sq.m., of which saleable GFA attributable to us as of June 30, 2012 was approximately 153,000 sq.m. Total sales recognized in the first half of 2012 were CNY87.6 million and total contracted sales were CNY17.4 million in the same period. We expect to complete construction of Unusual Landscape in phases by 2015.

Property development—project management

We strive to maintain active management participation over our projects, which are grouped into four major geographical regions. Each project is managed by a project manager and each region is supervised by a senior executive based mainly in the PRC. The project managers are responsible for the day-to-day operations and project management of each individual project. Each individual project company is responsible for implementing infrastructure, engineering and supervision of day-to-day construction work. We have a property committee that evaluates the major decisions facing the property business. We also have an independent management committee that makes decisions on a group-wide basis. Before we decide to acquire a piece of land, the project managers and regional senior executives pass their recommendations to the divisional management committee, which then reports to the group-wide independent management committee. Any investment decision regarding the acquisition of land is ultimately made by our Board of Directors.

We conduct feasibility studies, which include market analyses of prospective projects in deciding whether to develop a particular site. In addition, our pre-acquisition site visits and investigations, in conjunction with research and analysis, enable us to understand the general trends and

Specific conditions of target property markets when assessing the suitability for development of a particular site. When selecting sites for our development projects, we usually apply the following criteria:

- geographical location of the development sites, for example, proximity and accessibility to city centers or business districts;
- property market conditions in the vicinity of the development site;
- local urban planning and specifications; and
- estimated cost, investment and financial return.

During the construction phase, our project companies are responsible for managing site progress. They work closely with the contractors, as overseen by our senior managers to control costs and to ensure the quality of the construction work. In light of our growing property development project portfolio across a wider geographical region, we have developed uniform guidelines setting out our policies in respect of both operational and financial management to be applied to our current projects, and any projects that we may acquire in the future. Furthermore, our internal audit teams for our property development projects was established in 2007 and consists of five people located in the PRC.

Our marketing and sales team and our design service providers are involved in the early stages of the site identification process. The marketing and sales team carries out research and analysis relating to potential market demand.

Upon completion of the preliminary feasibility studies, our Directors become more closely involved in the assessment process by conducting on-site visits before deciding whether to proceed with the acquisition of a site.

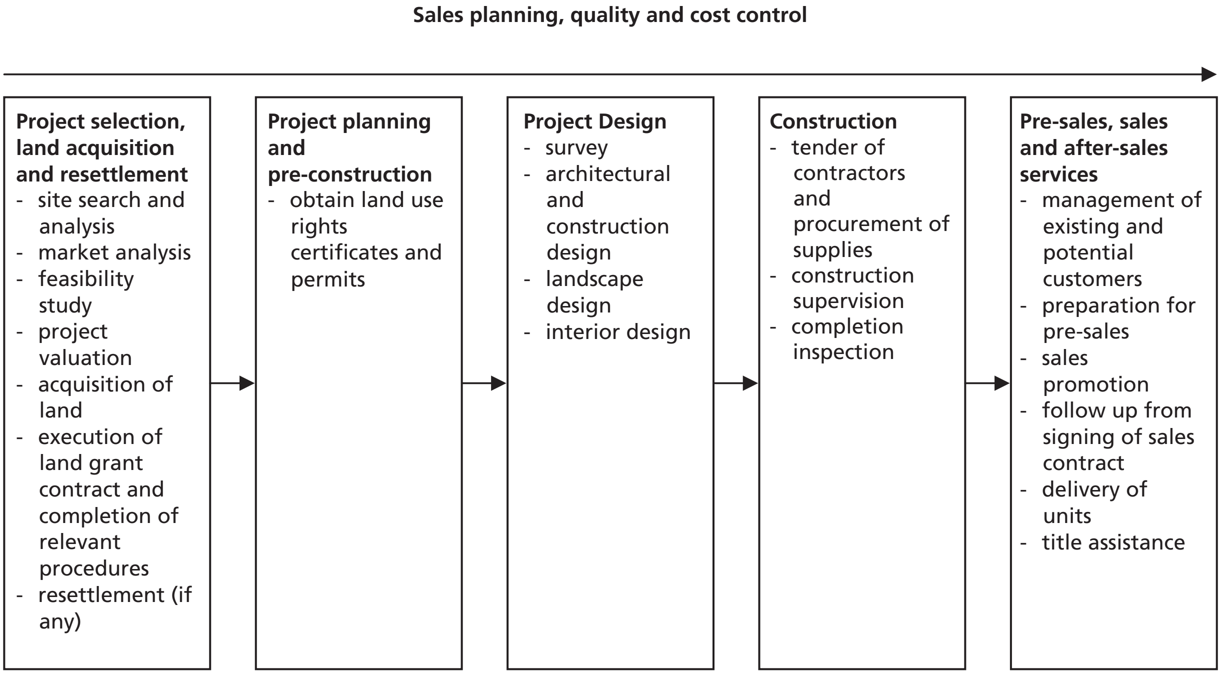
Land acquisition

Prior to July 2002, land use rights could be obtained through a land grant contract from local government authorities. Since July 1, 2002, the PRC government introduced regulations requiring that the land transferred from government authorities be sold by a public tender, auction or listing-for-sale. Prior to submitting a tender, we analyze the market and estimate the budget required to develop the project. To acquire a parcel of land, we first need to be successful in the public tender, auction or the listing-for-sale process.

As of June 30, 2012, we had obtained land use rights for all of our property development projects. We obtained the land use rights of all of our parcels of land after July 1, 2002 through a public tender, auction or listing-for-sale. As of June 30, 2012, we had no outstanding land premium.

Project development cycle

Development of our properties usually entails five phases: land acquisition and resettlement (if any); project planning and pre-construction; project design; construction; and pre-sales, sales and after-sales services. The following diagram illustrates the typical stages of the property development cycle and the key elements and milestones within each stage:



The typical development cycle for vacant land in the PRC is approximately three years, whereas the development cycle for urban property projects can be longer, particularly for project sites that are not vacant at the time of acquisition. Depending on the size of a development and other factors, the entire development period may last substantially longer. The pace of property development is determined by selling prices, sales volume and the level of our land reserves.

We may obtain multiple governmental approvals and permits, including land use rights certificates, from the relevant authorities for a group of property developments that we view as a single property development for business purposes.

The relevant authorities will not generally issue the formal land use rights certificate in respect of a piece of land until the land premium is paid in full and the resettlement process is completed. As a result, in order to adjust to the pace of development, the land for a property development may be divided into one or more parcels for which multiple land use rights certificates were granted at different stages of development.

We design and develop the land we are granted according to the preliminary development plan, including the total GFA that may be built, in our land grant contracts. The actual GFA constructed, however, may exceed the total GFA authorized in the land grant contracts due to factors such as subsequent planning, design adjustments and urban development plans. In the event our property developments exceed the authorized GFA, we would need to apply for approval for such excess. Such excess GFA could result in us paying additional land premium. We do not believe that any such additional land premium would have any material adverse effect on our business, financial condition, results of operations or prospects. We are actively involved in all of the different stages of the development process in order to control the costs, schedule and quality of our projects. Except for the construction work, which is contracted to third-party construction companies, our project companies oversee and largely perform all aspects of their development operations, including the selection and purchase of sites, the preparation of feasibility studies, the obtaining of government approvals for development, the supervision of construction and the marketing of completed projects.

Our classification of properties reflects the basis on which we operate our business and may differ from classifications employed by other developers. Each property project or project phase may be subject to multiple land use rights certificates, construction permits, pre-sale permits and other permits and certificates, which may be issued at different times throughout their developments. The differences between our classification of properties and the classification of properties in our financial statements included elsewhere in this offering memorandum are as follows:

- "properties under development for sale" are included in current assets at the lower of cost and net realizable value. Cost of property in the course of development comprises land costs, construction expenditures, borrowing costs directly attributable to construction of such properties and other direct costs. Net realizable value is based on estimated selling in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing expenses;

- "completed properties held for sale" are included in current assets at the lower of cost and net realizable value. Cost of property comprises land costs, construction expenditure, borrowing cost directly attributable to construction of such properties and other direct costs. Net realizable value is based on the estimated selling price in the ordinary course of business as determined by the management with reference to the prevailing market conditions, less the estimated costs necessary to make the sale; and

- "investment properties" including completed and under construction, are properties held to earn rental income or for capital appreciation and included in the non-current assets. We measure investment properties using the fair value model on an annual basis. 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 capitalized as part of the carrying amount of the investment properties under construction.

Competition in our property development business

We compete with other property developers for the opportunity to participate in property development projects and in the acquisition of development properties. The principal factors of competition for such opportunities include the acquisition price and the financial resources of the developers. The property markets in cities in which our projects are located are highly competitive. As we focus on developing and sale of residential and commercial properties targeting middle and high income residents in the PRC at prime locations in strategically selected provincial capitals and cities in the PRC, our competitors would include both large and medium sized PRC state-owned, collectively owned and private property developers.

We believe that the principal factors that affect competition for customers for our residential properties are pricing, location, quality and design, and associated market perception of the "brand" and reputation of the developer. In addition, we believe that our experienced property development personnel will facilitate the growth of our property development business. Competition for our commercial properties is primarily based on our positioning, pricing, location, quality, design and potential customer traffic.

Properties used by us

The following table sets forth details regarding the properties we lease for office purposes as of June 30, 2012:

Property	Description	Approx. GFA (sq.m.)	Term of lease	Monthly Rent	Lessor	Lessee
Beijing City						
9 Floor, Tower A, East Gate Plaza, No.9 Dong Zhong Street Dong Cheng District, Beijing, China	Unit Nos. C-E	443	2 years expiring March 31, 2014	CNY74,645.50(1)	Independent PRC partner(2)	Beijing Sunco Land Daxing Real Estate Development Co., Ltd
7 Floor, Tower A, East Gate Plaza, No.9 Dong Zhong Street Dong Cheng District, Beijing, China	Unit Nos. B-D	587	3 years expiring March 31, 2015	CNY98,909.50(1)	Independent PRC partner(2)	Beijing RK Junyu Properties Developments Ltd.
Shenzhen City						
20 Floor, Block B, Rong Chao Business Centre, No. 6003, Yitian Road, Futian District, Shenzhen	Unit No.01	1,127.99	3 years expiring February 28, 2015	CNY186,118 - 1st year(1) CNY197,285 - 2nd year(1) CNY209,122 - 3rd year(1)	Independent PRC Partner(2)	Road King Corporate Management Consultant Co., Ltd.
Guangdong Province						
West Wing of the Chuangzhan Building, 108 Tiyu East Road, Tianhe District, Guangzhou City	Unit Nos. 501-502	392.85	3 years expiring September 22, 2014	CNY49,106(1) -1st to 2nd years CNY51,561(1) -3rd year	Independent PRC partner(2)	Guangzhou Junyue Real Estate Limited
West Wing of the Chuangzhan Building, 108 Tiyu East Road, Tianhe District, Guangzhou City	Unit No. 503	177.17	3 years expiring September 22, 2014	CNY22,146(1) -1st to 2nd years CNY23,253(1) -3rd year	Independent PRC partner(2)	Guangzhou Junde Real Estate Limited
Jiangsu Province						
32 Floor, Runhua International Building, 1188-2 Taihu West Avenue, Wuxi City	Unit Nos. 3201-3208	859.26	3 years expiring April 30, 2014	CNY41,160(1) -1st to 2nd years CNY43,890(1) -3rd year	Independent PRC partner(2)	Wuxi RK Liyuan Properties Limtied
Hong Kong						
Tower 6, The Gateway, No. 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong	Suites 501-5 & 14	935	2 years expiring October 31, 2013	HK$281,932	Harbour City Estates Limited	Road King Infrastructure Management Limited
Tower 6, The Gateway, No. 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong	Suites 506-8	522	3 years expiring October 31, 2013	HK$157,248	Harbour City Estates Limited	RK Properties Management Limited

(1) Exclusive of property taxes, management fees, water, electricity and sanitary charges.

(2) These independent PRC parties do not have formal English names.

Employees

As of December 31, 2009, 2010 and 2011 and June 30, 2012, we had 1,296, 1,540, 1,832 and 1,903 employees (excluding the staff of our joint venture partners), respectively.

We have not experienced any strikes or other disruptions due to labor disputes. We continue to maintain good relationships with our employees.

Employees are remunerated according to their performance and contribution. Other employee benefits include but are not limited to provident fund contributions, insurance coverage, training programs, as well as a share option scheme. As of June 30, 2012, 29,643,000 share options had been granted to Directors and employees and were outstanding under our share option scheme.

Insurance

Our policy is to ensure that our toll road joint ventures obtain sufficient property insurance and third party liability insurance. We also maintain a global insurance to cover those joint ventures that we believe may not have sufficient insurance coverage.

As required under PRC insurance laws and regulations, we maintain all third-party insurance policies for all our properties under construction. We do not maintain insurance policies for properties that have been delivered to our customers. We consider that our insurance coverage is sufficient for our present purposes. See "Risk factors—Risks relating to our business—We are uncertain whether we have maintained or will continue to maintain sufficient insurance coverage."

Environmental matters

Property development companies in the PRC are subject to a number of environmental laws and regulations including the PRC Environment Protection Law, the PRC Law on Prevention and Control of Noise Pollution, the PRC Law on Environmental Impact Assessment, and the Administrative Regulations on Environmental Protection in relation to Construction Environment. Please refer to the section headed "Regulation—Environmental protection" and to "Risk factors—Risks relating to our business—Potential liability for environmental problems may affect our business" for details of these environmental laws and regulations and the effect that it may have on our business.

We have submitted the relevant environmental impact study, report or environmental impact analysis table to the environmental authorities prior to commencement of construction of our property development projects. We have not experienced any problems in the inspections conducted by the relevant environmental authorities upon handover of our properties.

Legal proceedings

In October 2007, we and Huge Rise Investment Limited filed a writ of summons against Sunco China Holdings Limited and Sunco Management Holdings Limited (both of which are beneficially owned by Mr. Sun) and Mr. Sun, to claim for loss and damages related to the payment of certain construction costs, tax expenses and penalties in relation to the violation of certain development regulations in the PRC, which were undisclosed by Mr. Sun at the time of negotiation and the conclusion of various agreements leading to the acquisition of Sunco Property and its subsidiaries in late 2006 and early 2007. Certain of these unrecorded liabilities were recorded in the books of subsidiaries held by Sunco Property upon the completion of the acquisition by the Group. The disputes have principally been settled through the mediation by Tianjin Municipal Government in 2010 and both parties have withdrawn their respective lawsuits.

Except as disclosed in this offering memorandum, there are no legal or arbitration proceedings against or affecting the Issuer, us, any of our subsidiaries or any of our assets and we are not aware of any pending or threatened proceedings, which are material in the context of this issue of the Notes or the Guarantees.

Description of material indebtedness

To fund our existing toll road and property development projects and to finance our working capital requirements, we and our subsidiaries and associated entities, including joint venture companies, have entered into loan agreements with various financial institutions. We have also issued the 2007 Fixed Rate Notes, the 2010 Guaranteed Notes and the 2011 Guaranteed Notes. We set forth below a summary of the material terms and conditions of certain of these loans, the 2007 Fixed Rate Notes, the 2010 Guaranteed Notes and the 2011 Guaranteed Notes, and other indebtedness.

CNY1,623.3 million PRC loans

As of June 30, 2012, we had CNY1,623.3 million in Renminbi-denominated loans outstanding, which are secured by our properties in the PRC.

Customer guarantees

In line with industry practice, we provide guarantees to mortgagee banks in respect of mortgage loans taken out by purchasers of our properties. These guarantees will be released when the customers pledge their real estate certificates as security to banks for the mortgage loans granted. As of June 30, 2012, we had provided an aggregate HK$4,058.4 million in guarantees to our customers.

HK$150.0 million term loan and HK$50.0 million revolving facility

On November 3, 2009, we entered into a HK$150.0 million term loan and a HK$50.0 million revolving loan facility with Hang Seng Bank Limited for general working capital purposes. As of June 30, 2010, the entire facility was fully utilized. The term loan and revolving facility will mature in three years and are subject to an annual interest rate of 1.8% over HIBOR.

HK$390.0 million banking facility

On July 4, 2011, our subsidiary, RKP Finance (2011) Limited, entered into a HK$390.0 million loan facility with HSBC to refinance our then existing indebtedness. As of June 30, 2012, the entire facility was fully utilized. The loan is payable by installments starting from 18 months after the date of the loan facility agreement and is subject to an annual interest rate of 2.5% over HIBOR. The Company, RK (China) Properties Limited and RK Properties guaranteed the performance of RKP Finance (2011) Limited of its obligations under this loan facility with a limitation of HK$390.0 million. In addition, we undertook to maintain certain financial ratios during the term of the loan.

HK$175.0 million and CNY145.0 million term loan facility

On September 12, 2011, our subsidiary, RK Management Consultants Limited entered into a HK$175.0 million and CNY145.0 million term loan facility with DBS Bank Ltd., Hong Kong Branch to fund the property development business of the Group. As of June 30, 2012, the entire facility was fully utilized. The term loan is repayable by installments from 24 months after the date of the term loan facility agreement. For the HK dollar term loan, the loan bears an annual interest rate of 2.5% over HIBOR. For the CNY term loan, the loan will bear an annual interest of 1.0% over a rate that is determined by the lender to reflect its funding or maintenance cost of the relevant amount of CNY.

The Company guaranteed the repayment of the loan and undertook to maintain certain financial ratios.

US$40.0 million term loan facility

On December 24, 2011, our subsidiary, RK Infrastructure Finance (2011) Limited entered into a US$40.0 million (or its equivalent in HK$) term loan facility with CITIC Bank International Limited for the purpose of refinancing the then existing US$25.0 million term loan between RK Properties Finance (2007) Limited and the lender, for the Group's working capital requirements in connection with toll road and property projects in PRC and financing the redemption of the 2007 Floating Rate Notes. As of June 30, 2012, the entire facility was fully utilized. The term loan is repayable by installments starting from 12 months after the date of the term loan facility agreement and is subject to an annual interest rate of 3.8% over LIBOR or HIBOR, as appropriate.

The Company, RK (China) Properties Limited and RK Properties guaranteed the performance of RK Infrastructure Finance (2011) Limited of its obligations under this loan facility. In addition, the Company undertook to maintain certain financial ratios during the term of the loan.

HK$468.0 million banking facility

On March 12, 2012, our subsidiary, RKP Finance (2012) Limited entered into a HK$468.0 million loan facility with HSBC for the purpose of dividend payment. As of June 30, 2012, the entire facility was fully utilized. The loan will mature in one year and is subject to an annual interest rate of 3% over HIBOR. We, RK (China) Properties Limited and RK Properties guaranteed the performance of RKP Finance (2012) Limited of its obligations under this loan facility with a limitation of HK$468.0 million. In addition, we undertook to maintain certain financial ratios during the term of the loan.

HK$180.0 million term loan facility

On May 28, 2012, our subsidiary, RK Infrastructure Finance (2012) Limited, entered into a HK$180.0 million (or its equivalent in HK$ term loan facility with CITIC Bank International Limited to finance the dividend distribution to be made by the Company and the Group's general corporate use in Hong Kong. As of June 30, 2012, HK$178.1 million of the facility was utilized. The loan is repayable by installments starting from12 months after the date of the loan facility agreement. The term loan carries an annual interest rate of 3.5% over LIBOR or HIBOR, as appropriate.

The Company, RK (China) Properties Limited and RK Properties guaranteed the performance of RK Infrastructure Finance (2012) Limited of its obligations under this loan facility. In addition, the Company undertook to maintain certain financial ratios during the term of the loan.

US$70.0 million term loan facility

On July 9, 2012, our subsidiary, RKI Finance (2012) Limited, entered into a US$70.0 million term loan facility with Hang Seng Bank Limited to finance the repayment of the 2007 Floating Rate Notes. The first tranche of the facility contains a US$20.0 million loan, which is subject to an annual interest rate of 4.0% over LIBOR and will mature in one year. The second tranche of the facility contains a US$50.0 million loan, which is subject to an annual interest rate of 4.3% over

LIBOR and will mature on January 31, 2014. The Company, Road King (China) Infrastructure Limited, RK (China) Properties Limited and Sunco Property Holdings Company Limited jointly and severally guaranteed the performance by RKI Finance (2012) Limited of its obligations under this term loan facility.

2007 Fixed Rate Notes due 2014

On May 14, 2007, Road King Infrastructure Finance (2007) Limited issued the 2007 Fixed Rate Notes, which have been unconditionally and irrevocably guaranteed by RKIL. The proceeds from the offering of the 2007 Fixed Rate Notes were used to pay a portion of land premium payments due by Suzhou Junyu, finance the acquisition of land in the PRC, and refinance existing debt at that time.

The guarantee ranks at least *pari passu* with all of our other present and future unsecured and unsubordinated obligations. Road King Infrastructure Finance (2007) Limited and we, as guarantor, have given a negative pledge that, except for certain permitted liens, no security interest will be created or permitted to subsist upon any of our respective assets or properties of any kind, unless the 2007 Fixed Rate Notes are secured equally and ratably with (or, if the obligation or liability to be secured by such lien is subordinated in right of payment to the 2007 Fixed Rate Notes, prior to) the indebtedness secured by such lien. The 2007 Fixed Rate Notes carry an annual interest rate of 7.625 per cent.

The 2007 Fixed Rate Notes are listed on the SGX-ST and will mature on May 14, 2014.

Redemption

We may redeem the 2007 Fixed Rate Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to the redemption date if redeemed during the twelve-month period beginning on May 14 of each of the years indicated below.

Period	Redemption Price
2012	101.9063%
2013 and thereafter	100.00%

2010 Guaranteed Notes due 2015

On September 21, 2010, RKI Finance (2010) Limited issued the 2010 Guaranteed Notes, which have been unconditionally and irrevocably guaranteed by RKIL. The proceeds from the offering of the 2010 Guaranteed Notes were used as follows:

(i) to finance a cash tender offer for, and/or to otherwise repurchase or repay at maturity, all or a portion of the outstanding 2004 Guaranteed Notes and the outstanding 2007 Floating Rate Notes;

(ii) for the financing of other existing indebtedness; and

(iii) to make investments in our property development business.

The guarantee ranks at least *pari passu* with all of our other present and future unsecured, unsubordinated indebtedness. RKI Finance (2010) Limited and we, as guarantor, have given a negative pledge that, except for certain permitted liens, no security interest will be created or permitted to subsist upon any of our respective assets or properties of any kind, unless the 2010 Guaranteed Senior Notes are secured equally and ratably with (or if the obligation or liability to be secured by such lien is subordinated in right of payment to the 2010 Guaranteed Senior Notes, prior to) the indebtedness secured by such lien.

The 2010 Guaranteed Notes carry an annual interest rate of 9.500 per cent per annum. The 2010 Guaranteed Notes are listed on the SGX-ST and will mature on September 21, 2015.

Redemption

At any time before September 21, 2013, we may redeem the 2010 Guaranteed Notes, in whole and not in part, at a redemption price equal to 100.0% of their principal amount plus the applicable premium and accrued and unpaid interest, if any, to the redemption date.

At any time and from time to time on or after September 21, 2013, we may redeem the 2010 Guaranteed Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to the redemption date if redeemed during the twelve-month period beginning on September 21 of each of the years indicated below.

Period	Redemption Price
2013	104.750%
2014	102.375%

In addition, at any time prior to September 21, 2013, we may redeem up to 35.0% of the principal amount of the 2010 Guaranteed Notes using proceeds from certain equity offerings at a redemption price of 109.5% of the principal amount of the 2010 Guaranteed Notes plus accrued and unpaid interest, if any, to the redemption date.

2011 Guaranteed Notes due 2014

On February 25, 2011, RKI Finance (2011) Limited issued the 2011 Guaranteed Notes, which have been unconditionally and irrevocably guaranteed by RKIL. The proceeds from the offering of the 2011 Guaranteed Notes were used as follows:

(i) for the refinancing of existing indebtedness, including all amounts outstanding under the Syndicated Loan;

(ii) to make investments in our toll road business, including a potential investment in a new expressway project in Shanxi province; and

(iii) for general corporate purposes.

The guarantee ranks at least *pari passu* with all of our other present and future unsecured, unsubordinated indebtedness. RKI Finance (2011) Limited and we, as guarantor, have given a negative pledge that, except for certain permitted liens, no security interest will be created or permitted to subsist upon any of our respective assets or properties of any kind, unless the 2011 Guaranteed Senior Notes are secured equally and ratably with (or if the obligation or liability to be secured by such lien is subordinated in right of payment to the 2011 Guaranteed Notes, prior to) the indebtedness secured by such lien.

The 2011 Guaranteed Notes carry an annual interest rate of 6 per cent per annum. The 2010 Guaranteed Notes are listed on the SGX-ST and will mature on February 25, 2014.

Redemption

At any time and from time to time, we may redeem the 2011 Guaranteed Notes, in whole and not in part, at a redemption price equal to 100.0% of their principal amount plus the applicable premium and accrued and unpaid interest, if any, to the redemption date.

In addition, at any time prior to February 25, 2014, we may redeem up to 35.0% of the principal amount of the 2011 Guaranteed Notes using proceeds from certain equity offerings at a redemption price of 106% of the principal amount of the Notes plus accrued and unpaid interest, if any, to the redemption date.