

Road King Infrastructure Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 1098)

Annual Report 2014

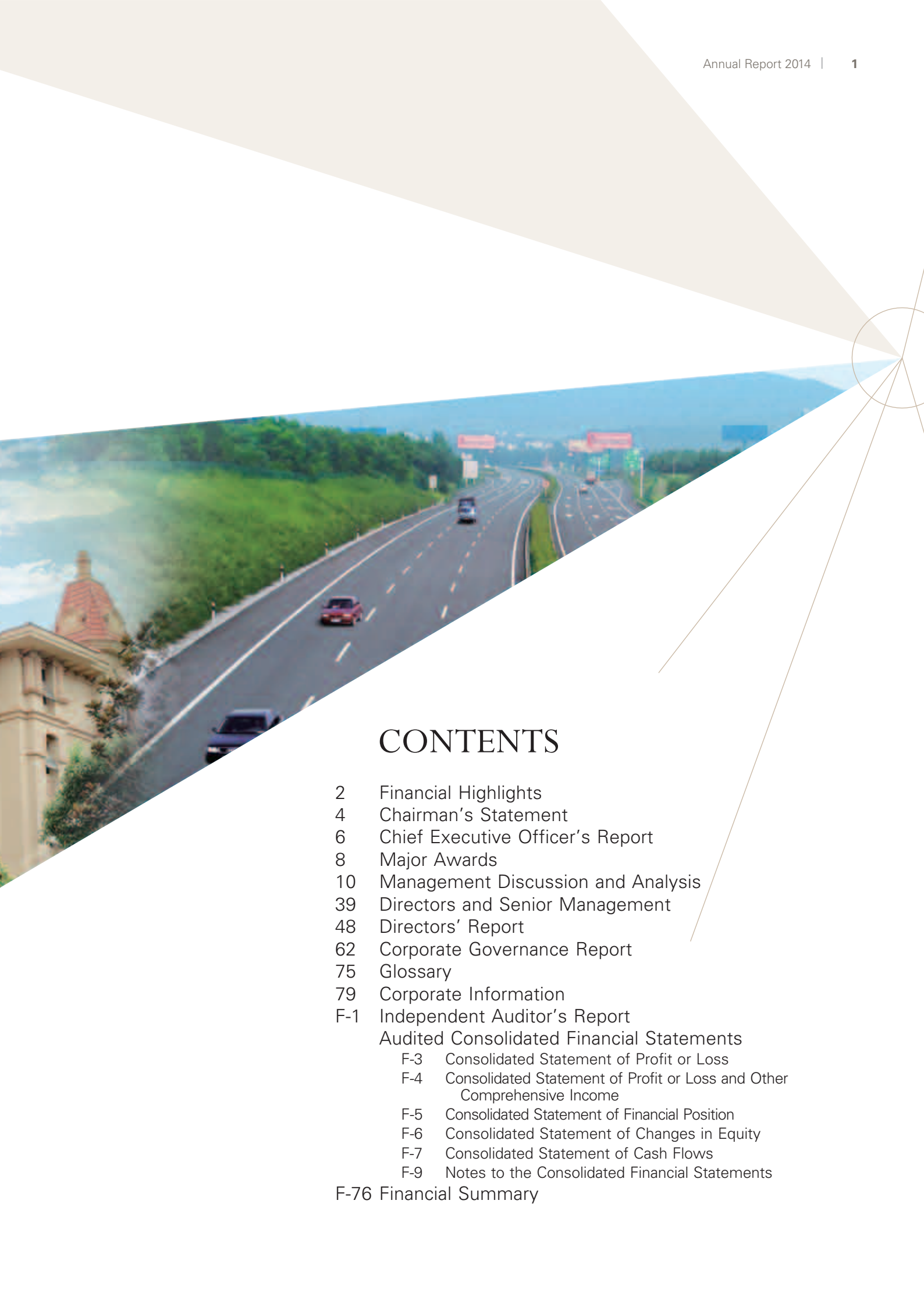


CORPORATE PROFILE

ROAD KING INFRASTRUCTURE LIMITED

Road King Infrastructure Limited (“Road King”) is a prominent property developer in the People’s Republic of China (the “PRC”) and focuses on developing quality residential apartments at affordable prices. Road King’s existing asset portfolio of property business amounts to approximately HK\$35 billion, comprising a land reserve of over 5,300,000 square metres which is primarily located in the Yangtze River Delta and Bohai Rim regions. Road King is also a leading toll road investor and operator in the PRC with over 20 years of experience in the industry. Road King’s current toll road portfolio comprises five expressways spanning about 340 kilometres in the PRC.





CONTENTS

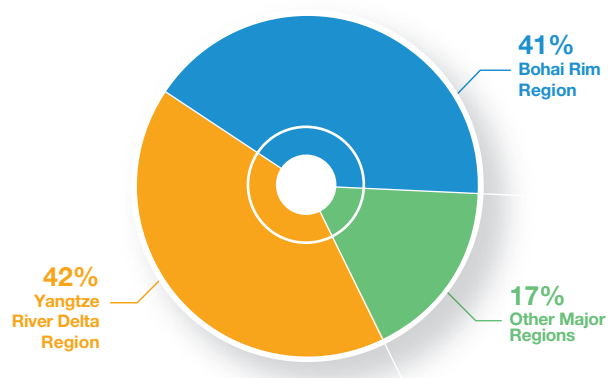
2	Financial Highlights
4	Chairman's Statement
6	Chief Executive Officer's Report
8	Major Awards
10	Management Discussion and Analysis
39	Directors and Senior Management
48	Directors' Report
62	Corporate Governance Report
75	Glossary
79	Corporate Information
F-1	Independent Auditor's Report
	Audited Consolidated Financial Statements
F-3	Consolidated Statement of Profit or Loss
F-4	Consolidated Statement of Profit or Loss and Other Comprehensive Income
F-5	Consolidated Statement of Financial Position
F-6	Consolidated Statement of Changes in Equity
F-7	Consolidated Statement of Cash Flows
F-9	Notes to the Consolidated Financial Statements
F-76	Financial Summary

FINANCIAL HIGHLIGHTS

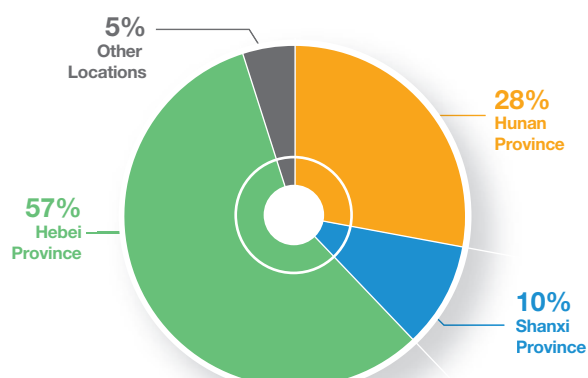
(HK\$'million)	For the year ended 31 December				
	2014	2013	2012	2011 (restated)*	2010 (restated)*
Revenue from property development	12,730	11,456	9,344	6,833	4,942
Group's share of toll road revenue	968	893	839	844	803
Cash received from toll road projects	515	512	523	658	751
Profit attributable to owners of the Company	1,005	1,002	818	735	581
Equity attributable to owners of the Company	13,208	12,672	11,793	11,072	10,244
Total assets	42,484	43,429	37,275	31,732	27,686
Dividend per Share (HK\$)	0.58	0.58	0.46	0.46	0.43
Gross gearing ratio (%)	102	100	93	89	84

* The figures of 2011 and 2010 have been restated pursuant to the amendments made to HKAS 12 effective on 1 January 2012 for comparison purposes.

REVENUE CONTRIBUTION OF PROPERTY PROJECTS IN 2014 BY LOCATION

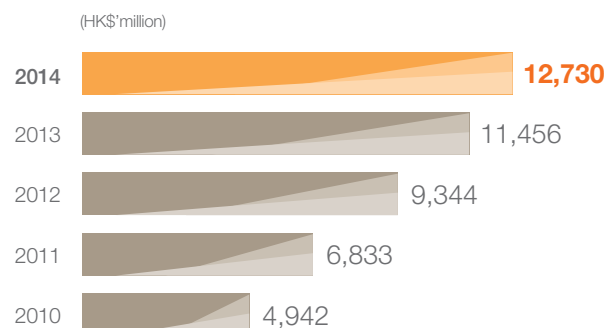


REVENUE CONTRIBUTION OF TOLL ROAD PROJECTS IN 2014 BY LOCATION

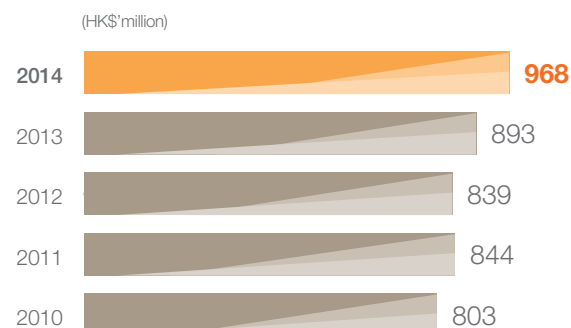


FINANCIAL HIGHLIGHTS (CONTINUED)

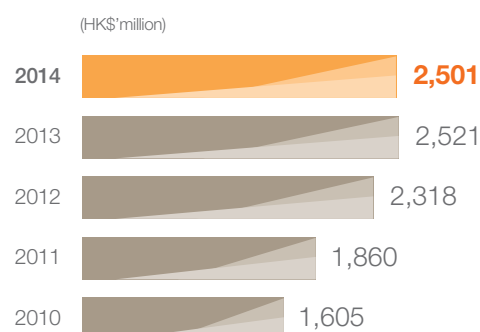
REVENUE FROM PROPERTY DEVELOPMENT



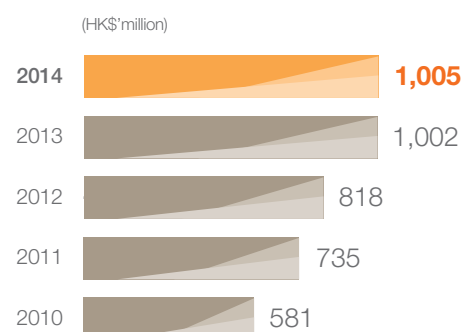
GROUP'S SHARE OF TOLL REVENUE



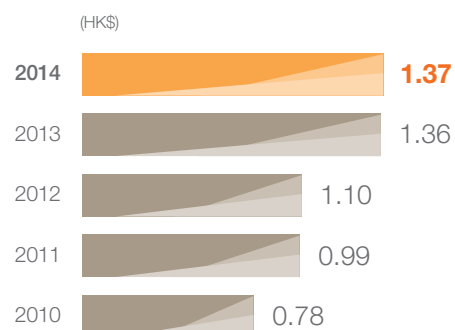
PROFIT BEFORE TAXATION



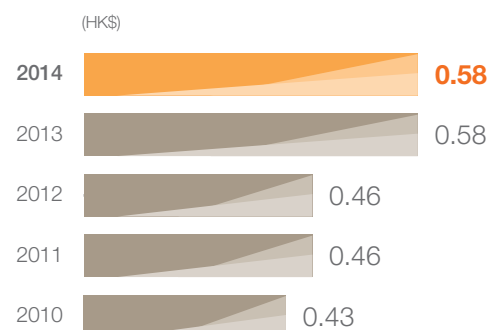
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY*



EARNINGS PER SHARE*



DIVIDEND PER SHARE



* The figures of 2011 and 2010 have been restated pursuant to the amendments made to HKAS 12 effective on 1 January 2012 for comparison purposes.

CHAIRMAN'S STATEMENT



Zen Wei Pao, William
Chairman

Dear Shareholders,

The profit attributable to the owners of the Company for 2014 was HK\$1,005 million. The Board recommended a final dividend of HK\$0.45 per Share. Together with the interim dividend of HK\$0.13 per Share, the total dividend for 2014 will be HK\$0.58 per Share (2013: HK\$0.58 per Share).

In 2014, the PRC property market experienced uncertainty due to the impact of government policies and the external economy. While assuring the priority of stable profit, the Group achieved property sales (including joint venture projects) of RMB10,411 million for the year by adopting an effective and practicable strategy, thereby recording profit of HK\$1,061 million for property business. In 2014, the Group acquired five new land parcels in areas where the Group's existing projects are located. These land parcels, with an aggregate floor area of approximately 753,000 sqm, are mainly in developing locations or close to rail transit lines. With this move, the Group replenished its land reserve and continued to implement its strategy of deeper exploitation.

The toll road business continued to generate stable cash flow for the Group in 2014, with cash receipts amounting to HK\$515 million. During the year, the Group acquired 49% equity interest in Machao Expressway in Anhui Province. With the Group's profit sharing ratio in Baojin Expressway in Hebei Province increasing to 40%, coupled with the inclusion of Machao Expressway in Anhui Province, the existing toll road business is expected to show stronger performance in the coming years.

Since the commencement of its property business in 2004, the Group has built up its own brand and developed its operating strategy after overcoming various difficulties and challenges during the past decade. In response to the complicated and changing operating environment and customer demands, the Group will seek to strengthen its property business via a breakthrough on the existing operating strategy and add value to its operation. In the meantime, the Group will continue to look for appropriate expressway projects and dispose of the remaining highway projects to optimise its toll road portfolio and expand its toll road business.

CHAIRMAN'S STATEMENT (CONTINUED)

As always, all staff of the Group will continue to follow our beliefs in positive thinking and proactive action to meet the expectations of the Shareholders and to contribute to the development of the society.

On behalf of the Board, I would like to express our gratitude to all customers, business partners, Shareholders and our dedicated staff.

Zen Wei Pao, William

Chairman

Hong Kong, 12 March 2015

CHIEF EXECUTIVE OFFICER'S REPORT



Ko Yuk Bing
Chief Executive Officer

Dear Shareholders,

RESULTS FOR 2014

The profit for the year of 2014 was HK\$1,029 million, and earnings per Share was HK\$1.37. The core operating profit (profit for the year before taxation, exchange and related differences as well as change in fair value of investment properties) of the Group increased from HK\$2,130 million in 2013 to HK\$2,638 million in 2014. Property sales (including joint venture projects) for the year amounted to RMB10,411 million, of which, outstanding subscribed sales was approximately RMB1,007 million. The total toll revenue of toll road projects for the year amounted to RMB1,928 million.

PROPERTY BUSINESS

Affected by the tightened monetary policies and continued austerity measures in the first half of 2014, both sales volume and selling price dropped for the PRC property market as compared to 2013. By following its predetermined plan, the Group had implemented the strategy of balancing turnover and profitability, and adopted flexible marketing approaches. Together with collective efforts of the team, the Group recorded contracted and subscribed sales of RMB10,411 million, of which, projects in the Yangtze River Delta region contributed more than half of the contracted sales. In 2014, the Group recorded a revenue of HK\$12,730 million by delivering 976,000 sqm of properties.

Upholding the strategy of deeper exploitation, the Group acquired five new land parcels in Jinan in Shandong Province, Shanghai, Suzhou, Changzhou and Wuxi in Jiangsu Province in 2014, for an aggregate floor area of about 753,000 sqm with a view to replenishing its land reserve. In line with the Group's development strategy, most of the above new land parcels are adjacent to existing projects, located in downtown areas or close to rail transit lines.

CHIEF EXECUTIVE OFFICER'S REPORT (CONTINUED)

TOLL ROAD BUSINESS

The total traffic volume and toll revenue of the Group's toll road projects were 72 million vehicles and RMB1,928 million respectively in 2014. Toll revenue contributed by expressway projects represented approximately 96% of that of the Group's toll road business.

Relevant documentations and approvals for the acquisition of 49% equity interests in Machao Expressway in Anhui Province were completed in the first half of 2014. Machao Expressway has started its contribution to the Group's revenue since June 2014.

As the Group's profit sharing ratio in Baojin Expressway has increased to 40% since January 2014, and Longcheng Expressway in Shanxi Province becomes increasingly developed, coupled with the inclusion of Machao Expressway in Anhui Province, the distributions from toll road projects are expected to see a continuous year-on-year growth in the future.

FINANCE AND FUNDING

The Group has been consistently following a prudent and stable financial policy. In 2014, the Group increased the portion of onshore borrowing, with a view to balance the proportion of onshore and offshore borrowing, as well as relevant financial markets and exchange rate risks. In August 2014, in order to further reduce its cost of capital, the Group arranged a syndicate loan of US\$200 million to early redeem the 9.5% USD bonds.

PROSPECT

The property industry in the mainland China is a commodity business as well as a long-lived industry. Short-term adjustments in the market enable the industry to be better regulated and developed, benefiting its long-term development. The prospects of the property industry in the mainland China remain positive given the continuous economic growth of China, rising income per capita, the urbanisation process and the demand for improvement of living environment. With the gradual easing of economic policies and the introduction of various favourable market policies in the second half of 2014, the purchasing power will be released gradually. It is expected that the environment of the PRC property market should improve in 2015 compared with that in 2014.

With years of implementation, experience and efforts, the Group has developed a track record for the property business. In the following year, the Group will continue to adopt the strategy that maintains deeper exploitation, and balances profitability and sales volume. The Group will focus on providing residential properties and relevant amenities, enhancing the strategic cooperation with its partners, and further optimising its product quality and cost structure. In doing so, the Group aims to increase the profit margin of its products, establish long-standing brand recognition and further reinforce its position in the industry.

The Group holds the view that the toll road business would provide long term steady cash flows and returns and will solicit appropriate expressway projects by leveraging its reputation in the industry and management experience obtained over the past two decades, with a view to expanding its expressway portfolio further and creating solid returns for the Shareholders continuously.

ACKNOWLEDGEMENT

I hereby express my sincere gratitude to all of our colleagues for their commitment and contribution, and thanks to our customers, business partners and Shareholders for their enduring support and trust.

Ko Yuk Bing
Chief Executive Officer

Hong Kong, 12 March 2015

MAJOR AWARDS



ROAD KING INFRASTRUCTURE LIMITED

- 2014 Best 25 China Real Estate Listed Companies with Strongest Comprehensive Strengths
- 2014 Best 5 China Real Estate Listed Companies of Risk Management

RK PROPERTIES HOLDINGS LIMITED

- 2014 Most Influential Brand
- 2014 First of Top 10 Foreign-owned Property Developer in China
- 2014 Best 25 of China Real Estate Developers Brand Value

MAJOR AWARDS (CONTINUED)



PROPERTY BUSINESS

Shanghai	2013 Comprehensive Strength Enterprise of Waigang Town – Gold Prize
Changzhou	2013 Outstanding Contribution Award
Suzhou	2013 Outstanding Practice in Construction Activities of Jiangsu Province – RK Phoenix City
Beijing	2013 Regional Landmark Property Development of Beijing Real Estate Sector – RK World City

Tianjin	2014 315 Best Quality Property – Gold Prize – RK Sunny Town
Guangzhou	2013 Most Suitable for Living Residence – RK J-o-Y Heights

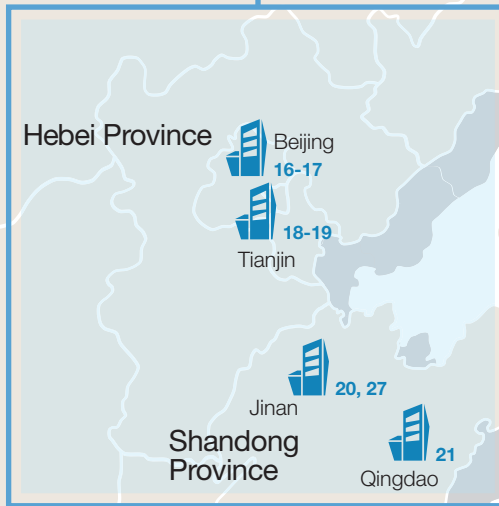
TOLL ROAD BUSINESS

Changyi	2013 Provincial Award for Excellence in Expressway Emergency Response of Expressway
	2014 Provincial Award for Excellence in Management and Operation of Expressway

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY PROJECTS

Bohai Rim Region






Jiangsu Province



Yangtze River Delta Region



-  Yangtze River Delta Region
-  Bohai Rim Region
-  Other Major Regions

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

MAJOR PROJECTS INFORMATION

Properties for Sale

As at 31 December 2014

Yangtze River Delta Region

P1	RK Notting Hill							
	Floor area (sqm)	126,000	Nature	Residential	Stage of completion (note)	P/F/S	Land area (sqm)	98,000
	Approximate attributable interest	100.00%	Target completion	2016	Location	Zhenjiang, Jiangsu Province		
Zhenjiang RK Properties Developments Ltd.								
P2	Zhenjiang Dagang Project							
	Floor area (sqm)	522,000	Nature	Residential	Stage of completion (note)	M	Land area (sqm)	257,000
	Approximate attributable interest	100.00%	Target completion	2019	Location	Zhenjiang, Jiangsu Province		
Zhenjiang RK Dagang Properties Developments Co., Ltd.								
P3	RK City (Changzhou)							
	Floor area (sqm)	705,000	Nature	Residential	Stage of completion (note)	P/F/S	Land area (sqm)	280,000
	Approximate attributable interest	100.00%	Target completion	2020	Location	Changzhou, Jiangsu Province		
Changzhou RK Properties Developments Ltd.								
P4	RK Urban Home Court							
	Floor area (sqm)	232,000	Nature	Residential	Stage of completion (note)	P/F/S	Land area (sqm)	95,000
	Approximate attributable interest	100.00%	Target completion	2017	Location	Changzhou, Jiangsu Province		
Changzhou RK Hongcheng Properties Developments Ltd.								
P5	RK City Landmark							
	Floor area (sqm)	217,000	Nature	Residential	Stage of completion (note)	P/F	Land area (sqm)	89,000
	Approximate attributable interest	100.00%	Target completion	2020	Location	Changzhou, Jiangsu Province		
Changzhou RK Hongyuan Properties Developments Ltd.								
P6	RK City Signature							
	Floor area (sqm)	276,000	Nature	Residential	Stage of completion (note)	M	Land area (sqm)	110,000
	Approximate attributable interest	100.00%	Target completion	2019	Location	Changzhou, Jiangsu Province		
Changzhou RK Hongrun Properties Developments Ltd.								

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

MAJOR PROJECTS INFORMATION

Properties for Sale

As at 31 December 2014

Yangtze River Delta Region

P7	RK Royal City (Changzhou)							
	Floor area (sqm)	208,000	Nature	Residential	Stage of completion (note)	S/C	Land area (sqm)	487,000
	Approximate attributable interest	100.00%	Target completion	2016	Location	Changzhou, Jiangsu Province		
Changzhou Great Gallop Properties Developments Ltd.								
P8	RK The Providence							
	Floor area (sqm)	185,000	Nature	Residential	Stage of completion (note)	F/S/C	Land area (sqm)	88,000
	Approximate attributable interest	100.00%	Target completion	2017	Location	Wuxi, Jiangsu Province		
Wuxi RK Liyuan Properties Limited								
P9	RK Impression							
	Floor area (sqm)	92,000	Nature	Residential	Stage of completion (note)	F/S	Land area (sqm)	26,000
	Approximate attributable interest	100.00%	Target completion	2016	Location	Wuxi, Jiangsu Province		
Wuxi RK Binhu Properties Co., Ltd.								
P10	RK Phoenix City							
	Floor area (sqm)	531,000	Nature	Residential	Stage of completion (note)	P/F/S/C	Land area (sqm)	847,000
	Approximate attributable interest	100.00%	Target completion	2018	Location	Suzhou, Jiangsu Province		
Suzhou Junyu Properties Ltd.								
P11	RK Hong Kong Times							
	Floor area (sqm)	84,000	Nature	Residential	Stage of completion (note)	S	Land area (sqm)	46,000
	Approximate attributable interest	100.00%	Target completion	2016	Location	Suzhou, Jiangsu Province		
Suzhou RK Properties Co., Ltd.								
P12	RK Shanghai Villa							
	Floor area (sqm)	118,000	Nature	Residential	Stage of completion (note)	P/F/S/C	Land area (sqm)	136,000
	Approximate attributable interest	55.00%	Target completion	2017	Location	Shanghai		
Shanghai Juncheng Real Estate Ltd.								

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

MAJOR PROJECTS INFORMATION

Properties for Sale

As at 31 December 2014

Yangtze River Delta Region

P13	RK Shanghai Style							
	Floor area (sqm)	129,000	Nature	Residential	Stage of completion (note)	F/S	Land area (sqm)	61,000
	Approximate attributable interest	75.00%	Target completion	2016	Location	Shanghai		
Shanghai Junan Real Estate Ltd.								
P14	RK Shanghai Manor							
	Floor area (sqm)	122,000	Nature	Residential	Stage of completion (note)	F/S/C	Land area (sqm)	133,000
	Approximate attributable interest	55.00%	Target completion	2017	Location	Shanghai		
Shanghai Juncheng Real Estate Ltd.								
P15	Shanghai Anting Changji Road South Project							
	Floor area (sqm)	80,000	Nature	Residential	Stage of completion (note)	M	Land area (sqm)	42,000
	Approximate attributable interest	75.00%	Target completion	2019	Location	Shanghai		
Shanghai Junan Real Estate Ltd.								

Bohai Rim Region

P16	Jianguomen Project							
	Floor area (sqm)	31,000	Nature	Commercial	Stage of completion (note)	M	Land area (sqm)	11,000
	Approximate attributable interest	100.00%	Target completion	2019	Location	Beijing		
Beijing Wuyuetian Properties Development Co., Ltd.								
P17	RK World City							
	Floor area (sqm)	120,000	Nature	Residential and Commercial	Stage of completion (note)	F/S/C	Land area (sqm)	108,000
	Approximate attributable interest	100.00%	Target completion	2017	Location	Beijing		
Beijing RK Junyu Properties Developments Ltd.								
P18	RK Sunny Town							
	Floor area (sqm)	269,000	Nature	Residential	Stage of completion (note)	P/F/S/C	Land area (sqm)	811,000
	Approximate attributable interest	94.74%	Target completion	2017	Location	Tianjin		
Tianjin Sunco Xindi Property Co., Ltd.								

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)


MAJOR PROJECTS INFORMATION


Properties for Sale

As at 31 December 2014


Bohai Rim Region


P19	RK Leader of Life							
	Floor area (sqm)	64,000	Nature	Residential	Stage of completion (note)	S/C	Land area (sqm)	327,000
	Approximate attributable interest	94.74%	Target completion	2015	Location	Tianjin		
Tianjin Sunco Rongxin Land Co., Ltd. and Tianjin RK Junyao Properties Investment Co., Ltd.								

P20	Jinan University Project							
	Floor area (sqm)	129,000	Nature	Residential and Commercial	Stage of completion (note)	M	Land area (sqm)	53,000
	Approximate attributable interest	100.00%	Target completion	2019	Location	Jinan, Shandong Province		
Shandong Yudi Properties Developments Co., Ltd.								

P21	RK Unusual Landscape							
	Floor area (sqm)	78,000	Nature	Residential	Stage of completion (note)	F/S/C	Land area (sqm)	249,000
	Approximate attributable interest	94.74%	Target completion	2015	Location	Qingdao, Shandong Province		
Shandong Sunco Rongsheng Land Co., Ltd.								

Other Major Regions

P22	RK Royal City (Luoyang)							
	Floor area (sqm)	392,000	Nature	Residential	Stage of completion (note)	M/P/F/S	Land area (sqm)	147,000
	Approximate attributable interest	100.00%	Target completion	2020	Location	Luoyang, Henan Province		
Luoyang RK Properties Developments Ltd.								

P23	RK J·o·Y Heights							
	Floor area (sqm)	183,000	Nature	Residential	Stage of completion (note)	F/S/C	Land area (sqm)	103,000
	Approximate attributable interest	100.00%	Target completion	2016	Location	Guangzhou, Guangdong Province		
Guangzhou Junyue Real Estate Limited								

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

MAJOR PROJECTS INFORMATION

Investment Properties

As at 31 December 2014

P24	RK Grand Metropolis							
	Floor area (sqm)	120,000	Nature	Commercial	Stage of completion (note)	C	Land area (sqm)	67,000
	Approximate attributable interest	100.00%	Target completion	Not applicable	Location	Changzhou, Jiangsu Province		
Changzhou Greatmind Properties Developments Ltd.								
P10	RK Phoenix City							
	Floor area (sqm)	16,000	Nature	Commercial	Stage of completion (note)	C	Land area (sqm)	13,000
	Approximate attributable interest	100.00%	Target completion	Not applicable	Location	Suzhou, Jiangsu Province		
Suzhou Junyu Properties Ltd.								
P18	RK Joy Park							
	Floor area (sqm)	18,000	Nature	Commercial	Stage of completion (note)	C	Land area (sqm)	9,000
	Approximate attributable interest	94.74%	Target completion	Not applicable	Location	Tianjin		
Tianjin Sunco Xindi Property Co., Ltd.								
P23	RK J·o·Y Heights							
	Floor area (sqm)	6,000	Nature	Commercial	Stage of completion (note)	C	Land area (sqm)	4,000
	Approximate attributable interest	100.00%	Target completion	Not applicable	Location	Guangzhou, Guangdong Province		
Guangzhou Junyue Real Estate Limited								
P25	RK Central Special Zone							
	Floor area (sqm)	25,000	Nature	Commercial	Stage of completion (note)	C	Land area (sqm)	9,000
	Approximate attributable interest	94.74%	Target completion	Not applicable	Location	Zhengzhou, Henan Province		
Zhengzhou Keshu Real Estate Co., Ltd.								

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

MAJOR PROJECTS INFORMATION

New projects acquired in the second half of 2014

As at 31 December 2014

Yangtze River Delta Region

P26	Land Parcel in Anting Jiading District							
	Floor area (sqm)	145,000	Nature	Residential	Stage of completion (note)	M	Land area (sqm)	72,000
	Approximate attributable interest	49%	Target completion	2019	Location	Shanghai		
Shanghai Junda Real Estate Ltd.								

Bohai Rim Region

P27	RK City (Jinan)							
	Floor area (sqm)	156,000	Nature	Residential	Stage of completion (note)	P/F	Land area (sqm)	42,000
	Approximate attributable interest	100%	Target completion	2016	Location	Jinan, Shandong Province		
Jinan RK Juncheng Properties Developments Co., Ltd.								

Notes:

"M" denotes "Master planning"

"P" denotes "Planning and design"

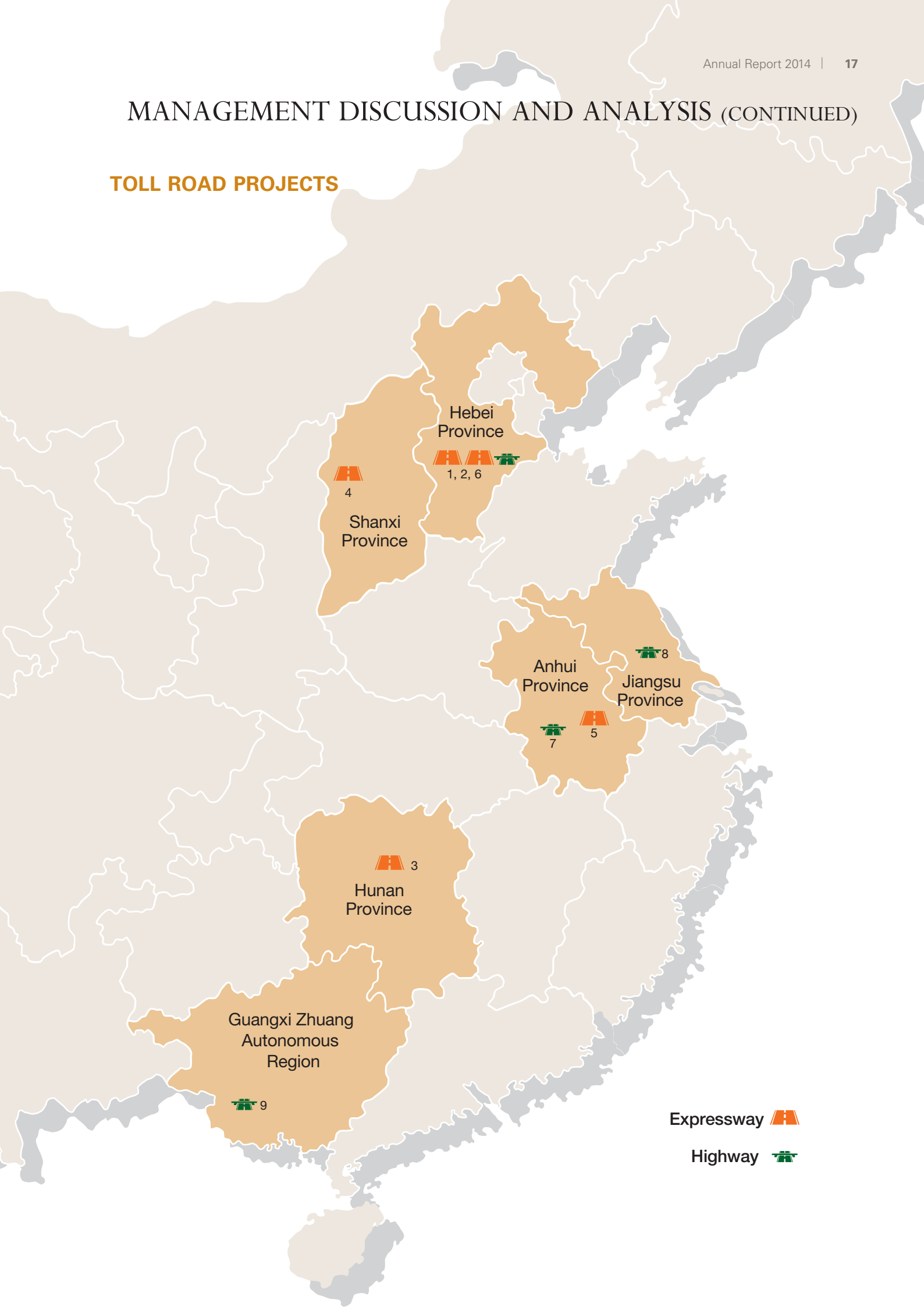
"F" denotes "Foundation"

"S" denotes "Superstructure"

"C" denotes "Completed"

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

TOLL ROAD PROJECTS





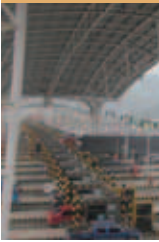

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

MAJOR PROJECTS INFORMATION

Toll Road Business

As at 31 December 2014

Expressways

T1	Baojin Expressway					
	Location	Hebei Province	Length	105km	Equity interest	40%
	Route	National Expressway G18 Baoding-Tianjin ~ 4-lane		Road Rise Investments Limited		
T2	Tangjin Expressway					
	Location	Hebei Province	Length	58km	Equity interest	45%
	Route	National Expressway G25 Tangshan-Tianjin ~ 4/6-lane		Ontex Investments Limited Road Base Investments Limited Road Bond Investments Limited		
T3	Changyi Expressway					
	Location	Hunan Province	Length	69km	Equity interest	43%
	Route	National Expressway G5513 Changsha-Yiyang ~ 4-lane		Road Crown Investments Limited Road Express Investments Limited Road Famous Investments Limited Road Glorious Investments Limited Road Grand Investments Limited Road Link Investments Limited		
T4	Longcheng Expressway					
	Location	Shanxi Province	Length	72km	Equity interest	45%
	Route	Provincial Expressway S60 Yuci Longbai Village-Chengzhao, Qixian ~ 6-lane		Intersafe Investments Limited		
T5	Machao Expressway					
	Location	Anhui Province	Length	36km	Equity interest	49%
	Route	Provincial Expressway S24 Ma'anshan-Chaohu ~ 6-lane		Road King (China) Infrastructure Limited		

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

MAJOR PROJECTS INFORMATION

Toll Road Business

As at 31 December 2014

Highways

T6		Shijin Highway				
	Location	Hebei Province	Length	40km	Equity interest	60%
	Route	National Highway 307 Shijiazhuang-Jinzhou ~ Class I/II Highway ~ 2/4-lane		Road Fly Investments Limited Road Sincere Investments Limited		
T7		Heye Highway				
	Location	Anhui Province	Length	55km	Equity interest	50%
	Route	National Highway 312 Hefei-Yeji ~ Class I Highway ~ 4/6-lane		Road Mass Investments Limited Road Team Investments Limited		
T8		Suzhou Shanghai Airport Highway				
	Location	Jiangsu Province	Length	53km	Equity interest	50%
	Route	Provincial Highway 343 Suzhou-Shanghai Hongqiao Airport (Suzhou Section) ~ Super Class II Highway ~ 4-lane		Anwell Investment Limited		
T9		Yulin Highway				
	Location	Guangxi Zhuang Autonomous Region	Length	11km	Equity interest	70%
	Route	National Highway 324 Yulin Section ~ Class I Highway ~ 4/6-lane		Tonston Investments Limited		

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW

The profit for the year of 2014 was HK\$1,029 million, and earnings per Share was HK\$1.37. The core operating profit (profit for the year before taxation, exchange and related differences as well as change in fair value of investment properties) of the Group increased from HK\$2,130 million in 2013 to HK\$2,638 million in 2014. Property sales (including joint venture projects) for the year amounted to RMB10,411 million, of which, outstanding subscribed sales was approximately RMB1,007 million. The total revenue of toll road projects for the year amounted to RMB1,928 million.

PROPERTY BUSINESS

Due to the tightening monetary policies and ongoing macro-control implemented in the first half of 2014, the customers tended to be cautious on property purchase. Following the relaxation of "first home" criteria and interest cuts, the property market witnessed a slight return of growth in both sales volume and property prices during the second half of the year. In light of the uncertainties as to government policies and the liberalisation of interest rates, the Group continued to focus on the mass market and targeted first-time home buyers and first-time home upgraders. Adhering to the steady and consistent business strategy of deeper exploitation and balancing turnover and profitability, the Group adopted effective and practicable measures to establish various partnerships through flexible marketing approaches, achieving remarkable results in operation and development. The Group recorded the sales (including joint venture projects) of RMB10,411 million for 2014.

Financial Review

Set out below is an analysis of the performance of the Group's property business for 2014 and 2013:

	For the year ended 31 December	
	2014 HK\$'million	2013 HK\$'million
Revenue	12,730	11,456
Gross Profit	3,334	2,933
Selling and operating expenses	(855)	(833)
Profit after taxation	1,061	849

By steadily improving the turnover rate and further optimising product design and cost structure, the Group continued to record increase in revenue and maintained reasonable growth in profit. Revenue in 2014 was HK\$12,730 million, representing a growth of about 11% from the previous year, and mainly contributed by the delivery of properties related to projects in the Yangtze River Delta and the Bohai Rim regions. The total area delivered in 2014 was 976,000 sqm, with an average price of approximately RMB10,700 per sqm, representing a slight growth as compared with that in 2013. The segment profit of the property business increased to HK\$1,061 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Set out below is an analysis of the Group's property sales and delivery by region for 2014:

Regions (Notes)	Sales		Delivery	
	Amount RMB'million	Area sqm	Amount RMB'million	Area sqm
Yangtze River Delta	5,044	541,000	4,439	394,000
Bohai Rim	2,599	215,000	4,318	402,000
Other major regions	1,506	148,000	1,726	180,000
Subtotal	9,149	904,000	10,483	976,000
Joint venture projects	255	42,000	365	31,000
Total	9,404	946,000	10,848	1,007,000

Notes:

Yangtze River Delta region comprises Shanghai and Jiangsu Province.

Bohai Rim region comprises Beijing, Tianjin, Hebei Province and Shandong Province.

Other major regions comprise Henan Province and Guangdong Province.

In 2014, the Group adhered to its steady and consistent business strategy and implemented deeper exploitation on existing markets. Meanwhile, it continued to improve product quality and enhance project management, and acquired new suitable lands at reasonable prices. The Group recorded property contracted sales (including joint venture projects) of RMB9,404 million in 2014, with an average selling price of approximately RMB10,000 per sqm.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

LAND RESERVE

For land reserve replenishment, the Group acquired five pieces of land in Shanghai, Changzhou, Wuxi, Suzhou and Jinan in 2014, with an aggregate floor area of about 753,000 sqm.

The Group's land reserve includes properties under planning and construction, properties held for sale and properties held for investment. As at 31 December 2014, the Group's land reserve was over 5,300,000 sqm and was mainly located in the following regions:

Provinces/Municipalities	Number of projects units	Area sqm
Yangtze River Delta region		
Shanghai	5	594,000
Jiangsu Province	12	3,314,000
Bohai Rim region		
Beijing	2	151,000
Tianjin	2	351,000
Shandong Province	3	363,000
Other major regions		
Henan Province	2	417,000
Guangdong Province	1	189,000

In 2014, the Group's new construction area was 878,000 sqm while the area of completed projects was 1,376,000 sqm. New construction area and the area of completed projects in 2015 are expected to be 1,196,000 sqm and 1,197,000 sqm, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

OVERVIEW OF MAJOR PROJECTS

Yangtze River Delta Region



RK Phoenix City, Suzhou

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

In 2014, sales of the residential buildings of i-Zone was RMB1,200 million, with an average selling price of more than RMB10,300 per sqm. Sales of Forest & Valley Villa was RMB1,086 million, with an average selling price of approximately RMB15,000 per sqm. In 2014, the value and area of properties delivered were RMB1,261 million and 126,000 sqm, respectively, for the residential buildings of i-Zone, and RMB1,685 million and 120,000 sqm, respectively, for Forest & Valley Villa. It is expected that a total area of 142,000 sqm of i-Zone will be delivered in 2015, of which 73,000 sqm had already been pre-sold as of 31 December 2014. A total area of 30,000 sqm of Forest & Valley Villa will be delivered, of which 8,000 sqm had already been pre-sold as of 31 December 2014.



RK Hong Kong Times, Suzhou

RK Hong Kong Times is located in Gaoxin District, Suzhou mainly for residential development. The project has a site area of 46,000 sqm and a gross development area of 84,000 sqm.

In 2014, sales of RK Hong Kong Times was RMB33 million, with an average selling price of approximately RMB17,000 per sqm. The project is expected to be delivered in 2016.



RK Royal City, Changzhou

Located in Wujin District, Changzhou, RK Royal City is an eight-phase project with a site area and a floor area of 487,000 sqm and 842,000 sqm, respectively. The project comprises villas and low-rise and high-rise residential buildings. The Group has positioned the project as a "sports neighbourhood" with a clubhouse consisting of a swimming pool and tennis courts. The project also includes 14,000 sqm of shops and one kindergarten.

In 2014, sales of RK Royal City's villas and high-rise residential buildings was RMB841 million with the value and area of properties delivered of RMB659 million and 95,000 sqm, respectively. It is expected that a total area of 152,000 sqm will be delivered in 2015, of which 113,000 sqm had already been pre-sold as of 31 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)



RK City, Changzhou

RK City is located in Hutang Town, a town centre of Wujin District, and enjoys well-established amenities. It has an aggregated site area and a floor area of 280,000 sqm and 705,000 sqm, respectively. The project is developed in eight phases, with a focus on high-rise and low-rise residential buildings.

In 2014, sales of RK City was RMB496 million. It is expected that a total area of 137,000 sqm will be delivered in 2015, of which 90,000 sqm had already been pre-sold as of 31 December 2014.



RK Urban Home Court, Changzhou

RK Urban Home Court is located in the area where the commercial centre crosses with the logistics cluster in the Zhonglou District of Changzhou, which is a key area of development according to government plans. The Group intends to develop the project into a quality residential community and an icon in Zhonglou District. With a site area of 95,000 sqm and a floor area of 232,000 sqm, the project is planned to be developed in two phases and has been launched in the second half of 2014.

In 2014, sales of RK Urban Home Court was RMB127 million. It is expected that a total area of 57,000 sqm will be delivered in 2015, of which 22,000 sqm had already been pre-sold as of 31 December 2014.

RK City Signature, Changzhou

RK City Signature is located in Lingjiatang, Zhonglou District, Changzhou. With a site area of 110,000 sqm and a gross development area of 276,000 sqm, the project is planned to be developed in three phases with Phase 1 to be launched in the second half of 2015.

RK City Landmark, Changzhou

Located at the commercial and trade hub of Longjiang Road in New Town of Changzhou, which is a key area of development according to government plans, RK City Landmark is well-served with various amenities and the Group plans to develop it into a quality and eco-friendly community. With a site area of 89,000 sqm and a floor area of 217,000 sqm, the project is planned to be developed in three phases and Phase 1 is expected to commence construction in 2015.



RK Shanghai Manor, Shanghai

Located in Jiading District, Shanghai, RK Shanghai Manor lies in close proximity to the south of The Riverside, a joint venture property project of the Group. The project has a site area of 133,000 sqm and a floor area of 133,000 sqm and is developed in three phases. The project is a low-density residential project with a focus on villas.

In 2014, sales of RK Shanghai Manor was RMB272 million, with an average selling price of villas approximately RMB16,000 per sqm. In 2014, the value and area of properties delivered were RMB139 million and 8,500 sqm, respectively. It is expected that a total area of 23,000 sqm will be delivered in 2015, of which 18,000 sqm had already been pre-sold as of 31 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)



RK Shanghai Villa, Shanghai

Located in Jiading District, Shanghai, RK Shanghai Villa lies in close proximity to the south of the Group's RK Shanghai Manor and is adjacent to the centre of Waigang Town, enjoying convenient access. It has a site area and a floor area of 136,000 sqm and 130,000 sqm, respectively. The project is developed in three phases, with a focus on semi-detached villas.

In 2014, sales of RK Shanghai Villa was RMB265 million, with an average selling price of villas approximately RMB20,000 per sqm. In 2014, the value and area of properties delivered were RMB253 million and 12,000 sqm, respectively. It is expected that a total area of 36,000 sqm will be delivered in 2015, of which 18,000 sqm had already been pre-sold as of 31 December 2014.



RK Shanghai Style, Shanghai

RK Shanghai Style comprises two pieces of adjoining land and is located in Anting Town, Jiading District, Shanghai mainly for residential developments. With an aggregated site area of 61,000 sqm and an aggregated floor area of 129,000 sqm, the two pieces of land are located at the intersection of the commercial centre and the logistics cluster, which is a key area of development according to government plans. The Group intends to develop the two pieces of land into a quality residential project that cater for the first-time home buyers. The project is expected to be developed in two phases and launched in the fourth quarter of 2014.

In 2014, sales of RK Shanghai Style was RMB382 million, with an average selling price of approximately RMB15,800 per sqm. It is expected that a total area of 61,000 sqm will be delivered in 2015, of which 25,000 sqm had already been pre-sold as of 31 December 2014.



RK Impression, Wuxi

RK Impression is located in Binhu District, Wuxi, Jiangsu Province mainly for residential development. The project has a site area of 26,000 sqm and a gross development area of 92,000 sqm.

In 2014, sales of RK Impression was RMB43 million, with an average selling price of approximately RMB9,200 per sqm. It is expected that the project will be delivered in 2016.



RK Notting Hill, Zhenjiang

RK Notting Hill is located in Dingmao District, Zhenjiang, Jiangsu Province mainly for residential development. The Group intends to develop the project into a low-density residential community in Dingmao District. The project has a site area of 98,000 sqm and a floor area of 126,000 sqm.

In 2014, sales of RK Notting Hill, which is expected to be delivered in 2015, was RMB53 million, with an average selling price of approximately RMB11,000 per sqm. It is expected that a total area of 19,000 sqm will be delivered in 2015, of which 5,000 sqm had already been pre-sold as of 31 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Bohai Rim Region



RK World City, Beijing

Located in the centre of Changping District, Beijing, RK World City is an urban complex comprising boutique apartments, SOHO (i.e. Small Office/Home Office) and commercial properties. In 2014, sales of RK World City Phases 1 and 2 was RMB1,194 million in aggregate, with an average selling price of approximately RMB22,500 per sqm. In 2014, the value and area of properties delivered were RMB823 million and 35,000 sqm, respectively. It is expected that a total area of 44,000 sqm of Phase 2 of the project will be delivered in 2015, of which 35,000 sqm had already been pre-sold as of 31 December 2014.



RK Sunny Town, Tianjin

Located in Tianjin Hedong District, Tianjin, RK Sunny Town is adjacent to the Tianjin Metro line. The project has a site area of 820,000 sqm with a floor area of 1,153,000 sqm and is planned to comprise nine phases of low-rise and high-rise residential buildings, coupled with 30,000 sqm of commercial complex, an 8,000-sqm clubhouse as well as one primary school and one kindergarten.

In 2014, sales of RK Sunny Town was RMB405 million, with an average selling price of approximately RMB17,500 per sqm. In 2014, the value and area of properties delivered were RMB1,091 million and 83,000 sqm, respectively. It is expected that a total area of 3,600 sqm will be delivered in 2015, of which 1,400 sqm had already been pre-sold as of 31 December 2014.

RK Joy Park, the commercial project of RK Sunny Town with an area of approximately 20,000 sqm, currently has an occupancy rate of approximately 94%, and its tenants include a number of renowned international restaurant and retail shops.



RK Leader of Life, Tianjin

In 2014, sales of RK Leader of Life was RMB342 million, with an average selling price of more than RMB8,300 per sqm. It is expected that a total area of 48,000 sqm will be delivered in 2015, of which 19,000 sqm had already been pre-sold as of 31 December 2014.



RK Royal Panorama, Jinan

RK Royal Panorama, which comprises five phases, is located in Huaiyin District, Jinan with a site area and a floor area of 177,000 sqm and 318,000 sqm, respectively. The project comprises high-rise residential buildings and serviced apartments, coupled with 16,000 sqm of street retail shops, a 20,000-sqm scenic forest garden and one kindergarten.

In 2014, sales of RK Royal Panorama was RMB174 million. In 2014, the value and area of properties delivered were RMB640 million and 76,000 sqm, respectively. It is expected that a total area of 22,000 sqm will be delivered in 2015, of which 1,500 sqm had already been pre-sold as of 31 December 2014.



RK International City, Shijiazhuang

In 2014, sales of RK International City was RMB48 million, and the value and area of properties delivered were RMB1,050 million and 127,000 sqm, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Other Major Regions



RK Banyan Riverside, Guangzhou

Located in Liwan District, Guangzhou, RK Banyan Riverside has a site area of 35,000 sqm and a floor area of 106,000 sqm, and is developed in two phases. The eastern and northern sides of the land face the Gehua River while the Kuilian Ecological Zone is just across the River. The project enjoys a beautiful environment and convenient access.

In 2014, sales of RK Banyan Riverside was RMB316 million, with an average selling price of approximately RMB14,600 per sqm for residential buildings. In 2014, the value and area of properties delivered were RMB597 million and 37,000 sqm, respectively. It is expected that a total area of 39,000 sqm will be delivered in 2015, of which 9,000 sqm had already been pre-sold as of 31 December 2014.



RK J-o-Y Heights, Guangzhou

Located in the centre of the planned future CBD of Huadu District, Guangzhou, RK J-o-Y Heights has a site area and a floor area of 107,000 sqm and 271,000 sqm, respectively, and is developed in three phases. The project comprises villas, high-rise apartments and scenic apartments.

In 2014, sales of RK J-o-Y Heights was RMB688 million, with average selling prices of approximately RMB10,000 per sqm for residential buildings and RMB28,000 per sqm for commercial properties. In 2014, the value and area of properties delivered were RMB658 million and 89,000 sqm, respectively. It is expected that a total area of 141,000 sqm will be delivered in 2015, of which 61,000 sqm had already been pre-sold as of 31 December 2014.



RK Royal City, Luoyang

RK Royal City is located in Gaoxin District, Luoyang mainly for residential development. With a site area of 147,000 sqm and a floor area of 392,000 sqm, the project is developed in three phases.

In 2014, sales of RK Royal City was RMB213 million. It is expected that a total area of 76,000 sqm will be delivered in 2015, of which 36,000 sqm had already been pre-sold as of 31 December 2014.



RK Central Special Zone, Zhengzhou

RK Central Special Zone is located in Zhengdong New District, Zhengzhou with a site area and a floor area of 219,000 sqm and 541,000 sqm, respectively. The project is developed in four phases, with Phases 1 to 3 focused on high-rise residential buildings, coupled with 37,000 sqm of street retail shops. Phase 4 consists of commercial street and office buildings.

In 2014, sales of RK Central Special Zone was RMB125 million, with an average selling price of more than RMB8,500 per sqm, RMB13,000 per sqm and RMB11,000 per sqm for residential buildings, office buildings and commercial buildings, respectively. In 2014, the value and area of properties delivered were RMB214 million and 14,000 sqm, respectively. It is expected that a total area of 17,000 sqm will be delivered in 2015, of which 5,700 sqm had already been pre-sold as of 31 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Investment Property

RK Grand Metropolis, Changzhou



RK Grand Metropolis is located in Wujin District, Changzhou next to RK Vista Panorama, with a site area and a floor area of 67,000 sqm and 131,000 sqm, respectively. The project is developed in two phases. Phase 1 with a total area of 26,000 sqm is operated by a well-known supermarket chain. Phase 2, with an area of 105,000 sqm, comprises a commercial complex, commercial street and an office building. It had an occupancy rate of 90% in 2014, and its tenants included major chain business, cinema and fitness centre.

New Projects

Acquired in the Second Half of 2014:

RK City, Jinan



In September 2014, the Group acquired a piece of land in Licheng District, Jinan, Shandong Province mainly for residential development through listing-for-sale. The land has an aggregated site area of 42,000 sqm and a floor area of 156,000 sqm. The project has commenced construction and is planned to be launched in 2015.

Land Parcel in Anting Jiading District, Shanghai

In September 2014, the Group joined hands with a partner in Shanghai to acquire a piece of land in Anting Town, Jiading District, Shanghai mainly for residential development through listing-for-sale. The land has an aggregated site area of 72,000 sqm and a floor area of 145,000 sqm. The project is expected to commence construction in 2015 and be launched in 2016. The land use right certificate for the project is expected to be obtained in the second quarter of 2015.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

TOLL ROAD BUSINESS

In 2014, the PRC has adjusted its medium to long term development strategy by relaxing investment and expanding domestic demand as an overall economic growth policy. The GDP growth still reached 7.4%. The PRC national average disposal income was increased by 8% compared with that of last year and it has still been increasing. The result is obvious. Accelerated urbanisation being adopted as a national policy, manufacturing industries relocates to cities clusters and households moves to urban cities. The ratio of household possession of vehicles is increasing continuously. This will procure the revenue growth of the Group's toll roads in the next couple of years.

To cope with the Group's strategy in enhancing the investment portfolio, the Group has newly invested in Machao Expressway and promoted the divestment scheme for Shanxi Dongguan and Yuci projects in 2014. This has formed a good foundation for the Group's future development.

Financial Review

In 2014, the Group received cash distribution of HK\$515 million from the toll road joint ventures, including the repayment of shareholders' loans. The Group's share of results of toll road joint ventures for 2014 and 2013 are as follows:

	2014 HK\$'million	2013 HK\$'million
Share of results of joint ventures before amortisation and taxation	491	486
Less: Share of amortisation of toll road operation rights and taxation	(303)	(290)
Withholding tax	(31)	(16)
Share of operating profits of joint ventures	157	180

The Group's share of operating profits of toll road joint ventures declined from HK\$180 million in 2013 to HK\$157 million in 2014. This was mainly due to the increase in amortisation after the commencement of the operation of Machao Expressway and withholding tax provision.

Analysis of toll revenue and expenses of the existing infrastructure joint ventures attributable to the Group:

	2014 RMB'million	2013 RMB'million	Increase (Decrease) %
Share of toll revenue			
Expressways	734	659	11
Highways	34	56	(39)
Share of expenses (excluding amortisation and taxation)			
Expressways	271	218	24
Highways	36	55	(35)

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The traffic volume and toll revenue of the existing toll roads for 2014 are as follows:

Project	2014	Increase	2014	Increase
	Average Daily Traffic Vehicles	(Decrease) %	Toll Revenue RMB'million	(Decrease) %
Expressways				
Baojin Expressway	46,000	1	579	(11)
Tangjin Expressway	38,000	4	491	4
Changyi Expressway	51,000	17	536	10
Longcheng Expressway	12,000	(9)	171	6
Machao Expressway (note)	11,000	N/A	74	N/A
	158,000	14	1,851	4
Highways	43,000	(4)	77	(26)
	201,000	9	1,928	3

Note: Since the acquisition of Machao Expressway has been completed by end of May 2014, there are no comparative figures.

The total traffic volume reached 72 million vehicles and toll revenue was RMB1,928 million in 2014. Toll revenue from expressway projects further increased from 94% of the entire toll road portfolio in 2013 to 96% in 2014. The successful completion of the acquisition of Machao Expressway will uplift the results of toll road business.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Review of Expressway Projects

Baojin Expressway



In 2014, the traffic volume of Baojin Expressway increased by 1% while its toll revenue dropped by 11%. These were mainly due to the closure of the connecting Beijing-Shijiazhuang Expressway and the traffic diversion measures implemented for the reconstruction and expansion works of Shijiazhuang-Anyang Expressway, which had a combined effect of a surge in short-haul traffic and a drop in average distance traveled by vehicles through Baojin Expressway. Furthermore, the overall toll revenue of Baojin Expressway was also impacted by the decrease in the demand for heavy truck transportation from the steel and cement industries resulted from the austerity measures and industrial restructuring policies adopted by the government.

Looking forward, the project will evolve into one of the major east-west transportation corridors following the completion of the expansion of Beijing-Shijiazhuang Expressway from having four lanes to eight lanes and the gradual opening of the western section of G18 Rongcheng-Wuhai Expressway. The toll income is expected to increase in future.

Tangjin Expressway



Although it was impacted by the traffic diversion measures implemented in the Tangjin Expressway Tianjin section during the expansion works, both the traffic volume and toll income increased by 4%.

The expansion work of Tangjin Expressway Tianjin section has been completed by end of 2014, it is expected that the road condition and traffic volume will be enhanced. The toll income will show its positive momentum again.

Changyi Expressway



The traffic volume and toll income were increased by 17% and 10%, respectively in 2014. It was mainly driven by the persistent increase in long-haul freight traffic brought by the newly connected Changsha-Chongqing Expressway and the stable growth of passenger vehicles traffic in the region.

Benefiting from the development of Changsha and its regional area as well as the promotion and growth of the cultural tourism in Western Hunan Province, a promising result is expected in 2015.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)



Longcheng Expressway

Although the economy of Shanxi Province was slow down and toll revenue of a number of expressways in the region dropped, the toll income of Longcheng Expressway increased by 6% resulting from the increase in truck vehicle traffic passaging through Longcheng Expressway due to the alteration of the cargo transportation route in the region.

The construction plan of western and northern extensions of the expressway will be accomplished in the coming few years, it will bring a foreseeable growth to the performance of Longcheng Expressway.



Machao Expressway

Machao Expressway is a 35.77 km dual three-lane expressway. It starts from Hefei, connects with Hefei-Chaohu-Wuhu Expressway to the west and with Ma'anshan Yangtze River Bridge and Lima Expressway to the east, and finally reaches Ma'anshan City and Nanjing Airport. It then joins with Nanjing-Changzhou Expressway and has become the fastest route connecting Hefei to other coastal developed cities such as Changzhou, Wuxi, Suzhou and Shanghai. The concession and operation period of this expressway is 30 years. Machao Expressway has commenced toll operation at the end of 2013. It performs well with toll income growing each month. It is now undergoing promotion, upgrading service area facilities to enhance the overall performance.

This project is also an important part of the coastal expressway network in Northern Anhui Province that connects various major cities such as Nanjing, Yangzhou, Anqing and Wuhan. The prospects and potential return of this expressway are promising.

As stated in the circular issued to the Shareholders by the Group on 25 April 2014, the joint venture project company, being Machao Expressway, previously utilized loans provided by the joint venture partner to finance its past financial needs, while the relevant amount was supported by loans obtained by the joint venture partner from several banks. In January 2015, the joint venture partner has obtained the consents from these lending banks and the said loans have been transferred to the project company, being Machao Expressway.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

Consolidated Statement of Profit or Loss

The table below extracted major items from the consolidated statement of profit or loss of the Group for each of the two years ended 31 December 2014 and 2013.

	2014 HK\$'million	2013 HK\$'million
Revenue	12,730	11,456
Gross profit	3,334	2,933
Interest and other income, net	100	566
Selling and operating expenses	(921)	(923)
Share of results of joint ventures	204	202
Finance costs	(216)	(257)
Profit before taxation	2,501	2,521
Income tax expenses	(1,472)	(1,498)
Profit after taxation	1,029	1,023
Non-controlling interests	(24)	(21)
Profit attributable to owners of the Company	1,005	1,002

Revenue and Gross Profit

The details of revenue and gross profit for 2014 and 2013 are included in the subsection headed "Financial Review" under "Property Business".

Interest and Other Income, Net

The decrease in net other income was mainly due to the exchange losses, including the fair value adjustment on certain financial instruments (2013: exchange gains and fair value gains) arising from the depreciation of Renminbi, during the year.

Share of Results of Joint Ventures

This represented mainly share of results of the infrastructure joint ventures of the Group for the year under review. The details are contained in the section headed "Toll Road Business".

Finance Costs

The decrease in finance costs was mainly due to the Group has obtained several new borrowings at a lower interest level. In August 2014, in order to further optimise its cost of capital, the Group drew down a syndicate loan of US\$200 million to early redeem a trench of USD350 million 9.5% guaranteed senior notes, thus reduced the interest expenses on offshore loans.

Income Tax Expenses

Income tax expenses comprised mainly profit tax, land appreciation tax and deferred tax. The higher income tax expenses in last year was mainly attributable to the higher amount of deferred tax provided for the fair value gains on the investment properties.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Consolidated Statement of Financial Position

The table below summarised the major items of the consolidated statement of financial position of the Group as at 31 December 2014 and 2013.

	2014 HK\$'million	2013 HK\$'million
Non-current assets		
– Interests in joint ventures	4,373	3,567
– Investments in investment properties	2,244	2,174
– Other non-current assets	561	384
	7,178	6,125
Current assets		
– Inventory of properties (including prepayment for land leases)	29,332	28,308
– Bank balances and cash (including pledged bank deposits)	4,046	6,828
– Other current assets	1,928	2,168
	35,306	37,304
Current liabilities		
– Creditors and accrued charges	(6,104)	(5,551)
– Deposits from pre-sale of properties	(5,606)	(8,209)
– Bank and other borrowings – due within one year	(4,788)	(5,897)
– Other current liabilities	(1,530)	(1,898)
	(18,028)	(21,555)
Non-current liabilities	(10,403)	(8,511)
Total equity	14,053	13,363

Interests in Joint Ventures

Interests in joint ventures mainly represented our interests in the joint ventures relating to our toll road business. The increase in balance was mainly attributable to the acquisition of 49% equity interests in Machao Expressway in Anhui Province and the acquisition of 49% equity interests in a property project in Shanghai.

On 28 November 2014, the Group entered into the Capital Contribution Agreement with an independent third party. Pursuant to which, the independent third party contributed RMB300 million to a wholly-owned subsidiary of the Group for the acquisition and development of a new land located in Shanghai. Therefore, the equity interests of the Group in this wholly-owned subsidiary was reduced from 100% to 49%. Details on the deemed disposal of equity interests were set out in the announcement of the Company dated 28 November 2014.

Investments in Investment Properties

This comprised carrying value of the investment properties, details of which were set out in note 18 of the consolidated financial statements. The increase in the balance was mainly due to the increase in fair value of the properties, but was partly offset by the disposal of certain investment properties located in Guangzhou. As of 31 December 2014, the total area of the investment properties of the Group was around 185,000 sqm.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Inventory of Properties (including Prepayment for Land Leases)

The increase of balance was mainly due to the payment of land premiums of the new projects located in Shanghai, Changzhou, Wuxi, Suzhou and Jinan. The details of which were included in the section headed "Overview of Major Projects" of "Property Business".

Bank Balances and Cash (including Pledged Bank Deposits)

The decrease in the bank balances was mainly attributable to the payment of land premiums of the several new projects acquired.

Creditors and Accrued Charges

The balance represented mainly the payable on the construction costs. The increase of the balance was in line with the higher volume of the construction work and operations.

Deposits from Pre-sale of Properties

The decrease in deposits from pre-sale of properties was mainly due to the decrease in pre-sale of properties during the year. At 31 December 2014, the total area pre-sold but yet to be delivered was 720,000 sqm (2013: 803,000 sqm).

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

They represented mainly the guaranteed senior notes that the Group issued in the past few years as well as the syndicated loans and the project development loans.

Details of the Group's loan profile are set out as follows:

	At 31 December	
	2014	2013
	HK\$'million	HK\$'million
Repayable:		
On demand or within one year	4,788	5,897
After one year but within two years	4,054	1,617
After two years but within five years	5,170	5,497
More than five years	377	403
Total Borrowings	14,389	13,414

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

<i>Source of Borrowings</i>			<i>Nature of Debts</i>		
	2014	2013		2014	2013
Short term loans	33%	44%	Unsecured loans	72%	75%
Long term loans	67%	56%	Secured loans	28%	25%
	100%	100%		100%	100%

<i>Currency Profile of Borrowings</i>			<i>Interest Rates Basis</i>		
	2014	2013		2014	2013
HKD	2%	7%	Floating rate	33%	13%
RMB	49%	57%	Fixed rate	67%	87%
USD	49%	36%			
	100%	100%		100%	100%

Certain of the Group's borrowings were on a fixed rate basis, which included, among the others, following notes:

- (a) RMB2,200 million 6% guaranteed senior notes due in 2016; and
- (b) US\$350 million 9.875% guaranteed senior notes due in 2017.

At 31 December 2014, the gross gearing ratio and the net gearing ratio of the Group were 102% and 74% respectively. Gross gearing ratio represents total interest bearing borrowings (but excluding loans from non-controlling interests of subsidiaries) to the total equity, whereas net gearing ratio represents the difference of Group's total interest bearing borrowings (but excluding loans from non-controlling interests of subsidiaries) and the bank balances and cash (including pledged bank deposits) to the total equity.

Interest coverage for the year under review was 14.04 times (2013: 11.98 times).

Consolidated Statement of Cash Flows

The table below summarised the major items of the consolidated statement of cash flows of the Group for the years ended 31 December 2014 and 2013.

	2014 HK\$'million	2013 HK\$'million
Payment for land leases	(4,349)	(3,710)
Net cash from operating activities, other than payment for land leases	2,135	2,934
Net cash from investing activities	389	1,279
Net cash (used in) from financing activities	(633)	1,002
Effect of change in exchange rates	(27)	76
Cash and cash equivalents at 1 January	5,336	3,755
Cash and cash equivalents at 31 December	2,851	5,336

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Payment for Land Leases

The payment in 2014 mainly represented the land premiums of the new projects located in Shanghai, Changzhou, Wuxi, Suzhou and Jinan.

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

The decrease in net cash from operating activities for the year was mainly attributable to the decrease in cash proceeds from the pre-sale and sale of properties, as well as the increase of tax payment relating to the clearance of land appreciation tax for several property projects in the PRC.

Net Cash from Investing Activities

The net cash from investing activities for the year represented mainly the cash distributed or dividends received from the joint venture infrastructure projects and the decrease in restricted bank balances relating to the decrease in property sales, but was offset by the investment cost paid for the acquisition of Machao Expressway.

Last year, the net cash from investing activities mainly represented the proceeds received from the disposal of the investment properties located in Guangzhou, as well as the cash distributed or dividends received from the joint venture infrastructure projects.

Net Cash (used in) from Financing Activities

During the year, the Group obtained two facilities in an aggregate amount of US\$430 million offered by a group of banks, as well as several offshore bank loans in Hong Kong and the property development loans in the PRC, but majority of these new borrowings were offset by the repayment of certain bank loans and the redemption of the guaranteed senior notes. The net cash used in financing activities for the year was mainly attributable to the loan interest payment amounted to approximately HK\$1,200 million.

Liquidity and Financial Resources

As at 31 December 2014, the equity attributable to the owners of the Company increased to HK\$13,208 million (2013: HK\$12,672 million). The increase was mainly attributable to the profit generated during the year. Net assets per Share attributable to the owners of the Company increased to HK\$18.10 (2013: HK\$17.24).

As at 31 December 2014, the Group's total assets were HK\$42,484 million (2013: HK\$43,429 million) and bank balances and cash were HK\$3,724 million (2013: HK\$6,677 million), of which 98% was denominated in Renminbi and the remaining 2% was mainly denominated in US dollars or HK dollars.

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

Charges on Assets

As at 31 December 2014, bank balances of HK\$322 million (2013: HK\$151 million) were pledged as security in favour of banks for certain mortgage facilities granted to customers of the Group's property projects and short-term credit facilities granted to the Group. In addition to these charged bank deposits, properties with carrying value of HK\$4,021 million (2013: HK\$3,400 million) were pledged as securities for certain loan facilities.

Exposure on Foreign Exchange Fluctuations and Interest Rates

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

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

Contingent Liabilities

As at 31 December 2014, the Group had provided guarantees of HK\$5,476 million (2013: HK\$5,328 million) to banks in favour of its customers in respect of the mortgage loans provided by the banks to such customers for purchase of the Group's properties. The guarantees would be released after the customers have pledged their property certificates as securities to the banks for the mortgage loans granted.

Employees

Excluding the staff of joint ventures, the Group had 2,394 employees as at 31 December 2014 (2013: 2,176). Expenditure on staff (excluding Directors' emoluments and share-based payment) amounted to HK\$536 million (2013: HK\$479 million). Employees are remunerated according to their performance and contribution. Other employee benefits include provident fund, insurance, medical cover and training programs, as well as share option schemes. During the year, no share option was granted.

PROSPECT

The property industry in the mainland China is a commodity business as well as a long-lived industry. Short-term adjustments in the market enable the industry to be better regulated and developed, benefiting its long-term development. The prospects of the property industry in the mainland China remain positive given the continuous economic growth of China, rising income per capita, the urbanisation process and the demand for improvement of living environment. With the gradual easing of economic policies and the introduction of various favourable market policies in the second half of 2014, the purchasing power will be released gradually. It is expected that the environment of the PRC property market should improve in 2015 compared with that in 2014.

With years of implementation, experience and efforts, the Group has developed a track record for the property business. In the following year, the Group will continue to adopt the strategy that maintains deeper exploitation, and balances profitability and sales volume. The Group will focus on providing residential properties and relevant amenities, enhancing the strategic cooperation with its partners, and further optimising its product quality and cost structure. In doing so, the Group aims to increase the profit margin of its products, establish long-standing brand recognition and further reinforce its position in the industry.

The Group holds the view that the toll road business would provide long term steady cash flows and returns and will solicit appropriate expressway projects by leveraging its reputation in the industry and management experience obtained over the past two decades, with a view to expanding its expressway portfolio further and creating solid returns for the Shareholders continuously.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zen Wei Pao, William

(aged 67, Chairman)

Mr. Zen has been the Chairman of the Company since its establishment. He is the Chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. He is also the Chairman of Wai Kee Holdings Limited (HK stock code: 610), the controlling shareholder of the Company. Mr. Zen holds a Bachelor of Science degree and a Master of Business Administration degree. He is a member of both The Hong Kong Institution of Engineers and The Institute of Quarrying, the United Kingdom. He has extensive experience in civil engineering, construction material, and infrastructure and property development in Hong Kong, Taiwan and the PRC. He is the brother of Mr. Zen Wei Peu, Derek and the father of Mr. Zen Chung Hei, Hayley.

Mr. Ko Yuk Bing

(aged 59, Deputy Chairman, Managing Director and Chief Executive Officer)

Mr. Ko joined the Company in early 1995. He holds a Master of Science degree in Engineering. He is a Chartered Engineer and a fellow of the Institution of Civil Engineers, the United Kingdom, The Institution of Structural Engineers, the United Kingdom and The Hong Kong Institution of Engineers. Mr. Ko has extensive experience in infrastructure development in Hong Kong and the PRC, and has over 25 years of experience in business development and operation in the PRC. He is the spouse of Ms. Chuk Wing Suet, Josephine.

Mr. Chan Kam Hung

(aged 56, Chief Operating Officer)

Mr. Chan has been appointed as an Executive Director of the Company since July 2002. He was an Independent Non-executive Director of China Metal Recycling (Holdings) Limited (HK stock code: 773) from 22 May 2009 up to his resignation on 7 August 2013. He holds a Bachelor of Economics degree from the University of Sydney. He is a Chartered Accountant of Australia and a fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Chan has over 30 years of auditing, accounting and corporate management experience. Prior to joining the Company, he held senior corporate management positions in several multi-national companies and listed companies in Hong Kong.

Mr. Fong Shiu Leung, Keter

(aged 52, Finance Director)

Mr. Fong has been appointed as an Executive Director of the Company since July 2000. He holds a Bachelor of Arts degree in Accountancy. He is a Certified Practising Accountant in Australia and a fellow of the Hong Kong Institute of Certified Public Accountants. He has over 30 years of experience in auditing, accounting and business advisory profession. Prior to joining the Company, he was an audit principal of an international accounting firm.

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

EXECUTIVE DIRECTORS

Mr. Zen Wei Peu, Derek*(aged 62)*

Mr. Zen has been a Director of the Company since its establishment. He is also the Vice Chairman and the Chief Executive Officer of Wai Kee Holdings Limited (HK stock code: 610) and the Chairman of Build King Holdings Limited (HK stock code: 240). He holds a Bachelor of Science degree in Engineering and a Master of Business Administration degree. He is a Chartered Engineer, a member of the Institution of Civil Engineers, the United Kingdom and a fellow of The Institute of Quarrying, the United Kingdom. Mr. Zen has over 35 years of experience in civil engineering industry. He is the brother of Mr. Zen Wei Pao, William and the uncle of Mr. Zen Chung Hei, Hayley.

Mr. Xu Ruxin*(aged 61)*

Mr. Xu has been appointed as a Non-executive Director of the Company since December 2009 and has been re-designated as an Executive Director since 1 January 2012. He was the President of Shum Yip Holdings Company Limited and an Executive Director and the President of Shenzhen Investment Limited (HK stock code: 604). Mr. Xu holds a Master degree in Economics from Guangdong Academy of Social Sciences and is a Senior Engineer in the PRC. He has over 25 years of experience in architectural technology, property development as well as corporate management.

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

NON-EXECUTIVE DIRECTORS

Mr. Lu Hua

(aged 51)

Mr. Lu has been appointed as a Non-executive Director of the Company since June 2012. He is the Chairman of 深業集團有限公司, Shum Yip Holdings Company Limited and Shenzhen Investment Limited (HK stock code: 604). He is also a Non-executive Director of Ping An Insurance (Group) Company of China, Ltd. (HK stock code: 2318). He was a Non-executive Director of Coastal Greenland Limited (HK stock code: 1124) from 18 July 2011 up to his resignation on 2 May 2012. Mr. Lu had served successively as the Senior Vice President and President of 深業集團有限公司, Shum Yip Holdings Company Limited and Shenzhen Investment Limited, the Chairman of Shahe Industrial Co., Ltd. (Shenzhen stock code: SZ000014), the Chairman and Secretary of Party Committee of Shenzhen Shahe Industry (Group) Co., Ltd. and the General Manager of Shenzhen Property Development Company Ltd. Mr. Lu holds a Doctorate degree in Political Economics from Nankai University and a Master degree in Finance from University of Reading in the United Kingdom. He has over 20 years of experience in property development, corporate governance and administrative management.

Mr. Lam Wai Hon, Patrick

(aged 52)

Mr. Lam has been appointed as a Non-executive Director of the Company since May 2010. He is a member of the Audit Committee of the Company. He is an Executive Director of NWS Holdings Limited (HK stock code: 659), the Vice Chairman and Non-executive Director of Newton Resources Ltd (HK stock code: 1231) and a Non-executive Director of Wai Kee Holdings Limited (HK stock code: 610). Mr. Lam is a Chartered Accountant by training and is a fellow of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales, and a member of the Institute of Chartered Accountants of Ontario, Canada. Mr. Lam is a member of the Asian advisory board of Richard Ivey School of Business, Western University, Canada.

Mr. Gao Shengyuan

(aged 47)

Mr. Gao has been appointed as a Non-executive Director of the Company since May 2014. He is the President and an Executive Director of Shenzhen Investment Limited (HK stock code: 604). He is also the President and a Director of 深業集團有限公司 and Shum Yip Holdings Company Limited. Mr. Gao had served as a member of district committee and standing committee of Futian District, Shenzhen Municipal, the deputy district chief and the deputy secretary of Party Committee of the People's Government of Futian District, the deputy district chief of the People's Government of Nanshan District, the department chief of Bureau of Finance of Nanshan District and the deputy director of Bureau of Finance Budget of Shenzhen Municipal. Mr. Gao holds a Master degree in Economics from the Zhongnan University of Economics. He has extensive experience in corporate finance management and capital operation.

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lau Sai Yung

(aged 67)

Mr. Lau has been appointed as an Independent Non-executive Director of the Company since August 2004. He is the Chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee of the Company. He is the sole-proprietor of Lau SY & Co., Certified Public Accountants, the Executive Chairman of Union Alpha CPA Limited, the Managing Director of Union Alpha CAAP Certified Public Accountants Limited, a Non-executive Director of Xinjiang Tianshan Wool Textile Co., Ltd. (Shenzhen stock code: SZ000813), an Honorary Fellow of The Chinese University of Hong Kong and an Affiliated Fellow of Wu Yee Sun College, CUHK. He also holds honorary positions in various schools, charitable and non-profit-making organisations. He holds a Bachelor degree in Business Administration from The Chinese University of Hong Kong. He is a Certified Public Accountant (Practising), a fellow of the Association of Chartered Certified Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants, an associate member of the Institute of Chartered Accountants in England and Wales, The Taxation Institute of Hong Kong, The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators of the United Kingdom, Certified Tax Adviser, and a member of The Society of Chinese Accountants and Auditors, Hong Kong. Mr. Lau has over 40 years of experience in the profession of accounting.

Dr. Chow Ming Kuen, Joseph

(aged 73)

Dr. Chow, OBE, JP, has been appointed as an Independent Non-executive Director since April 2008. He is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. He is the Chairman of Joseph Chow & Partners Limited, a firm of independent civil and structural consulting engineers. He is also an Independent Non-executive Director of Chevalier International Holdings Limited (HK stock code: 25), Harbour Centre Development Limited (HK stock code: 51), Build King Holdings Limited (HK stock code: 240) and Hsin Chong Construction Group Ltd. (HK stock code: 404). Dr. Chow is a civil and structural engineer by profession. He is a fellow of The Hong Kong Institution of Engineers, the Institution of Civil Engineers and The Institution of Structural Engineers. Dr. Chow is the Chairman of the Hong Kong Construction Workers Registration Authority and an Hon. Senior Superintendent of the Hong Kong Auxiliary Police Force. Dr. Chow previously served as the President of the Hong Kong Institution of Engineers, the Chairman of Hong Kong Engineers' Registration Board, Hong Kong Examinations and Assessment Authority, Pamela Youde Nethersole Eastern Hospital Governing Committee as well as a member of the Hong Kong Housing Authority and Hospital Authority.

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tse Chee On, Raymond

(aged 64)

Mr. Tse has been appointed as an Independent Non-executive Director of the Company since October 2012. From 1989 to 1997, he was the Managing Director of Wheelock and Company Limited (HK stock code: 0020), the Chairman and Managing Director of Wheelock Properties Limited, a Director of New Asia Realty & Trust Company, Limited and Realty Development Corporation Limited. Mr. Tse holds a Bachelor degree in Business Administration from the University of Montreal. He has over 30 years of experience in property development and investment, architectural planning and design consulting, property business consulting, international brand licensing and commercial property business in Hong Kong and the PRC.

Mr. Wong Wai Ho

(aged 65)

Mr. Wong has been appointed as an Independent Non-executive Director of the Company since May 2014. He is a director of the Executive Committee of the Canadian Chamber of Commerce in Hong Kong and a consultant of Jumbo Land Resources Limited. Moreover, Mr. Wong was appointed by Jardine Fleming responsible for the management of the World's first ever direct investment focusing on finding investment opportunities in the Greater China region and was appointed by Kleinwort Benson and Advent International Corporation as a director and a managing director respectively. Prior to that, he worked for the Hong Kong Trade Development Council responsible for the promotion of Hong Kong's external trade for 13 years. Mr. Wong has been involved in the public services; he was a member of the Board of Trustees of Chung Chi College, The Chinese University of Hong Kong and a member of The Chinese History and Culture Educational Foundation for Youth. In the Expo 2010 Shanghai, Mr. Wong was appointed as the deputy pavilion director of the World Trade Centers Association Pavilion. Mr. Wong holds a Bachelor degree in Business Administration (major in accounting) from The Chinese University of Hong Kong and a Master in Law degree from the People's University of China (also known as Renmin University of China). He has extensive experience in trade promotion, fund investment and investment consultancy.

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Yongliang*(aged 47)*

Mr. Zhang has been appointed as an Independent Non-executive Director of the Company since February 2015. Mr. Zhang is a partner of King and Wood Mallesons (“K&W”) in charge of Capital Markets and Securities Group as well as a member of the management committee of K&W. Mr. Zhang also serves as a member of the Fourth and Fifth Review Committee for Mergers and Acquisitions and Restructuring of listed Corporations under China Securities Regulatory Commission. Mr. Zhang has participated in various listings and mergers and acquisitions of state-owned enterprises and start-up companies in the PRC, Hong Kong, United States (on both the New York Stock Exchange (NYSE) and National Association of Securities Dealers Automatic Quotation (NASDAQ)), Singapore, Vancouver and Australia. He holds a Bachelor of Law degree from Renmin University of China, a Master of Law degree from Peking University and his second Master of Law degree from University of California at Berkeley and was admitted as a Chinese lawyer in 1995. Mr. Zhang has extensive experience in securities, mergers and acquisitions, and international investment, and has handled engagements in various industries including energy, real estate, automotive, steel manufacturing, pharmaceuticals, food, internet technologies, software and media.

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

SENIOR MANAGEMENT

Mr. Yu Kam Fat, James

(aged 59)

Mr. Yu, joined the Group in 1998, is the Chief Operating Officer – Toll Road Division of the Group overseeing the toll road operations. He holds a Bachelor and a Master of Science degree in Civil Engineering. He is a Chartered Engineer, the United Kingdom, a member of The Association of Professional Engineers of Ontario, Canada, The Institution of Civil Engineers, the United Kingdom, The Institution of Structural Engineers, the United Kingdom, The Chartered Institution of Highways and Transportation, the United Kingdom and a fellow of The Hong Kong Institution of Engineers. Mr. Yu is also a Registered Structural Engineer, Hong Kong and a Registered Professional Engineer, Hong Kong. He has over 35 years of experience in civil engineering and project management.

Ms. Chuk Wing Suet, Josephine

(aged 43)

Ms. Chuk, joined the Group in 1994, is the Deputy Chief Operating Officer of the Group and a Director of RK Properties Holdings Limited. In addition, Ms. Chuk is responsible for property development projects in Shanghai and Changzhou. She holds a Bachelor of Social Science degree and a Master of Business Administration degree. Ms. Chuk has over 21 years of experience in business investment, operation, development and promotion in Hong Kong and the PRC. She is the spouse of Mr. Ko Yuk Bing.

Mr. Zen Chung Hei, Hayley

(aged 40)

Mr. Zen, joined the Group in 2006, is the Deputy Chief Operating Officer of the Group and a Director of RK Properties Holdings Limited. Mr. Zen is responsible for the property development projects in Guangzhou, Shijiazhuang, Zhengzhou and Luoyang. Prior to that, Mr. Zen was the Chief Financial Officer of the Property Division. He holds a Bachelor of Commerce degree in Accounting, a Bachelor of Science degree in Computer Science and a Master of Business Administration degree. He is a member of both the Hong Kong Institute of Certified Public Accountants and the New Zealand Institute of Chartered Accountants. Mr. Zen has 19 years of experience in finance, accounting, business investment and development in the United States, Hong Kong and the PRC. He is the son of Mr. Zen Wei Pao, William and the nephew of Mr. Zen Wei Peu, Derek.

Mr. Zhang Nan

(aged 42)

Mr. Zhang, joined the Group in 2007, is the Director-in-charge of the property development projects in Suzhou, Wuxi and Zhenjiang. He was the General Manager of the property projects in Zhengzhou and Luoyang of the Sunco Property group overseeing their operations. He holds a Bachelor of Engineering Management degree and an Executive Master of Business Administration degree, and is a Registered Costing Engineer in the PRC. Mr. Zhang has over 19 years of experience in property development and management in the PRC involving more than 20 property projects in the PRC including residential and commercial office buildings.

Ms. Diao Lu, Amy

(aged 40)

Ms. Diao, joined the Group in 2007, is the Deputy Director-in-charge of the property development projects in Beijing and Shandong. She is also the Associate Director of the Group overseeing the human resources and corporate communication functions. She holds a Bachelor of International Finance degree and an Executive Master of Business Administration Degree. Ms. Diao has substantial years of experience in managerial positions in property development companies as well as Fortune 500 multi-national companies, in particular, in the area of human resources and corporate communication and public affairs.

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

SENIOR MANAGEMENT

Mr. Ho Ting Fung, Albert

(aged 61)

Mr. Ho, joined the Group in 2011, is the Associate Director of the Property Division overseeing the Design Department. He holds a Bachelor of Architecture degree and a Bachelor of Arts in Architectural Studies degree. He is an Authorised Person (List of Architect), a Registered Architect in Hong Kong and a fellow of the Hong Kong Institute of Architects. He has over 35 years of experience in the property development industry including experience in managerial positions. Prior to joining the Group, Mr. Ho worked in a renowned international architectural firm for 14 years and in well-known property development companies for 17 years.

Mr. Zhao Min

(aged 45)

Mr. Zhao, joined the Group in 2011, is the Deputy Director-in-charge of the property development projects in Tianjin. Prior to that, Mr. Zhao was in-charge of the Engineering and Costing Department. He holds a Bachelor degree in Industrial and Civil Engineering and is a Registered Engineer in the PRC. He has 23 years of engineering and project management experience in the PRC and Singapore. He worked for several renowned property developers before joining the Group.

Mr. Luk Ting Nai, Daniel

(aged 44)

Mr. Luk, first joined the Group in 2003, is the Associate Director of the Property Division overseeing the Land Development Department. He holds a Bachelor of Arts degree in Economics and Politics. Mr. Luk has over 15 years of management experience in the toll road and property development industries in the PRC. Prior to joining the Group, Mr. Luk worked in well-known financial institutions and a property development company.

Mr. Lee Tak Fai, Kennedy

(aged 49)

Mr. Lee, joined the Group in 2007, is the Financial Controller of the Group responsible for the treasury function. He holds a Bachelor of Social Science degree and a Master of Science degree in Finance. He is a fellow of both the Association of Chartered Certified Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants. He has over 23 years of experience in accounting, assurance and business advisory services. Prior to joining the Group, Mr. Lee worked for a number of international accounting firms and was previously the financial controller and the assistant general manager of the corporate finance department of several companies listed on the main board of the Stock Exchange.

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

SENIOR MANAGEMENT

Mr. Ng Fun Hung

(aged 42)

Mr. Ng, joined the Group in 2011, is the Financial Controller of the Group responsible for the accounting and tax function. He holds a Bachelor of Business Administration degree and a Master of Applied Finance degree. He is a fellow of both the Association of Chartered Certified Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants, a Chartered Financial Analyst of the United States, a Certified Information System Auditor of the United States and a member of the Institute of Chartered Secretaries and Administrators of the United Kingdom. Mr. Ng has over 18 years of experience in accounting, assurance and financial management. Prior to joining the Group, Mr. Ng worked for an international accounting firm and was previously the financial controller of a listed company in Hong Kong.

Mr. Tan Qi

(aged 47)

Mr. Tan, joined the Group in 2010, is the Associate Director of the Property Division overseeing the Engineering and Costing Department. Prior to that, Mr. Tan was the General Manager of the property projects in Beijing and Zhengzhou. He holds a Bachelor degree in Civil Engineering and a Master degree of Management, and is a senior engineer at the professor level in the PRC and a member of The Chartered Institute of Building of the United Kingdom. Mr. Tan has 10 years of experience in property development and management in the PRC and 15 years of experience in overseas general contracting and property development, and has involved in the development of about 20 complexes comprising residential and commercial office properties in the PRC.

Mr. Li Jian Jun

(aged 47)

Mr. Li, joined the Group in 1999, is the General Manager of the Toll Road Division. He holds a Bachelor of Financial Accountancy degree and a Master of Business Administration degree. Mr. Li is a Registered Accountant in the PRC and has over 15 years of experience in toll road operation in the PRC. Prior to joining the Group, he has over 7 years of experience in financial and accounting management both in the PRC and overseas.

DIRECTORS' REPORT

The Directors present herewith the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Group, including the infrastructure joint ventures, are the investment in, development, operation and management of property projects and toll roads in the PRC. Details of the Group's principal subsidiaries and joint ventures are set out in notes 43 and 19 to the consolidated financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages F-3 and F-4 respectively.

An interim dividend of HK\$0.13 per Share amounting to HK\$95.23 million was paid to the Shareholders in September 2014.

The Directors recommend the payment of a final dividend of HK\$0.45 per Share to the Shareholders whose names appear on the register of members of the Company on Friday, 22 May 2015 amounting to approximately HK\$328 million subject to the approval of the Shareholders at the forthcoming annual general meeting (the "AGM"). It is expected that the final dividend will be paid on or before Wednesday, 10 June 2015, if approved.

CLOSURES OF REGISTER OF MEMBERS

To be eligible to attend and vote at the forthcoming AGM

The register of members of the Company will be closed from Wednesday, 13 May 2015 to Friday, 15 May 2015, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the forthcoming AGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Tuesday, 12 May 2015 for registration.

To qualify for the proposed final dividend

The register of members of the Company will also be closed from Thursday, 21 May 2015 to Friday, 22 May 2015, both dates inclusive, during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Wednesday, 20 May 2015 for registration.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the share capital and share options of the Company during the year are set out in notes 26 and 27 to the consolidated financial statements respectively.

DIRECTORS' REPORT (CONTINUED)

RESERVES

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page F-6 of this annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

In addition to the accumulated profits, under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution to the Shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus, if:

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

The reserves of the Company which were available for distribution to the Shareholders as at 31 December 2014 were approximately HK\$2,451,408,000.

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES AND PROPERTIES FOR SALE

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

BANK AND OTHER BORROWINGS

Particulars of the bank and other borrowings of the Group are set out in note 28 to the consolidated financial statements.

RETIREMENT BENEFIT PLANS

Particulars of the retirement benefit plans of the Group are set out in note 34 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page F-76 of this annual report.

DIRECTORS' REPORT (CONTINUED)

MAJOR SUPPLIERS AND CUSTOMERS

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

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:

Zen Wei Pao, William (*Chairman*)
 Ko Yuk Bing (*Deputy Chairman, Managing Director and Chief Executive Officer*)
 Chan Kam Hung (*Chief Operating Officer*)
 Fong Shiu Leung, Keter (*Finance Director*)
 Zen Wei Peu, Derek
 Xu Ruxin

Non-executive Directors:

Lu Hua
 Lam Wai Hon, Patrick
 Gao Shengyuan (appointed on 23 May 2014)

Independent Non-executive Directors:

Lau Sai Yung
 Chow Ming Kuen, Joseph
 Tse Chee On, Raymond
 Wong Wai Ho (appointed on 23 May 2014)
 Zhang Yongliang (appointed on 16 February 2015)
 Nie Meisheng (resigned on 3 November 2014)

Pursuant to Bye-law 86(2) of the Company's Bye-laws (the "Bye-laws"), Messrs. Gao Shengyuan and Wong Wai Ho, and Mr. Zhang Yongliang, appointed as the Directors by the Board in 2014 and 2015 respectively, will retire from office at the forthcoming AGM and, being eligible, will offer themselves for re-election at the forthcoming AGM.

In accordance with Bye-law 87 of the Bye-laws, Mr. Xu Ruxin, Mr. Lu Hua, Mr. Lam Wai Hon, Patrick and Dr. Chow Ming Kuen, Joseph, will retire from office by rotation at the forthcoming AGM and, being eligible, will offer themselves for re-election at the forthcoming AGM.

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, the following Directors are considered to have interests in the business which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules:

Name of Directors	Name of entities	Description of principal activities	Nature of interest of the Directors in the entities
Zen Wei Pao, William	CMP Investment Group Limited	Property development in the PRC	Director and shareholder
Lu Hua	Shenzhen Investment Limited and its subsidiaries	Property development, investment and management in the PRC	Director
Lam Wai Hon, Patrick	NWS Holdings Limited and its subsidiaries	Development, operation and management of toll roads in the PRC	Director
Gao Shengyuan	Shenzhen Investment Limited and its subsidiaries	Property development, investment and management in the PRC	Director

DIRECTORS' REPORT (CONTINUED)

DISCLOSURE OF INTERESTS

Directors' Interests and Short Positions

As at 31 December 2014, the interests and short positions of the Directors in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(I) Shares

Name of Directors	Nature of interest	Notes	Number of Shares held		Percentage of holding % (Note 4)
			Long position	Short position	
Zen Wei Pao, William	Personal	2	3,400,000	–	0.47
Ko Yuk Bing	Personal	1 & 3	1,070,000	–	0.15
		2 & 3	4,700,000	–	0.64
Chan Kam Hung	Personal	1	620,000	–	0.08
		2	2,300,000	–	0.32
Fong Shiu Leung, Keter	Personal	1	410,000	–	0.06
		2	2,300,000	–	0.32
Zen Wei Peu, Derek	Personal	1	10,416,000	–	1.43
		2	2,350,000	–	0.32
Xu Ruxin	Personal	2	950,000	–	0.13
Lam Wai Hon, Patrick	Personal	2	150,000	–	0.02
Lau Sai Yung	Personal	1	305,000	–	0.04
		2	300,000	–	0.04
Chow Ming Kuen, Joseph	Personal	2	300,000	–	0.04
Tse Chee On, Raymond	Personal	2	100,000	–	0.01

Notes:

1. Long position in the Shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
2. Long position in the underlying Shares pursuant to unlisted equity derivatives (including physically settled, cash settled and other equity derivatives). Share options granted to the Directors are included in this category, the particulars of which are set out in (II) below.
3. Included in the balances are 160,000 Shares and 1,600,000 share options of the Company held by Ms. Chuk Wing Suet, Josephine, the spouse of Mr. Ko Yuk Bing.
4. The percentage was calculated based on 729,696,566 Shares in issue as at 31 December 2014.

DIRECTORS' REPORT (CONTINUED)

(II) *Underlying Shares – Share Options*

The share option schemes were adopted by the Company on 12 May 2003 and 8 May 2013. Particulars of the share option schemes are set out in note 27 to the consolidated financial statements.

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

Name	Notes	Number of share options				Balance at 31.12.2014	Weighted average closing price HK\$ (Note 5)
		Balance at 01.01.2014	Granted during the year	Exercised during the year	Lapsed during the year		
Directors							
Zen Wei Pao, William	1	1,400,000	–	–	–	1,400,000	–
	2	2,000,000	–	–	–	2,000,000	–
Ko Yuk Bing	1 & 3	2,100,000	–	–	–	2,100,000	–
	2 & 3	2,600,000	–	–	–	2,600,000	–
Chan Kam Hung	1	900,000	–	–	–	900,000	–
	2	1,400,000	–	–	–	1,400,000	–
Fong Shiu Leung, Keter	1	900,000	–	–	–	900,000	–
	2	1,400,000	–	–	–	1,400,000	–
Zen Wei Peu, Derek	1	850,000	–	–	–	850,000	–
	2	1,500,000	–	–	–	1,500,000	–
Xu Ruxin	1	150,000	–	–	–	150,000	–
	2	800,000	–	–	–	800,000	–
Lam Wai Hon, Patrick	2	150,000	–	–	–	150,000	–
Lau Sai Yung	1	150,000	–	–	–	150,000	–
	2	150,000	–	–	–	150,000	–
Chow Ming Kuen, Joseph	1	150,000	–	–	–	150,000	–
	2	150,000	–	–	–	150,000	–
Tse Chee On, Raymond	2	100,000	–	–	–	100,000	–
Nie Meisheng	2 & 4	100,000	–	–	(100,000)	–	–
Total		16,950,000	–	–	(100,000)	16,850,000	
Others							
Employees	1	5,875,000	–	(155,000)	(965,000)	4,755,000	7.21
	2	7,050,000	–	–	(1,800,000)	5,250,000	–
Total		12,925,000	–	(155,000)	(2,765,000)	10,005,000	
Grand Total		29,875,000	–	(155,000)	(2,865,000)	26,855,000	

DIRECTORS' REPORT (CONTINUED)

Notes:

1. The share options under this issue were granted on 9 April 2010 with an exercisable period from 9 April 2010 to 8 April 2015 and an exercise price of HK\$6.79 pursuant to the share option scheme adopted on 12 May 2003.
2. The share options under this issue were granted on 28 May 2013 with an exercisable period from 29 May 2013 to 28 May 2018 and an exercise price of HK\$7.13 pursuant to the share option scheme adopted on 8 May 2013.
3. Included in the balances are 800,000 share options at the exercise price of HK\$6.79 and 800,000 share options at the exercise price of HK\$7.13 of the Company held by Ms. Chuk Wing Suet, Josephine, the spouse of Mr. Ko Yuk Bing.
4. Ms. Nie Meisheng resigned as an Independent Non-executive Director with effect from 3 November 2014. Her share options were lapsed upon her resignation.
5. This represents the weighted average closing price of the Shares immediately before the dates on which the share options were exercised.

(III) Debentures of Associated Corporations

Name of Directors	Name of company	Nature of interest	Type of debenture	Principal amount held
Ko Yuk Bing	RKI Finance (2013) Limited	Personal	RMB2,200 million 6% guaranteed senior notes due 2016	RMB8,000,000 (long position)
Zen Wei Peu, Derek	Road King Infrastructure Finance (2012) Limited	Personal	US\$350 million 9.875% guaranteed senior notes due 2017	US\$4,300,000 (long position)
	RKI Finance (2013) Limited	Personal	RMB2,200 million 6% guaranteed senior notes due 2016	RMB12,000,000 ^(note 1) (long position)
Wong Wai Ho	Road King Infrastructure Finance (2012) Limited	Personal	US\$350 million 9.875% guaranteed senior notes due 2017	US\$200,000 ^(note 2) (long position)

Notes:

1. A principal amount of RMB12,000,000 of RMB2,200 million 6% guaranteed senior notes due 2016 was held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek.
2. A principal amount of US\$200,000 of US\$350 million 9.875% guaranteed senior notes due 2017 was held by Ms. Lau Men Ying, the spouse of Mr. Wong Wai Ho.

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

Save as disclosed above, none of the Directors or their spouses or children under 18 years of age was granted or had exercised any rights to subscribe for any securities of the Company or any of its associated corporations.

DIRECTORS' REPORT (CONTINUED)

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2014, the interests or short positions of every person, other than the Directors, in the Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of Shareholders	Nature of interest	Number of Shares held		Percentage of holding % (Note 24)
		Long position (Note 1)	Short position	
Wai Kee (Note 2)	Interest in controlled corporation	293,534,428	–	40.23
Wai Kee (Zens) Holding Limited (Note 3)	Interest in controlled corporation	293,534,428	–	40.23
Groove Trading Limited (Note 4)	Beneficial owner	65,918,000	–	9.03
Wai Kee China Investments (BVI) Company Limited (Note 4)	Interest in controlled corporation	224,616,428	–	30.78
Wai Kee China Investments Company Limited (Note 5)	Interest in controlled corporation	224,616,428	–	30.78
ZWP Investments Limited (Note 6)	Beneficial owner	224,616,428	–	30.78
深業集團有限公司 (Shum Yip Group Limited*) (Note 7)	Interest in controlled corporation	202,334,142	–	27.73
Shum Yip Holdings Company Limited (Note 8)	Interest in controlled corporation	202,334,142	–	27.73
Shenzhen Investment Limited (Note 9)	Interest in controlled corporation	202,334,142	–	27.73
Hover Limited (Note 10)	Beneficial owner	202,334,142	–	27.73
Jacqueline Desmarais (Note 11)	Trustee/Beneficiary of a Trust	49,500,000	–	6.78
Andre Desmarais (Note 12)	Trustee	49,500,000	–	6.78

DIRECTORS' REPORT (CONTINUED)

Name of Shareholders	Nature of interest	Number of Shares held		Percentage of holding % (Note 24)
		Long position (Note 1)	Short position	
Guy Fortin (Note 13)	Trustee	49,500,000	–	6.78
Michel Plessis-Belair (Note 14)	Trustee	49,500,000	–	6.78
Paul Desmarais Jr. (Note 15)	Trustee	49,500,000	–	6.78
Nordex Inc. (Note 16)	Interest in controlled corporation	49,500,000	–	6.78
Gelco Enterprises Ltd. (Note 17)	Interest in controlled corporation	49,500,000	–	6.78
Power Corporation of Canada (Note 18)	Interest in controlled corporation	49,500,000	–	6.78
171263 Canada Inc. (Note 19)	Interest in controlled corporation	49,500,000	–	6.78
Power Financial Corporation (Note 20)	Interest in controlled corporation	49,500,000	–	6.78
IGM Financial Inc. (Note 21)	Interest in controlled corporation	49,500,000	–	6.78
Mackenzie Inc. (Note 22)	Interest in controlled corporation	49,500,000	–	6.78
Mackenzie Financial Corporation (Note 23)	Beneficial owner	49,500,000	–	6.78

Notes:

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

DIRECTORS' REPORT (CONTINUED)

5. Wai Kee China Investments Company Limited is a direct wholly-owned subsidiary of Wai Kee China Investments (BVI) Company Limited. Both Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek are directors of Wai Kee China Investments Company Limited.
6. ZWP Investments Limited is a direct wholly-owned subsidiary of Wai Kee China Investments Company Limited. Both Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek are directors of ZWP Investments Limited.
7. 深業集團有限公司 (Shum Yip Group Limited*) (incorporated in the PRC) is deemed to be interested in the Shares through its 100% interests in Shum Yip Holdings Company Limited (incorporated in Hong Kong).
8. Shum Yip Holdings Company Limited (incorporated in Hong Kong) is deemed to be interested in the Shares through its 67.31% interests in Shenzhen Investment Limited.
9. Shenzhen Investment Limited is deemed to be interested in the Shares through its interests in its wholly-owned subsidiary, namely Hover Limited.
10. Hover Limited is a direct wholly-owned subsidiary of Shenzhen Investment Limited. Both Mr. Lu Hua and Mr. Gao Shengyuan are directors of Hover Limited.
11. Jacqueline Desmarais, as trustee and beneficiary of the Desmarais Family Residuary Trust, is deemed to be interested in the Shares through its 68% voting interests in Nordex Inc.
12. Andre Desmarais, as trustee of the Desmarais Family Residuary Trust, is deemed to be interested in the Shares through its 68% voting interests in Nordex Inc.
13. Guy Fortin, as trustee of the Desmarais Family Residuary Trust, is deemed to be interested in the Shares through its 68% voting interests in Nordex Inc.
14. Michel Plessis-Belair, as trustee of the Desmarais Family Residuary Trust, is deemed to be interested in the Shares through its 68% voting interests in Nordex Inc.
15. Paul Desmarais Jr., as trustee of the Desmarais Family Residuary Trust, is deemed to be interested in the Shares through its 68% voting interests in Nordex Inc.
16. Nordex Inc. is deemed to be interested in the Shares through its 94.90% interests in Gelco Enterprises Ltd.
17. Gelco Enterprises Ltd. is deemed to be interested in the Shares through its 53.54% interests in Power Corporation of Canada.
18. Power Corporation of Canada is deemed to be interested in the Shares through its interests in its wholly-owned subsidiary, namely 171263 Canada Inc.
19. 171263 Canada Inc. is deemed to be interested in the Shares through its 65.73% interests in Power Financial Corporation.
20. Power Financial Corporation is deemed to be interested in the Shares through its 58.83% interests in IGM Financial Inc.
21. IGM Financial Inc. is deemed to be interested in the Shares through its interests in its wholly-owned subsidiary, namely Mackenzie Inc.
22. Mackenzie Inc. is deemed to be interested in the Shares through its interests in its wholly-owned subsidiary, namely Mackenzie Financial Corporation.
23. Mackenzie Financial Corporation is a direct wholly-owned subsidiary of Mackenzie Inc.
24. The percentage was calculated based on 729,696,566 Shares in issue as at 31 December 2014.

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

* For identification purposes only

DIRECTORS' REPORT (CONTINUED)

CONNECTED TRANSACTION

On 11 September 2014, 上海雋合置業有限公司(Shanghai Junhe Real Estate Ltd.*) ("Shanghai Junhe"), a then wholly-owned subsidiary of the Company, was successful in its bid jointly with 上海國際汽車城(集團)有限公司 (Shanghai International Autocity (Group) Co., Ltd.*) ("Shanghai International Autocity"), a substantial shareholder of 上海雋安置業有限公司 (Shanghai Junan Real Estate Ltd.*) (a non wholly-owned subsidiary of the Company), for the land use right of a piece of land of about 72,000 sqm in Jiading District, Shanghai, the PRC for residential use through a listing for sale process, at the price of RMB1,205 million.

The land is well-located and in proximity to other property projects of the Group. Shanghai International Autocity and its associate are also engaged in the property development sector in Shanghai and have cooperated well with the Group on other projects; the Directors consider that the joint venture arrangement allows the Group to leverage the expertise of Shanghai International Autocity in the development and sale of quality real estate projects in Shanghai. Further, Shanghai International Autocity is contributing towards the capital required for the project and therefore sharing in the associated investment risks.

The land will be developed by the joint venture company established and owned as to 90% and 10% by Shanghai Junhe and Shanghai International Autocity.

* For identification purposes only

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE GROUP

(I) Repurchase of Shares

During the year, the Company repurchased a total of 4,326,000 Shares on the Stock Exchange at an aggregate consideration of HK\$30,368,920. Details of the repurchases are as follows:

Month of repurchases	Total number of Shares repurchased	Price per Share		Aggregate consideration HK\$
		Highest HK\$	Lowest HK\$	
March	17,000	7.11	7.11	120,870
June	1,275,000	7.05	6.86	8,886,140
July	224,000	7.23	7.00	1,590,250
August	1,973,000	7.15	6.91	13,923,950
September	837,000	7.02	6.90	5,847,710
	<u>4,326,000</u>			<u>30,368,920</u>

Up to the date of this annual report, all of the abovementioned Shares repurchased were cancelled.

The repurchases were made for the purpose of enhancing the net asset value per Share and earnings per Share and was pursuant to the general mandates granted to the Board at the annual general meetings of 2013 and 2014 of the Company to repurchase the Shares of HK\$0.10 each in the share capital of the Company.

DIRECTORS' REPORT (CONTINUED)

(II) Redemption of Notes

During the year, RKI Finance (2011) Limited, a wholly-owned subsidiary of the Company, redeemed all the outstanding principal amount of RMB1,272 million of RMB1,300 million 6% guaranteed senior notes due 2014 (the "2014 Notes") in February 2014 at the redemption price equal to 100% of the outstanding principal amount of the 2014 Notes plus accrued and unpaid interest.

In addition, RKI Finance (2010) Limited, a wholly-owned subsidiary of the Company, redeemed all the outstanding principal amount of US\$163.58 million of US\$350 million 9.5% guaranteed senior notes due 2015 (the "2015 Notes") in September 2014 at the redemption price equal to 102.375% of the outstanding principal amount of the 2015 Notes plus accrued and unpaid interest.

Subsequent to the completion of the redemptions, the 2014 Notes and the 2015 Notes were cancelled and delisted from the official list of the Singapore Exchange Securities Trading Limited.

Save as disclosed above, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Group's listed securities during the year ended 31 December 2014.

DONATIONS

During the year, donations made by the Group were HK\$2,098,000.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' REPORT (CONTINUED)

EMOLUMENT POLICY

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

The emoluments of all Executive Directors of the Company are decided by the Remuneration Committee, having regard to the Company's performance, individual performance and comparable market statistics.

The Company has adopted two share option schemes as an incentive to the Directors and eligible employees, details of the schemes are set out in note 27 to the consolidated financial statements.

CONTINUING DISCLOSURE OF THE LISTING RULES

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

1. Pursuant to Rule 13.18 of the Listing Rules:

Notes

The Company is obliged to make an offer to repurchase US\$350 million 9.875% guaranteed senior notes due 2017 and RMB2,200 million 6% guaranteed senior notes due 2016 (the "Notes") then outstanding at a purchase price equal to 101% of the principal amount, plus unpaid interest accrued, if any, up to (but not including) the date of repurchase in the occurrence of a change of control triggering event and a decline in the rating of the Notes.

Loan Facility

On 10 January 2014, RKP Overseas Finance 2013 (A) Limited ("RKP Overseas"), a wholly-owned subsidiary of the Company, was granted a US\$230 million term loan facility with final maturity date of 36 months from the first utilisation date of the loan facility (the "US\$230 million Loan Facility"). For so long as the US\$230 million Loan Facility is made available to RKP Overseas, Wai Kee is required to own at least 30% of beneficial shareholding interest in the issued share capital of the Company and to maintain as the single largest Shareholder.

On 26 August 2014, RKP Overseas Finance 2014 (A) Limited ("RKP Overseas Finance"), a wholly-owned subsidiary of the Company, was granted a US\$200 million term loan facility with final maturity date of 36 months from the first utilisation date of the loan facility (the "US\$200 million Loan Facility"). For so long as the US\$200 million Loan Facility is made available to RKP Overseas Finance, Wai Kee is required to own at least 30% of beneficial shareholding interest in the issued share capital of the Company and to maintain as the single largest Shareholder.

DIRECTORS' REPORT (CONTINUED)

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

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

Name of Directors	Details of changes
Mr. Zen Wei Pao, William	His annual basic salary will be revised from HK\$6,511,050 to HK\$6,837,000 with effect from 1 April 2015.
Mr. Ko Yuk Bing	His annual basic salary will be revised from HK\$5,565,000 to HK\$5,843,400 with effect from 1 April 2015.
Mr. Chan Kam Hung	His annual basic salary will be revised from HK\$3,914,980 to HK\$4,111,200 with effect from 1 April 2015.
Mr. Fong Shiu Leung, Keter	His annual basic salary will be revised from HK\$3,245,520 to HK\$3,408,000 with effect from 1 April 2015.
Mr. Zen Wei Peu, Derek	His annual basic salary will be revised from HK\$4,118,100 to HK\$4,324,200 with effect from 1 April 2015.
Mr. Xu Ruxin	His annual basic salary will be revised from HK\$1,984,500 to HK\$2,083,800 with effect from 1 April 2015.
Mr. Zhang Yongliang	He was appointed as an Independent Non-executive Director of the Company on 16 February 2015. He entered into a letter of appointment with the Company for a period from the aforesaid date of commencement to the date of the AGM.

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

AUDITOR

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

On behalf of the Board
Zen Wei Pao, William
Chairman

Hong Kong, 12 March 2015

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CODE

The Company is dedicated to maintaining the highest standard of corporate governance as it believes that good corporate governance practices are fundamental to the smooth and effective operation of a company and can enhance the Shareholders' value as well as safeguard the Shareholders' interests. The Company places strong emphasis on an effective Board of Directors, accountability, sound internal control, appropriate risk-assessment, monitoring procedures and transparency to all Shareholders and stakeholders.

Throughout the year of 2014, the Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules except for Rule 3.10A of the Listing Rules.

Pursuant to Rule 3.10A, the independent non-executive directors of a listed issuer must represent at least one-third of the board of directors. Following the resignation of Ms. Nie Meisheng as an Independent Non-executive Director of the Company with effect from 3 November 2014, the number of Independent Non-executive Directors of the Company has fallen below the minimum number as required under Rule 3.10A. During the transitional period, the Board believes that there is still a sufficient independent element on the Board, which can effectively exercise independent judgment.

On 16 February 2015, Mr. Zhang Yongliang was appointed as an Independent Non-executive Director of the Company. Following the appointment of Mr. Zhang as an Independent Non-executive Director of the Company, the number of Independent Non-executive Directors of the Company has fulfilled the minimum number as required under Rule 3.10A of the Listing Rules.

THE BOARD

Composition

The Board has a balanced composition of members to ensure independent viewpoints in all discussions. As at the date of this report, the Board comprises fourteen Directors including six Executive Directors, three Non-executive Directors and five Independent Non-executive Directors. Board members are listed below:

Board of Directors		
Executive Directors	Non-executive Directors	Independent Non-executive Directors
Zen Wei Pao, William (<i>Chairman</i>)	Lu Hua	Lau Sai Yung
Ko Yuk Bing (<i>Deputy Chairman, Managing Director and Chief Executive Officer</i>)	Lam Wai Hon, Patrick	Chow Ming Kuen, Joseph
Chan Kam Hung (<i>Chief Operating Officer</i>)	Gao Shengyuan	Tse Chee On, Raymond
Fong Shiu Leung, Keter (<i>Finance Director</i>)		Wong Wai Ho
Zen Wei Peu, Derek		Zhang Yongliang
Xu Ruxin		

CORPORATE GOVERNANCE REPORT (CONTINUED)

With the expertise contributed by each of the Directors, the Board has a wide spectrum of valuable business experience, knowledge and professionalism for its efficient and effective functioning. Biographical details are set out in the section headed "Directors and Senior Management" of this annual report. An updated list of the Directors and their respective roles and functions are maintained on the websites of the Company and the Stock Exchange.

Save as disclosed above, during the year, the Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules regarding the appointment of at least three Independent Non-executive Directors including one Independent Non-executive Director with accounting or related financial management expertise.

There is no financial, business and family relationship among members of the Board, other than Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek being brothers, and between the Chairman and the Chief Executive Officer.

Appointment and Re-election

Pursuant to the Bye-laws, the Board may appoint a director either to fill a casual vacancy or as an addition to the Board from time to time during the year following the recommendation from the Nomination Committee. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election. In addition, at each annual general meeting, at least one-third of the Directors for the time being shall retire from office by rotation and are eligible for re-election.

Non-executive Directors

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. All the Non-executive Directors and Independent Non-executive Directors entered into letters of appointments separately with the Company for a specific term with a range of not more than three years, subject to re-election at the general meeting.

Independence of Independent Non-executive Directors

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

Role and Delegation

The primary role of the Board is to protect and enhance long-term Shareholders' value. It assumes the responsibility for providing effective and responsible leadership and control of the Company, and directing and supervising the Company's affairs in pursuit of the Group's strategic objectives.

The Board, led by the Chairman, approves and monitors Group's strategies and policies, evaluates the performance of the Group and supervises the management. In addition, the Board reserved for its decisions all major matters of the Company, including approval and monitoring of budgets, internal control and risk management systems, dividend payout, material transaction (in particular those may involve conflict of interests), preparation and release of financial information, appointment of Directors, replenishment of land reserves, other significant financial and operational matters.

In order to enhance efficiency, the Board has delegated to the Chief Executive Officer the day-to-day leadership and management of the Group. The management of the Group, on the other hand, is responsible for day-to-day operations of the Group under the supervision of the Chief Executive Officer.

The Board also ensures that good corporate governance policies and practices are implemented within the Group and is responsible for performing the corporate governance duties including the following:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of the Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct manual applicable to employees and the Directors; and
- to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

During the year ended 31 December 2014 and up to the date of this report, the Board reviewed the Company's compliance with the Code for the years ended 31 December 2013 and 2014 together with six months ended 30 June 2014, and the Company's disclosures in the Corporate Governance Reports for the years ended 31 December 2013 and 2014.

The Group has adopted a number of policies and procedures of the Company, all of which have been documented and communicated to the Directors and employees via Employees' Handbooks and individual departmental handbooks to ensure good corporate governance practices and high standard of business conducts and ethics of the Group. The effectiveness of these policies is reviewed on a regular basis.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Board Meetings

The Board meets regularly at least four times each year. In addition, ad hoc Board meetings are held for major and important matters in which Board resolutions are required. The Directors play an active role in participating the Company's meetings through contribution of their professional opinions and active participation in discussion. The attendance records of individual Directors at the Board meetings, the meetings of three Board Committees, namely Audit, Nomination and Remuneration Committees, the annual general meeting held on 9 May 2014 and the special general meeting held on 19 May 2014 are set out below:

Name of Directors	Meetings attended/held					Annual General Meeting held on 9 May 2014	Special General Meeting held on 19 May 2014
	Board	Audit Committee	Nomination Committee	Remuneration Committee			
Executive Directors							
Zen Wei Pao, William	4/4	–	2/2	6/6	1/1	1/1	
Ko Yuk Bing	4/4	–	–	–	1/1	1/1	
Chan Kam Hung	4/4	–	–	–	1/1	0/1	
Fong Shiu Leung, Keter	4/4	–	–	–	1/1	1/1	
Zen Wei Peu, Derek	4/4	–	–	–	1/1	1/1	
Xu Ruxin	4/4	–	–	–	1/1	0/1	
Non-executive Directors							
Lu Hua	2/4	–	–	–	0/1	0/1	
Lam Wai Hon, Patrick	4/4	2/2	–	–	1/1	0/1	
Gao Shengyuan (appointed on 23 May 2014)	2/2	–	–	–	–	–	
Independent Non-executive Directors							
Lau Sai Yung	4/4	2/2	2/2	6/6	1/1	0/1	
Chow Ming Kuen, Joseph	4/4	2/2	2/2	6/6	1/1	0/1	
Tse Chee On, Raymond	3/4	–	–	–	1/1	0/1	
Wong Wai Ho (appointed on 23 May 2014)	2/2	–	–	–	–	–	
Zhang Yongliang (appointed on 16 February 2015)	–	–	–	–	–	–	
Nie Meisheng (resigned on 3 November 2014)	2/3	–	–	–	0/1	0/1	

Note:

"–": Not Applicable

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

In order to have an effective Board, all Directors are provided with information on activities and developments in the Group's business on a monthly basis to keep them apprised of the latest developments of the Group. They have full access to information on the Group and are able to invite management and professional advisers, where appropriate, to attend Board meetings.

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

Each Director is required to make disclosure of his/her interests or potential conflict of interests, if any, in any proposed transactions or issues discussed by the Directors at the Board and Board Committees' meetings. Any Director shall not vote on any resolution of the Board and Board Committees approving any contract or arrangement or any other proposal in which he/she (or his/her associate) is materially interested nor shall he/she be counted in the quorum present at the meeting.

Induction and Continuous Professional Development

Directors should keep abreast of their collective responsibilities. Each newly appointed Director would receive a comprehensive induction package covering the Group's business and the statutory and regulatory obligations of a director of a listed company. The Group also provides seminars and trainings to develop and refresh the Directors' knowledge and skills. The Group continuously updates the Directors on the latest developments regarding the Listing Rules and applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices.

During the year, the Group provided seminars, training courses and site visits to the Directors and management.

CORPORATE GOVERNANCE REPORT (CONTINUED)

All Directors are requested to provide the Company with their respective training records pursuant to the Code. According to the training records maintained by the Company, the trainings received by each of the Directors during the period from 1 January 2014 to 31 December 2014 are summarised as follows:

Name of Directors	Type of continuous professional development
Executive Directors	
Zen Wei Pao, William	A,B,C
Ko Yuk Bing	B,C
Chan Kam Hung	B,C
Fong Shiu Leung, Keter	B,C
Zen Wei Peu, Derek	B,C
Xu Ruxin	B,C
Non-executive Directors	
Lu Hua	B,C
Lam Wai Hon, Patrick	A,B,C
Gao Shengyuan	B,C
Independent Non-executive Directors	
Lau Sai Yung	B,C
Chow Ming Kuen, Joseph	B,C
Tse Chee On, Raymond	B,C
Wong Wai Ho	B,C
A:	giving talks at seminars and/or conferences and/or forums
B:	attending seminars and/or conferences and/or forums and/or site visits
C:	reading newspapers, newsletters, journals and updates relating to the economy, general business, real estate, laws, rules and regulations, etc.

Mr. Zhang Yongliang (appointed in February 2015) received and went through a comprehensive induction package including the statutory and regulatory obligations of a director of a listed company.

Directors' and Officers' Liability Insurance and Indemnity

The Company has arranged appropriate Directors' and Officers' Liability Insurance for its Directors and officers covering the costs, losses, expenses and liabilities arising from the performance of their duties. The insurance policy covers legal action against its Directors and officers to comply with the requirement of the Code. During the year, no claim was made against the Directors and officers of the Company.

Chairman and Chief Executive Officer

The Chairman of the Company is Mr. Zen Wei Pao, William. The Chief Executive Officer is Mr. Ko Yuk Bing.

To ensure a balance of power and authority, the positions of the Chairman and the Chief Executive Officer of the Company are held by different individuals with separate duties. The division of responsibilities between the Chairman and the Chief Executive Officer is clearly established and set out in writing.

The role of the Chairman is to oversee the functioning of the Board and ensure the establishment of strategic direction of the Group. The Chairman provides leadership for the Board and ensures that the Company establishes sound corporate governance practices and procedures. He also encourages all Directors to make a full and active contribution to the affairs of the Board.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Chief Executive Officer is responsible for implementing the Board's approved strategies and policies, and supervising the day-to-day operations.

Detailed duties and responsibilities of the Chairman and the Chief Executive Officer are available on the website of the Company.

Board Diversity Policy

The Board adopted a Board Diversity Policy. The Policy aims to set out the approach to achieve diversity in the Board to ensure that the Board has the balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. During the year, there were one Non-executive Director and one Independent Non-executive Director appointed by the Board as additions to the Board, and one Independent Non-executive Director was appointed in February 2015 to fill up the vacancy. In the nomination process for the new appointments, the Nomination Committee has considered diversity factors in the Board Diversity Policy to ensure that the Board has the balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

BOARD AND MANAGEMENT COMMITTEES

To facilitate the work of the Board, the Board has delegated responsibilities to three Board Committees, namely Audit, Nomination and Remuneration Committees, to oversee particular aspects of the Company's affairs, and to Management Committees led by the Chief Executive Officer at both corporate and divisional levels to deal with the day-to-day operations. The updated terms of reference of the Audit, Nomination and Remuneration Committees are available on the websites of the Company and the Stock Exchange.

Audit Committee

Composition

The Audit Committee currently comprises three members, namely Mr. Lau Sai Yung (Chairman of the Audit Committee), Mr. Lam Wai Hon, Patrick and Dr. Chow Ming Kuen, Joseph. Except for Mr. Lam Wai Hon, Patrick, a Non-executive Director, all other members are Independent Non-executive Directors.

Role and Function

The main responsibilities of the Audit Committee are to review the consolidated financial statements and the auditor's report, and to monitor the integrity of the consolidated financial statements. It also assists the Board to oversee internal control structure, risk management system and internal and external audit functions. The Committee meets at least twice a year with the Company's external auditor to discuss the audit process and accounting issues.

Summary of Work Done

The following is a summary of major work performed by the Audit Committee during the year ended 31 December 2014 and up to the date of this report:

- Approval of the remuneration and terms of engagement of the external auditor;
- Review of the annual results of the Group for the years ended 31 December 2013 and 2014, and the interim results of the Group for the six months ended 30 June 2014;
- Review of the Group's financial information, financial reporting procedures, internal control system, risk management, and financial and accounting policies and practices;

CORPORATE GOVERNANCE REPORT (CONTINUED)

- Review of external auditor's independence and objectivity and the effectiveness of the audit process, and review of policy on engaging the external auditor to supply non-audit services;
- Review of the audit plan for financial year ended 31 December 2014;
- Review of adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;
- Review of internal/external auditor's significant findings and recommendations, and monitoring of the subsequent implementation;
- Recommendation to the Board to re-appoint the external auditor at the 2014 and 2015 annual general meetings;
- Review of the effectiveness of the internal audit function of the Company;
- Approval of the 2015 internal audit plan;
- Review of the findings in the internal control report;
- Review of reporting mechanism for employees to raise concerns about possible improprieties in financial reporting, internal control or other matters related to the Company; and
- Meetings with the external auditor, in the absence of Executive Directors and Management.

Nomination Committee

Composition

The Nomination Committee currently comprises three members, namely Mr. Zen Wei Pao, William (Chairman of the Nomination Committee), Mr. Lau Sai Yung and Dr. Chow Ming Kuen, Joseph. Except for Mr. Zen Wei Pao, William, an Executive Director, all other members are Independent Non-executive Directors.

Role and Function

The Nomination Committee was established to ensure that there are deliberative, considered and transparent procedures for the appointment of the Directors. The duties of this Committee include reviewing the structure, size and diversity (including without limitation, gender, age, cultural and educational background, professional experience, skills, knowledge and length of service) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become Directors and selecting, or making recommendations to the Board on the selection of, individuals nominated for directorships. In identifying suitable candidates, the Committee shall consider candidates on merit and against the objective criteria, with due regard for benefits of diversity of the Board.

Summary of Work Done

The following is a summary of the work performed by the Nomination Committee during the year ended 31 December 2014 and up to the date of this report:

- Review of the structure, size and diversity (including without limitation, gender, age, cultural and educational background, professional experience, skills, knowledge and length of service) of the Board;
- Assessment of the independence of the Independent Non-executive Directors;
- Review of the Company's policy on nomination of the Directors;
- Review of the Board Diversity Policy and the measurable objectives for implementing diversity on the Board;
- Recommendation to the Board on the nomination of one Non-executive Director and two Independent Non-executive Directors; and
- Determination the rotation of the Directors for the forthcoming AGM.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Nomination Procedures

Appointment of new Directors is first considered by the Nomination Committee. In considering the appointment of a Director, this Committee applies criteria such as relevant experience, professional and educational background as well as the diversity in the Board. The recommendation of this Committee is then put to the Board for consideration and approval. Thereafter, any Director appointed by the Board is subject to re-election by the Shareholders at the general meeting after his/her appointment.

Remuneration Committee

Composition

The Remuneration Committee currently comprises three members, namely Dr. Chow Ming Kuen, Joseph (Chairman of the Remuneration Committee), Mr. Zen Wei Pao, William and Mr. Lau Sai Yung. Except for Mr. Zen Wei Pao, William, an Executive Director, all other members are Independent Non-executive Directors.

Role and Function

The Remuneration Committee has been established to ensure that there are formal and transparent procedures to assist the Board in determining the remuneration policy of the Company and structuring the remuneration of all Directors and senior management. This Committee is responsible for making recommendation to the Board on the Company's policy and structuring for all Directors' and senior management's remuneration, and reviewing and approving the management's remuneration proposal with reference to the Board's corporate goals and objectives. It also determines, with delegated responsibility, remuneration packages of individual Executive Directors and senior management, and makes recommendations on the remuneration of Non-executive Directors and Independent Non-executive Directors.

Summary of Work Done

The following is a summary of the work performed by the Remuneration Committee during the year ended 31 December 2014 and up to the date of this report:

- Review and approval of the Company's remuneration policy for 2014 and 2015;
- Approval of emoluments of the Executive Directors (where Mr. Zen Wei Pao, William abstained from voting in determining his own remuneration) and senior management;
- Approval of year end bonus of the Executive Directors and senior management;
- Review of staff retirement and remuneration and bonus policy of senior management staff; and
- Recommendation to the Board on the remuneration of the newly appointed Non-executive Director and Independent Non-executive Directors.

Remuneration Policy

The Company ensures that the remuneration offered is appropriate for the duties, in line with market practice and pay levels, and effective in attracting, retaining and motivating employees (including Executive Directors). For Non-executive Directors, the Company ensures that they are sufficiently but not excessively compensated for their efforts and time dedicated to the Company. No individual determines his/her own remuneration.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The remuneration of a Director is determined with reference to his/her duties and responsibilities with the Company and the prevailing market situation. Details of the emoluments of the Directors during the year ended 31 December 2014 are set out in note 13 to the consolidated financial statements of this annual report. The emoluments paid to senior management during the year ended 31 December 2014 were within the following bands:

	Number of Senior Management
Up to HK\$2,000,000	3
HK\$2,000,001 to HK\$3,000,000	4
HK\$3,000,001 to HK\$4,000,000	3
HK\$4,000,001 to HK\$5,000,000	2

Corporate Management Committee

Composition

The Corporate Management Committee currently comprises five members, namely Messrs. Ko Yuk Bing (Chairman of the Corporate Management Committee), Chan Kam Hung, Fong Shiu Leung, Keter, Xu Ruxin and Yu Kam Fat, James.

Role and Function

The Corporate Management Committee was formed in 2009 at the corporate level and held regular meetings to coordinate and handle major matters in daily operations of the Group.

Property Business Management Committee

Composition

The Property Business Management Committee currently comprises nine members, including five Executive Directors, namely Mr. Ko Yuk Bing (Chairman of the Property Business Management Committee), Mr. Chan Kam Hung, Mr. Fong Shiu Leung, Keter, Mr. Zen Wei Peu, Derek and Mr. Xu Ruxin, and four members of senior management, namely Ms. Chuk Wing Suet, Josephine, Mr. Zen Chung Hei, Hayley, Mr. Zhang Nan and Ms. Diao Lu, Amy.

Role and Function

The Property Business Management Committee was formed in 2006 to supervise, monitor and handle major matters arising from the daily operations of the property development business in various cities in the PRC.

In order to cope with the competitive and complex nature of the business, four functional sub-committees, namely Market, Design, Engineering and Property Service, were subsequently established to provide professional recommendations and solutions to the Property Business Management Committee for major matters as well as to execute and make decisions in areas delegated by the Property Business Management Committee.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code. All the Directors have confirmed, following specific enquiry, that they have complied with the Model Code throughout the year ended 31 December 2014.

The Company has also adopted a code of conduct governing securities transactions by employees who are likely to be in possession of unpublished inside information in relation to the Group.

Formal notifications are sent by the Company to all Directors and relevant employees reminding them that they should not deal in the securities of the Company during the "black out period" specified in the Model Code.

CORPORATE GOVERNANCE REPORT (CONTINUED)

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

The Directors are aware of the requirements under the applicable Listing Rules and statutory regulations with regard to the timely and proper disclosure of inside information, announcements and financial disclosures and authorises their publication as and when required.

EXTERNAL AUDITOR'S REMUNERATION AND REPORTING RESPONSIBILITIES

Messrs. Deloitte Touche Tohmatsu has been re-appointed as the Company's external auditor at the annual general meeting of 2014 until the conclusion of the next annual general meeting.

The fees paid to external auditor for audit and non-audit services for the year ended 31 December 2014 are as follows:

Type of Services	Fee paid/payable HK\$
Audit fee	3,980,000
Non-audit services	
Interim review fee	1,200,000
Other services	954,000
Total	<u>6,134,000</u>

The statement of the Company's external auditor, Messrs. Deloitte Touche Tohmatsu, regarding their reporting responsibilities is set out in the Independent Auditor's Report on pages F-1 and F-2.

INTERNAL CONTROL

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

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

The Audit Committee, which was delegated by the Board, has reviewed and evaluated, via the internal audit team, the effectiveness of the Group's internal control system put in place by management covering all material controls, including financial, operational and compliance controls as well as risk management functions of the Company and its subsidiaries for the year ended 31 December 2014. The Audit Committee considered the internal control system of the Company and its subsidiaries was effective and adequate.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

SHAREHOLDERS' RIGHTS

The Board and management shall ensure Shareholders' rights and all Shareholders are treated equitably and fairly. Pursuant to the Bye-laws, any Shareholder entitled to attend and vote at a general meeting of the Company is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. Shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. In addition, Shareholders holding not less than one-twentieth of the total voting rights or not less than 100 Shareholders may submit a written request to the Company stating the resolution intended to be proceeded at the annual general meeting.

Any vote of the Shareholders at a general meeting must be taken by poll (other than procedural matters). Voting results are posted on the websites of the Company and the Stock Exchange on the day of the general meeting. Since May 2009, there were no changes to the memorandum of association of the Company and Bye-laws. The updated versions of the memorandum of association of the Company and Bye-laws are available on the websites of the Company and the Stock Exchange.

Detailed procedures for the Shareholders to convene a special general meeting, putting forward proposals at a general meeting and proposing a person for election as a Director are also available on the website of the Company.

COMMUNICATION WITH SHAREHOLDERS

The Board has established a shareholders' communication policy setting out various channels of communication, with the objective of enabling the Shareholders to assess the Company's overall performance, exercise their rights in an informed manner and engage actively with the Company.

The Company regards its Shareholders' meeting as an important means of communication with the Shareholders in which the Shareholders will be able to have an open dialogue with the Board. The Board members, in particular, the Chairmen of the Board Committees and appropriate management executives are available to answer questions of the Group's business at the annual general meetings. External auditor also attends the Company's annual general meetings and addresses queries from the Shareholders relating to the conduct of the audit and the preparation and content of its auditor's report.

Apart from holding Shareholders' meeting, the Company also endeavours to maintain effective communication with all Shareholders through other channels such as publication of annual and interim reports, announcements and circulars so as to provide extensive information on the Group's activities, business strategies and developments, and financial position. Such information is also available on the websites of the Company and the Stock Exchange.

Shareholders are also provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, to enable them to make any queries or comments on the Company at any time.

CORPORATE GOVERNANCE REPORT (CONTINUED)

INVESTOR RELATIONS

The Company pursues a proactive policy of promoting investor relations and communications with the Shareholders. To this end, the Company maintains an open dialogue with the Shareholders and investors through the Company's financial reports, press releases, road shows, conferences, annual general meetings and general meetings that may be convened, as well as making available all the disclosures submitted to the Stock Exchange to provide regular and timely public disclosures on the Company's operating performance and corporate developments.

The Company has issued newsletters on a quarterly basis. These newsletters set out the latest developments of the Group's projects, and the quarterly performance of property sales and toll road projects. All the newsletters and publications of the Company issued in 2014 can be retrieved from the website of the Company. Going forward, the Company will continue to improve its transparency to ensure the Shareholders and investors are kept abreast of the Company's latest development on a timely basis.

During the year, the Company's investor relations team arranged analyst meetings and regular meetings and interviews with the Shareholders, investors and analysts.

SOCIAL RESPONSIBILITY

The Group is committed to make contributions to the community since its establishment. In addition to fulfilling corporate responsibility in its day to day operations, the Group also proactively participates in social welfare activities and donations.

The Group has been making donations to the charitable organizations, and received various awards from the Community Chest of Hong Kong. Over the years, the Group has offered various scholarship programmes to a number of universities in China and Hong Kong, arranged interactive activities between students and enterprises, and sponsored tertiary academic activities, like the "Scholarship Programme on Finance (北京大學21世紀路勁財經獎學金班)" jointly launched by the Group, the 21st Century Media and National School of Development of Peking University since 2009, which aims to nurture talents for the society.

In 2013, the Group joined hands with China Real Estate Chamber of Commerce and Elite Habitat Development Foundation to launch the ELITE Child Plan, which targets to improve the living and growth environment for those staying in orphanage schools in the ethnic community of the western regions.

The Group will continue to undertake its social responsibility and participate in more meaningful welfare activities.

GLOSSARY

GENERAL TERMS

“Board”	the board of directors of the Company
“BVI”	British Virgin Islands
“Company” or “Road King”	Road King Infrastructure Limited, a company incorporated in Bermuda with limited liability
“Directors”	the directors of the Company
“GDP”	gross domestic product
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Infrastructure joint ventures”	the sino-foreign co-operative joint ventures registered in the PRC which develop, construct, operate and manage the toll road projects in which the Group has an interest
“km”	kilometer(s)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC” or “China”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) HK\$0.10 each in the share capital of the Company
“Shareholders”	Shareholder(s) of the Company
“sqm”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“United States” or “US”	The United States of America
“US\$”	United States dollar(s), the lawful currency of the United States
“Wai Kee”	Wai Kee Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“%”	per cent

GLOSSARY (CONTINUED)

FINANCIAL TERMS

“Earnings per Share” or “EPS”	$\frac{\text{Profit attributable to owners of the Company}}{\text{Weighted average number of Shares in issue during the year}}$
“Interest coverage”	$\frac{\text{Earnings before interest, taxation, depreciation and amortisation}}{\text{The aggregate of interest and finance costs}}$
“Net assets per Share attributable to owners of the Company”	$\frac{\text{Total equity attributable to owners of the Company}}{\text{Number of Shares in issue as at 31 December 2014}}$

TOLL ROAD PROJECTS

Anhui Province

“Heye Highway” National Highway 312 Hefei-Yeji Highway

“Machao Expressway” Provincial Expressway S24 Ma’anshan-Chaohu

Guangxi Zhuang Autonomous Region

“Yulin Highway” National Highway 324 Yulin Section

Hebei Province

“Baojin Expressway” National Expressway G18 Baoding-Tianjin Expressway

“Shijin Highway” National Highway 307 Shijiazhuang-Jinzhou Highway

“Tangjin Expressway” National Expressway G25 Tangshan-Tianjin Expressway

Hunan Province

“Changyi Expressway” National Expressway G5513 Changsha-Yiyang Expressway

Jiangsu Province

“Suzhou Shanghai Airport Highway” Provincial Highway 343 Suzhou-Shanghai Hongqiao Airport Highway (Suzhou Section)

Shanxi Province

“Longcheng Expressway” Provincial Expressway S60 Yuci Longbai Village-Chengzhao, Qixian Expressway

GLOSSARY (CONTINUED)

PROPERTY PROJECTS

“Jianguomen Project”	The project locates at Courtyard No. 13 & Courtyard Side, Waijiaobu Street, Dongcheng District, Beijing, the PRC
“Jinan University Project”	The project locates at North of University Road, West of Ziwei Road (No. 3), University Technology Zone, Changqing District, Jinan, Shangdong Province, the PRC
“Land Parcel in Anting Jiading District”	The land parcel locates at East of Yutang Road and South of Baián Highway, Anting Town, Jiading District, Shanghai, the PRC
“RK Banyan Riverside”	The project locates at Jiulongxi Road, Liwan District, Guangzhou, Guangdong Province, the PRC
“RK Central Special Zone”	The project locates at junction of Shangding Road and Nongye Dong Road, Zhengdong New District, Zhengzhou, Henan Province, the PRC
“RK City (Changzhou)”	The project locates at East of Huoju Bei Road and North of Guangdian Xi Road, Gaoxin Zone, Hutang Town, Wujin District, Changzhou, Jiangsu Province, the PRC
“RK City (Jinan)”	The project locates at South of Beiyuan Da Street and West of Erhuan East Road, Licheng District, Jinan, Shandong Province, the PRC
“RK City Landmark”	The project locates at North of Qingtan Xi Road and West of Chechang Road, Zhonglou District, Changzhou, Jiangsu Province, the PRC
“RK City Signature”	The project locates at East of Longjiang Road, North of Zijing Xi Road, Zhonglou District, Changzhou, Jiangsu Province, the PRC
“RK Grand Metropolis”	The project locates at No. 33, Huayuan Street, Wujin District, Changzhou, Jiangsu Province, the PRC
“RK Hong Kong Times”	The project locates at West of Fenhu Road, North of Xiangyang Road, Gaoxin District, Suzhou, Jiangsu Province, the PRC
“RK Impression”	The project locates at Southeast of the junction of Zhongnan Xi Road and Hubin Road, Binhu District, Wuxi, Jiangsu Province, the PRC
“RK International City”	The project locates at No. 473, Huaibei Road, Yuhua District, Shijiazhuang, Hebei Province, the PRC
“RK J • o • Y Heights”	The project locates at North of Sandong Da Road and East of Guangqing Expressway, Xinhua Town, Huadu District, Guangzhou, Guangdong Province, the PRC
“RK Joy Park”	The project locates at junction of Longshan Road and Tianshan Bei Road, Hedong District, Tianjin, the PRC
“RK Leader of Life”	The project locates at Chengguan Town, Ji County, Tianjin, the PRC

GLOSSARY (CONTINUED)

“RK Notting Hill”	The project locates at Chuqiao Road, Dingmao District, Zhenjiang, Jiangsu Province, the PRC
“RK Phoenix City”	The project locates at junction of Zhongxin Da Road East and Xieyu Road South, Suzhou Industrial Park, Suzhou, Jiangsu Province, the PRC
“RK Royal City (Changzhou)”	The project locates at No. 88, Yanzheng Dong Road, Wujin District, Changzhou, Jiangsu Province, the PRC
“RK Royal City (Luoyang)”	The project locates at Huaxia Road, Gaoxin District, Luoyang, Henan Province, the PRC
“RK Royal Panorama”	The project locates at No. 9, Weishier Road, Huaiyin District, Jinan, Shandong Province, the PRC
“RK Shanghai Manor”	The project locates at lane 589, Hengrong Road, Waigang Town, Jiading District, Shanghai, the PRC
“RK Shanghai Style”	The project locates at Caike Road and West of Kangsu Road and South of Baián Highway, Anting Town, Jiading District, Shanghai, the PRC
“RK Shanghai Villa”	The project locates at West of Baián Highway, North of Miaoqing River, Waigang Town, Jiading District, Shanghai, the PRC
“RK Sunny Town”	The project locates at junction of Lushan Road and Helan Road, Hedong District, Tianjin, the PRC
“RK The Providence”	The project locates at Southwest of the junction of Zhongnan Xi Road and Lixi Road, Binhu District, Wuxi, Jiangsu Province, the PRC
“RK Unusual Landscape”	The project locates at No. 207, Haier Da Road, Jiaozhou District, Shandong Province, the PRC
“RK Urban Home Court”	The project locates at West of Dongxi Lin Road and North of Hualin Road, Zhonglou District, Changzhou, Jiangsu Province, the PRC
“RK World City”	The project locates at West of Heying Road, East of Heying Xi Road, North of Changhuai Road Southern Line and South of Changhuai Road, Nanshao Town, Changping District, Beijing, the PRC
“Shanghai Anting Changji Road South Project”	The project locates at East of Yutang Road and South of Changji Road, Anting Town, Jiading District, Shanghai, the PRC
“Zhenjiang Dagang Project”	The project locates at South of Yihou Road and West of Yandun Shan Road, Dagang Town, Zhenjiang, Jiangsu Province, the PRC

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Zen Wei Pao, William (*Chairman*)
 Ko Yuk Bing (*Deputy Chairman, Managing Director and Chief Executive Officer*)
 Chan Kam Hung (*Chief Operating Officer*)
 Fong Shiu Leung, Keter (*Finance Director*)
 Zen Wei Peu, Derek
 Xu Ruxin

NON-EXECUTIVE DIRECTORS

Lu Hua
 Lam Wai Hon, Patrick
 Gao Shengyuan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lau Sai Yung
 Chow Ming Kuen, Joseph
 Tse Chee On, Raymond
 Wong Wai Ho
 Zhang Yongliang

MANAGEMENT COMMITTEES

Corporate Management Committee

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

Property Business Management Committee

Ko Yuk Bing (*Chairman*)
 Chan Kam Hung
 Fong Shiu Leung, Keter
 Zen Wei Peu, Derek
 Xu Ruxin
 Chuk Wing Suet, Josephine
 Zen Chung Hei, Hayley
 Zhang Nan
 Diao Lu, Amy

AUDIT COMMITTEE

Lau Sai Yung (*Chairman*)
 Lam Wai Hon, Patrick
 Chow Ming Kuen, Joseph

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Fong Shiu Leung, Keter

AUDITOR

Deloitte Touche Tohmatsu

SOLICITORS

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

PRINCIPAL BANKERS

The PRC

Agricultural Bank of China Limited
 Bank of China Limited
 China Construction Bank Corporation

Hong Kong

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

CORPORATE INFORMATION (CONTINUED)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

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

SHARE LISTING

The Company's shares are listed on the main board of The Stock Exchange of Hong Kong Limited (Stock Code: 1098)

NOTES LISTING

The following notes are listed on The Stock Exchange of Hong Kong Limited

- US\$350 million 9.875% guaranteed senior notes due 2017 (Stock Code: 4565)
- RMB2,200 million 6% guaranteed senior notes due 2016 (Stock Code: 85935)

INVESTOR RELATIONS

Contact Person: Lee Tak Fai, Kennedy
Telephone: (852) 2957 6800
Facsimile: (852) 2375 2477
E-mail address: rki@roadking.com.hk

WEBSITES

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

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF ROAD KING INFRASTRUCTURE LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Road King Infrastructure Limited and its subsidiaries (collectively referred to as the "Group") set out on pages F-3 to F-75, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

12 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
Revenue	7	12,730,104	11,456,048
Cost of sales		(9,396,035)	(8,523,007)
Gross profit		3,334,069	2,933,041
Interest income		48,569	72,407
Other income		67,723	26,317
Other gains and losses	9	(16,597)	467,230
Selling expenses		(379,287)	(405,400)
Operating expenses		(541,475)	(517,467)
Share of results of joint ventures	10	203,702	201,762
Finance costs	11	(216,049)	(257,128)
Profit before taxation	12	2,500,655	2,520,762
Income tax expenses	14	(1,471,272)	(1,497,395)
Profit for the year		1,029,383	1,023,367
Profit attributable to:			
Owners of the Company		1,005,018	1,001,618
Non-controlling interests		24,365	21,749
		1,029,383	1,023,367
Earnings per share	16		
– Basic		HK\$1.37	HK\$1.36
– Diluted		HK\$1.37	HK\$1.35

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014 HK\$'000	2013 HK\$'000
Profit for the year	1,029,383	1,023,367
Other comprehensive income		
<i>Item that will not be reclassified to profit or loss:</i>		
Exchange differences arising on translation to presentation currency	(54,217)	290,954
Total comprehensive income for the year	975,166	1,314,321
Total comprehensive income attributable to:		
Owners of the Company	954,254	1,283,593
Non-controlling interests	20,912	30,728
	975,166	1,314,321

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	41,214	43,993
Investment properties	18	2,243,909	2,173,729
Interests in joint ventures	19	4,372,557	3,567,466
Deferred tax assets	30	49,193	31,474
Loans to joint ventures	20	470,525	308,924
		7,177,398	6,125,586
Current assets			
Inventory of properties	22	28,446,105	26,382,519
Prepayment for land leases	23	886,299	1,925,815
Loans to joint ventures	20	167,614	88,608
Other receivables	21	–	34,221
Debtors, deposits and prepayments	24	1,395,396	1,609,859
Prepaid income tax		364,450	387,764
Other financial assets	32	–	46,785
Pledged bank deposits	25	322,335	151,091
Bank balances and cash	25	3,724,192	6,677,215
		35,306,391	37,303,877
Total assets		42,483,789	43,429,463
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	26	72,970	73,518
Reserves		13,134,921	12,598,251
		13,207,891	12,671,769
Non-controlling interests			
		844,661	691,483
Total equity		14,052,552	13,363,252
Non-current liabilities			
Bank and other borrowings - due after one year	28	9,600,290	7,516,859
Loans from non-controlling interests of subsidiaries	29	167,457	410,791
Deferred tax liabilities	30	634,853	583,292
		10,402,600	8,510,942
Current liabilities			
Creditors and accrued charges	31	6,104,137	5,551,299
Deposits from pre-sale of properties		5,606,260	8,208,965
Income tax payable		872,346	1,630,564
Bank and other borrowings - due within one year	28	4,788,420	5,896,689
Loans from non-controlling interests of subsidiaries	29	540,681	267,752
Other financial liabilities	32	116,793	–
		18,028,637	21,555,269
Total equity and liabilities		42,483,789	43,429,463

The consolidated financial statements on pages F-3 to F-75 were approved and authorised for issue by the Board of Directors on 12 March 2015 and are signed on its behalf by:

Zen Wei Pao, William
DIRECTOR

Ko Yuk Bing
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company										
	Share capital	Share premium	Foreign currency translation reserve	Special reserve	Share option reserve	Statutory reserve	Other reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Note a)		(Note b)					
Balance at 1 January 2013	74,193	3,159,965	2,047,611	1,260,000	17,962	333,505	-	4,899,895	11,793,131	429,742	12,222,873
Profit for the year	-	-	-	-	-	-	-	1,001,618	1,001,618	21,749	1,023,367
Exchange differences arising on translation to presentation currency	-	-	281,975	-	-	-	-	-	281,975	8,979	290,954
Total comprehensive income for the year	-	-	281,975	-	-	-	-	1,001,618	1,283,593	30,728	1,314,321
Sub-total	74,193	3,159,965	2,329,586	1,260,000	17,962	333,505	-	5,901,513	13,076,724	460,470	13,537,194
Issue of ordinary shares upon exercise of share options	65	5,193	-	-	(858)	-	-	-	4,400	-	4,400
Cancellation of share options	-	-	-	-	(592)	-	-	592	-	-	-
Released upon disposal of interests in joint ventures	-	-	(71,371)	-	-	-	-	71,371	-	-	-
Recognition of equity-settled share-based payments	-	-	-	-	10,600	-	-	-	10,600	-	10,600
Shares repurchased and cancelled (Note c)	(740)	(53,964)	-	-	-	-	-	-	(54,704)	-	(54,704)
Shares repurchased and not yet cancelled (Note c)	-	-	-	-	-	-	(9,794)	-	(9,794)	-	(9,794)
Capital contributions from non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	231,013	231,013
Dividends	-	-	-	-	-	-	-	(355,457)	(355,457)	-	(355,457)
Appropriation	-	-	-	-	-	282,832	-	(282,832)	-	-	-
Balance at 31 December 2013	73,518	3,111,194	2,258,215	1,260,000	27,112	616,337	(9,794)	5,335,187	12,671,769	691,483	13,363,252
Profit for the year	-	-	-	-	-	-	-	1,005,018	1,005,018	24,365	1,029,383
Exchange differences arising on translation to presentation currency	-	-	(50,764)	-	-	-	-	-	(50,764)	(3,453)	(54,217)
Total comprehensive income for the year	-	-	(50,764)	-	-	-	-	1,005,018	954,254	20,912	975,166
Sub-total	73,518	3,111,194	2,207,451	1,260,000	27,112	616,337	(9,794)	6,340,205	13,626,023	712,395	14,338,418
Issue of ordinary shares upon exercise of share options	16	1,241	-	-	(204)	-	-	-	1,053	-	1,053
Cancellation of share options	-	-	-	-	(2,436)	-	-	2,436	-	-	-
Shares repurchased and cancelled (Note c)	(564)	(39,599)	-	-	-	-	9,794	-	(30,369)	-	(30,369)
Capital contributions from non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	132,266	132,266
Dividends	-	-	-	-	-	-	-	(388,816)	(388,816)	-	(388,816)
Appropriation	-	-	-	-	-	294,792	-	(294,792)	-	-	-
Balance at 31 December 2014	72,970	3,072,836	2,207,451	1,260,000	24,472	911,129	-	5,659,033	13,207,891	844,661	14,052,552

Notes:

- (a) Special reserve was arisen on group reorganisation and represents the difference between the nominal amount of the share capital issued by the Company and the aggregate of the nominal amount of the issued share capital of a subsidiary, which was acquired by the Company pursuant to the then group reorganisation.
- (b) The statutory reserve of the Group represents reserve required by relevant laws of the People's Republic of China ("PRC") applicable to the Company's PRC subsidiaries.
- (c) During the year ended 31 December 2014, a subsidiary of the Company repurchased 4,326,000 ordinary shares of HK\$0.1 each of the Company through The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of HK\$30,369,000 and all the repurchased shares were cancelled before 31 December 2014. During the year ended 31 December 2013, 8,715,000 ordinary shares were repurchased at an aggregate consideration of HK\$64,498,000 in which 7,404,000 ordinary shares repurchased with consideration of HK\$54,704,000 were cancelled and the remaining 1,311,000 ordinary shares repurchased with consideration of HK\$9,794,000 were cancelled in February 2014.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 HK\$'000	2013 HK\$'000
Operating activities		
Profit before taxation	2,500,655	2,520,762
Adjustments for:		
Depreciation of property, plant and equipment	13,322	11,536
Fair value gains on transfer of completed properties held for sale to investment properties	–	(170,688)
Change in fair value of investment properties	(127,736)	(27,493)
Change in fair value of other financial liabilities/assets	83,197	(118,000)
Reversal of impairment losses on other receivables	–	(25,000)
Interest income	(48,569)	(72,407)
Finance costs	216,049	257,128
Losses on disposal of interests in joint ventures	–	54,599
Share of results of joint ventures	(203,702)	(201,762)
Equity-settled share-based payments	–	10,600
Gains on disposal of property, plant and equipment, net	(588)	(900)
Operating cash flows before movements in working capital	2,432,628	2,238,375
Decrease (increase) in debtors, deposits and prepayments	202,351	(582,024)
Increase in completed properties held for sale	(2,265,167)	(2,931,502)
Decrease in properties under development for sale	5,762,633	3,386,976
Increase in creditors and accrued charges	644,717	717,504
(Decrease) increase in deposits from pre-sale of properties	(2,561,350)	1,532,644
Payment for land leases	(4,349,191)	(3,709,764)
Cash (used in) generated from operations	(133,379)	652,209
Income tax paid	(2,080,271)	(1,428,327)
Net cash used in operating activities	(2,213,650)	(776,118)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Investing activities			
Cash distributions/dividends received from joint ventures		463,346	561,162
Additions to investment properties		(13,354)	(45,898)
(Increase) decrease in pledged bank deposits		(172,005)	21,156
Interest received		48,819	72,472
Proceeds on disposal of property, plant and equipment		2,469	2,340
Proceeds on disposal of investment properties		94,782	558,800
Cash outflow arising on disposal of a subsidiary	35	(1,208)	–
Settlement of other receivables		34,049	39,765
Purchases of property, plant and equipment		(14,210)	(28,570)
Net proceeds on disposal of interests in joint ventures	36	–	65,570
Net cash received from other financial liabilities/assets		83,246	21,151
Repayment of loans to joint ventures		263,329	–
Decrease in restricted bank balances		461,315	100,860
Acquisition of joint ventures		(444,309)	–
Capital contributions to joint ventures		(390,194)	(89,330)
Loans to joint ventures		(27,157)	–
Net cash from investing activities		388,918	1,279,478
Financing activities			
New borrowings raised		7,358,333	7,458,644
Repayment of borrowings		(6,545,194)	(5,534,990)
Capital contributions from non-controlling interests of subsidiaries		132,266	231,013
Loans from non-controlling interests of subsidiaries		67,339	529,646
Repayment of loans from non-controlling interests of subsidiaries		(34,327)	(231,222)
Issue of ordinary shares		1,053	4,400
Repurchase of ordinary shares		(30,369)	(64,498)
Dividends paid		(388,816)	(355,457)
Interest paid		(1,193,622)	(1,035,933)
Net cash (used in) from financing activities		(633,337)	1,001,603
Net (decrease) increase in cash and cash equivalents		(2,458,069)	1,504,963
Cash and cash equivalents at beginning of the year		5,336,386	3,755,365
Effect of foreign exchange rate changes		(26,884)	76,058
Cash and cash equivalents at end of the year, represented by bank balances and cash	33	2,851,433	5,336,386

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. GENERAL

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

The Company acts as an investment holding company. The principal activities of the Group are the development, operation and management of toll roads through the infrastructure joint ventures and operation of property development and investment business in the PRC. The principal activities of the major subsidiaries and joint ventures are detailed in notes 43 and 19 respectively.

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

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

In current year, the Group has applied, for the first time, the following new and revised Hong Kong Accounting Standards ("HKAS(s)"), Hong Kong Financial Reporting Standards ("HKFRS(s)"), amendments and interpretations ("HK(IFRIC) - Int") (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Contribution of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The application of the above new and revised HKFRSs in the current year has had no material impact on the amounts reported and/or disclosures set out in these consolidated financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

HKFRS 9	Financial Instruments ¹
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ³
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁵
Amendments to HKAS 1	Disclosure Initiative ⁵
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁵
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 - 2012 Cycle ⁶
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 - 2013 Cycle ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle ⁵
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ⁵
Amendments to HKAS 27	Equity Method in Separate Financial Statements ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ⁵

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after 1 July 2014

⁵ Effective for annual periods beginning on or after 1 January 2016

⁶ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

HKFRS 15 “Revenue from Contracts with Customers”

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods and services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors anticipate that the application of HKFRS 15 in the future may affect the amounts reported and related disclosures. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

Amendments to HKAS 16 and HKAS 38 “Clarification of Acceptable Methods of Depreciation and Amortisation”

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- a) When the intangible asset is expressed as a measure of revenue; or
- b) When it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. The Directors are in the process of assessing the impact of the amendments to HKAS 38 on the amortisation of toll road operating rights held by the infrastructure joint ventures of the Group.

Other than the above, the Directors anticipate that the application of the above new and revised standards and amendments will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance (Cap. 32).

Basis of preparation

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Basis of preparation *(Continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

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

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and, (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Revenue recognition

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

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

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

Sale of properties

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

Property rentals

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

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

Property management income

Property management income is recognised when the related services are rendered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Others

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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

Property, plant and equipment

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment property is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes).

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

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction. Investment properties under construction are measured at fair value at the end of the reporting period. Any difference between the fair value of the investment properties under construction and their carrying amounts is recognised in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties (Continued)

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

Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

The results and assets and liabilities of joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of joint ventures used for equity amounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in joint ventures are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint ventures based on the predetermined profit sharing ratio.

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

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Joint ventures *(Continued)*

Toll road operation right of joint ventures

When applying the equity method of accounting, the concession intangible assets, which are the toll road operation rights of the Group's infrastructure joint ventures, are amortised to write off their cost over their expected useful lives or the remaining concession period, whichever is shorter, commencing from the date of commencement of operation of the underlying toll roads using an amortisation method which reflects the pattern in which the intangible asset's future economic benefits are expected to be consumed. The annual amortisation is calculated by applying the ratio of actual traffic volume of the underlying toll roads compared to the total expected traffic volume of the underlying toll roads over the respective remaining concession periods to the net carrying value of the assets. The expected useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Inventory of properties

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities and its joint ventures are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

Leasing

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

The Group as lessor

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

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight line basis.

Leasehold land and buildings

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Leasing *(Continued)*

Leasehold land and buildings *(Continued)*

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

Retirement benefit costs

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

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profit against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss ("FVTPL") and loans and receivables.

Effective interest method

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest earned on the financial assets.

Loans and receivables

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

Impairment loss on financial assets

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

Objective evidence of impairment could include:

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

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

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment loss on financial assets *(Continued)*

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Other financial liabilities

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derivative financial instruments

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Amortisation of toll road operation rights

Amortisation of toll road operation rights of the Group's infrastructure joint ventures is calculated based on the traffic volume for a particular year to the projected total traffic volume throughout the operating years of the respective toll roads. Adjustments may need to be made to the Group's share of amortisation of toll road operation rights of infrastructure joint ventures should there be a material difference between the projected total traffic volume and the actual volume. The carrying amount of interests in infrastructure joint ventures at 31 December 2014 was HK\$4,004,726,000 (2013: HK\$3,537,847,000).

Impairment of interests in infrastructure joint ventures

The assessment of the recoverable amount of the interests in infrastructure joint ventures was based on estimated net cash inflows derived from these infrastructure joint ventures from the development, operation and management of toll roads in the PRC over the remaining joint venture periods discounted by a suitable discount rate per annum to arrive at their present value. Should the actual net cash inflows be less than that projected as a result of a reduction of toll road usage and/or toll fees, an impairment loss may arise. The carrying amount of interests in infrastructure joint ventures at 31 December 2014 was HK\$4,004,726,000 (2013: HK\$3,537,847,000).

Net realisable values of properties under development for sale

The assessment of the net realisable values of the properties under development for sale involves, inter-alia, considerable analyses of current market price of properties of a comparable standard and location, construction costs to be incurred to complete the development based on existing asset structure and construction material price lists and a forecast of future sales based on zero growth rate of property price. If the actual net realisable values of the underlying properties under development for sale are more or less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material reversal of or provision for impairment losses may result. The carrying amount of properties under development for sale at 31 December 2014 was HK\$22,151,851,000 (2013: HK\$22,309,764,000).

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Directors are responsible for determining the appropriate valuation techniques and inputs for fair value measurements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Fair value measurements and valuation processes (Continued)

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Directors work closely with the independent qualified professional valuers to establish the appropriate valuation techniques and inputs to the model. The Directors regularly assess the impact and the cause of fluctuations in the fair value of the assets and liabilities.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments and investment properties. Notes 6(c) and 18 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debts and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which include borrowings and loans from non-controlling interests of subsidiaries disclosed in notes 28 and 29 respectively, and equity attributable to owners of the Company, comprising issued capital and reserves.

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

The management of the Group monitors the utilisation of bank and other borrowings and ensures full compliance with loan covenants during the year and at the end of the reporting period.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2014 HK\$'000	2013 HK\$'000
Financial assets		
Loans and receivables at amortised cost (including cash and cash equivalents)	5,758,980	8,469,378
Other financial assets	–	46,785
Financial liabilities		
Liabilities at amortised cost	21,200,985	19,643,390
Other financial liabilities	116,793	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies

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

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

(i) Market risk

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

Foreign currency risk management

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

	Assets		Liabilities	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
United States dollars	65,452	403,023	7,143,051	4,890,701
Hong Kong dollars	25,696	17,095	400,858	922,871

Foreign currency sensitivity analysis

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

	Profit or loss	
	2014 HK\$'000	2013 HK\$'000
United States dollars	353,880	224,384
Hong Kong dollars	18,758	45,289

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

(i) **Market risk** *(Continued)*

Interest rate risk management

The Group is exposed to cash flow interest rate risk due to the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR"), London Interbank Offered Rate (LIBOR") and People's Bank of China ("PBOC") prescribed interest rate on other receivables and bank and other borrowings respectively.

The Group's fair value interest rate risk relates primarily to loans to joint ventures, bank and other borrowings and loans from non-controlling interests in subsidiaries which carry interest at fixed interest rates. The Group currently does not have an interest rate hedging policy. However, the management will consider hedging significant interest rate exposure should the need arise.

Interest rate sensitivity

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

If the interest rate had been 100 basis points higher and all other variables were held constant, the Group's profit for the year ended 31 December 2014 would decrease by HK\$8,593,000 (2013: HK\$4,144,000) after capitalisation of additional finance costs in properties under development for sale of HK\$39,145,000 (2013: HK\$13,122,000). No sensitivity analysis on the decrease in interest rates is presented because the Directors consider that the future decrease in interest rates will not have a significant impact on the consolidated financial statements of the Group.

The management considers the exposure to interest rate risk in relation to other receivables is insignificant due to the insignificant balance at the end of the reporting period. Accordingly, no sensitivity analysis on the change in interest rate is presented for other receivables.

Other price risk

The Group had entered into cross-currency swap contracts with certain financial institutions. The Group is exposed to the price risk of the financial derivatives. The Group's profit for the year would increase/decrease by HK\$139,593,000 (2013: HK\$221,519,000) where Renminbi strengthens/weakens by 5% against United States dollars.

(ii) **Credit risk management**

As at 31 December 2014, the Group's maximum exposure to credit risk which would cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 39.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

(ii) Credit risk management *(Continued)*

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

The management of the Group considers that the credit risk on liquid funds is low as counterparties are banks which do not have liquidity problem.

Other than the loans to joint ventures, other receivables and deferred consideration on disposal of interests in joint ventures as mentioned in notes 20, 21 and 24 respectively, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties having similar characteristics. At 31 December 2013, included in other receivables as disclosed in note 21 were receivables of HK\$34,221,000 due from an independent third party, which is engaged in the property development business in the PRC. The Directors consider that the credit risk exposure was satisfactory because the independent third party has made repayments continuously prior to the maturity date and it possesses certain land and property projects which generate operating cash continuously.

For the loans to joint ventures as disclosed in note 20, the management of the Group closely monitors the financial position and repayment status of the joint ventures, and considers that the credit risk exposure is satisfactory.

For properties that are still under construction, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance for a maximum amount of up to 70% of their total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under current market condition, the mortgage facilities will be secured by the properties, whose market prices are generally higher than the guaranteed amounts. In this regard, the management of the Group considers the Group's credit risk is significantly reduced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

(iii) Liquidity risk management

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

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

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS (CONTINUED)

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

(iii) Liquidity risk management (Continued)

Liquidity and interest risk tables (Continued)

	Weighted average effective interest rate %	On demand or less than 6 months HK\$'000	6 - 12 months HK\$'000	1 - 2 years HK\$'000	2 - 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
2014							
Creditors and accrued charges	-	6,104,137	-	-	-	6,104,137	6,104,137
Bank and other borrowings							
– fixed rate	7.39	4,061,972	245,171	3,284,788	3,690,352	11,282,283	9,614,883
– variable rate	4.62	312,591	1,054,052	1,397,492	2,420,470	5,184,605	4,773,827
Loans from non-controlling interests of subsidiaries	7.38	208,948	365,106	177,847	-	751,901	708,138
Financial guarantee contracts	-	5,475,928	-	-	-	5,475,928	-
		16,163,576	1,664,329	4,860,127	6,110,822	28,798,854	21,200,985
Cross-currency swap contracts							
– gross settlement							
– inflows		(83,527)	(83,527)	(2,959,850)	-	(3,126,904)	N/A
– outflows		68,286	68,286	2,945,448	-	3,082,020	N/A
		(15,241)	(15,241)	(14,402)	-	(44,884)	116,793
2013							
Creditors and accrued charges	-	5,551,299	-	-	-	5,551,299	5,551,299
Bank and other borrowings							
– fixed rate	7.50	2,261,301	3,583,705	1,841,561	6,232,096	13,918,663	11,686,985
– variable rate	4.59	328,518	597,227	521,291	391,576	1,838,612	1,726,563
Loans from non-controlling interests of subsidiaries	7.31	88,167	215,219	425,001	-	728,387	678,543
Financial guarantee contracts	-	5,328,244	-	-	-	5,328,244	-
		13,557,529	4,396,151	2,787,853	6,623,672	27,365,205	19,643,390
Cross-currency swap contracts							
– gross settlement							
– inflows		(1,709,617)	(223,451)	(167,089)	(2,952,357)	(5,052,514)	N/A
– outflows		1,631,164	203,632	137,653	2,960,630	4,933,079	N/A
		(78,453)	(19,819)	(29,436)	8,273	(119,435)	(46,785)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS (CONTINUED)

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

(iii) Liquidity risk management (Continued)

Liquidity and interest risk tables (Continued)

Bank loan with a repayment on demand clause is included in the "on demand or less than 6 months" time band in the above maturity analysis. The table below summarises the maturity analysis of bank loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include principal and interest payments computed using contractual rates. Taking into account the Group's financial position, the Directors did not believe that it is probable that the banks would exercise their discretionary rights to demand immediate repayment. The Directors believe that these bank loans would be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Less than 6 months	6-12 months	1-2 years	Total undiscounted cash flows	Carrying amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2014	8,321	397,012	–	405,333	388,001
At 31 December 2013	120,039	175,879	–	295,918	291,786

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

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

(c) Fair value of financial instruments

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

- the fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis;
- the fair value of financial guarantee contracts at initial recognition is determined to be insignificant, using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default; and
- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, fair value determined based on the discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value of financial instruments (Continued)

Fair value measurements

(i) Financial liabilities/assets measured at fair value on a recurring basis

The other financial liabilities comprising cross-currency interest rate swap contracts of HK\$116,793,000 (2013: other financial assets of HK\$46,785,000) are measured subsequent to initial recognition at fair value at the end of the reporting period, which are grouped into Level 2 fair value measurements. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The fair value of the swap contracts are determined based on valuation provided by the counterparty financial institutions, which is measured using discounted cash flow analysis based on, inter alia, the applicable exchange rate and yield curves of relevant interest rates and contracted interest rates, discounted at a rate that reflects the credit risk of the Group.

The swap contracts require gross settlement.

During the years ended 31 December 2014 and 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

(ii) Financial assets and financial liabilities not measured at fair value on a recurring basis

The Directors consider that the carrying amounts of the Group's financial assets and financial liabilities carried at amortised cost in the consolidated financial statements approximate their fair values as at 31 December 2014 and 2013 except for the following financial liabilities, for which their carrying amounts and fair values (based on the quoted ask price) are disclosed below:

	31 December 2014		31 December 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2010 Guaranteed senior notes	–	–	1,255,896	1,344,505
2011 Guaranteed senior notes	–	–	1,608,834	1,619,787
2012 Guaranteed senior notes	2,723,744	2,864,891	2,674,364	3,047,363
2013 Guaranteed senior notes	2,773,451	2,733,165	2,757,676	2,798,734

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

7. REVENUE

	2014 HK\$'000	2013 HK\$'000
Revenue of the Group		
Sale of completed properties held for sale	12,475,778	11,248,631
Gross rental income from properties	62,420	49,095
Property management income	191,906	158,322
	12,730,104	11,456,048
Group's share of toll revenue of infrastructure joint ventures	968,270	893,301
Revenue of the Group and Group's share of toll revenue of infrastructure joint ventures	13,698,374	12,349,349

8. SEGMENT INFORMATION

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

8. SEGMENT INFORMATION (CONTINUED)

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

	2014			2013		
	Property development and			Property development and		
	Toll road HK\$'000	investment HK\$'000	Total HK\$'000	Toll road HK\$'000	investment HK\$'000	Total HK\$'000
Segment revenue	-	12,730,104	12,730,104	-	11,456,048	11,456,048
Segment profit	118,980	1,061,033	1,180,013	91,006	849,352	940,358
Segment assets (including interests in joint ventures)	4,545,707	35,310,519	39,856,226	4,363,342	34,043,399	38,406,741
Segment liabilities	(93,397)	(26,846,478)	(26,939,875)	(36,584)	(26,847,917)	(26,884,501)
Other segment information						
Amounts included in the measure of segment profit or segment assets:						
Interest income	21,055	26,996	48,051	24,175	47,451	71,626
Losses on disposal of interests in joint ventures	-	-	-	(54,599)	-	(54,599)
Fair value gains on transfer of completed properties held for sale to investment properties	-	-	-	-	170,688	170,688
Change in fair value of investment properties	-	127,736	127,736	-	27,493	27,493
Depreciation	(182)	(12,346)	(12,528)	(158)	(10,516)	(10,674)
Finance costs	(3,439)	(173,781)	(177,220)	(4,490)	(175,206)	(179,696)
Income tax expenses	(31,772)	(1,439,500)	(1,471,272)	(15,790)	(1,481,605)	(1,497,395)
Share of results of joint ventures	187,954	16,979	204,933	196,026	5,736	201,762
Interests in joint ventures	4,004,726	357,648	4,362,374	3,537,847	29,619	3,567,466
Additions to non-current assets during the year	722,402	336,623	1,059,025	89,383	74,415	163,798

(a) Measurement

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

8. SEGMENT INFORMATION (CONTINUED)

(a) Measurement (Continued)

Segment assets include property, plant and equipment, investment properties, interests in joint ventures, other receivables, inventory of properties, prepayment for land leases, loans to joint ventures, debtors, deposits and prepayments, prepaid income tax, pledged bank deposits, bank balances and cash and deferred tax assets which are directly attributable to the relevant reportable segment.

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

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

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

	2014 HK\$'000	2013 HK\$'000
Total segment profit	1,180,013	940,358
Unallocated items:		
Interest income	518	781
Corporate income	61	175,553
Corporate expenses	(111,149)	(15,893)
Finance costs	(38,829)	(77,432)
Share of results of joint ventures	(1,231)	–
Consolidated profit for the year	1,029,383	1,023,367
Total segment assets	39,856,226	38,406,741
Unallocated assets:		
Property, plant and equipment	965	1,540
Interests in joint ventures	10,183	–
Deposits and prepayments	5,023	42,091
Other financial assets	–	46,785
Bank balances and cash	2,611,392	4,932,306
Consolidated total assets	42,483,789	43,429,463
Total segment liabilities	(26,939,875)	(26,884,501)
Unallocated liabilities:		
Accrued charges	(102,338)	(179,684)
Bank and other borrowings	(1,272,231)	(3,002,026)
Other financial liabilities	(116,793)	–
Consolidated total liabilities	(28,431,237)	(30,066,211)

(c) Revenue from major products and services

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

8. SEGMENT INFORMATION (CONTINUED)

(d) Information about geographical areas

All of the Group's revenue is attributable to customers in the PRC and over 90% of the Group's total non-current assets (excluding deferred tax assets and loans to joint ventures) are located in the PRC and the remaining non-current assets are located in Hong Kong.

(e) Information about major customers

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

9. OTHER GAINS AND LOSSES

	2014 HK\$'000	2013 HK\$'000
Losses on disposal of interests in joint ventures	–	(54,599)
Reversal of impairment losses on other receivables	–	25,000
Gains on disposal of property, plant and equipment	588	900
Fair value gains on transfer of completed properties held for sale to investment properties	–	170,688
Change in fair value of investment properties	127,736	27,493
Change in fair value of other financial liabilities/assets	(83,197)	118,000
Net exchange (losses) gains	(61,724)	179,748
	(16,597)	467,230

10. SHARE OF RESULTS OF JOINT VENTURES

	2014 HK\$'000	2013 HK\$'000
Share of profits of infrastructure joint ventures before amortisation and taxation	491,075	485,739
Less share of: Amortisation of toll road operation rights	(182,654)	(184,362)
Income tax expenses	(120,467)	(105,351)
	187,954	196,026
Share of profits of other joint ventures	15,748	5,736
	203,702	201,762

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

11. FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
Interest on borrowings		
– wholly repayable within five years	1,013,440	922,024
– not wholly repayable within five years	26,777	13,602
Other finance costs	156,376	132,111
	1,196,593	1,067,737
Less: Capitalised in properties under development for sale	(980,544)	(810,609)
	216,049	257,128

Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 8.13% (2013: 8.70%) per annum to expenditure on qualifying assets.

12. PROFIT BEFORE TAXATION

	2014 HK\$'000	2013 HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	14,907	13,072
Less: Capitalised in properties under development for sale	(1,585)	(1,536)
	13,322	11,536
Minimum lease payments paid under operating lease rentals in respect of land and buildings	21,333	17,316
Less: Capitalised in properties under development for sale	(135)	(508)
	21,198	16,808
Salaries and other benefits	467,914	409,978
Equity-settled share-based payments	–	4,900
Provident fund scheme contributions, net of forfeited contributions of HK\$872,000 (2013: HK\$472,000)	68,482	68,641
Less: Capitalised in properties under development for sale	(133,606)	(122,008)
Total staff costs (excluding Directors' emoluments)	402,790	361,511
Audit fee	3,980	3,800
Cost of inventory of properties recognised as an expense	9,221,004	8,363,855
and after crediting:		
Bank interest income	26,118	47,795

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

	Notes	Directors' fees HK\$'000	Salaries and allowances HK\$'000	Performance related bonus HK\$'000	Retirement scheme contributions HK\$'000	2014 Total HK\$'000
Executive Directors						
Zen Wei Pao, William		–	6,511	12,412	651	19,574
Ko Yuk Bing	(1)	–	6,967	10,050	557	17,574
Chan Kam Hung		–	3,868	3,518	386	7,772
Fong Shiu Leung, Keter		–	3,200	3,015	319	6,534
Zen Wei Peu, Derek		–	4,118	1,826	17	5,961
Xu Ruxin		–	1,961	700	118	2,779
Non-executive Directors						
Lu Hua		220	–	–	–	220
Lam Wai Hon, Patrick		330	–	–	–	330
Gao Shengyuan	(2)	143	–	–	–	143
Independent Non-executive Directors						
Lau Sai Yung		460	–	–	–	460
Chow Ming Kuen, Joseph		450	–	–	–	450
Nie Meisheng	(3)	185	–	–	–	185
Tse Chee On, Raymond		220	–	–	–	220
Wong Wai Ho	(4)	143	–	–	–	143
		2,151	26,625	31,521	2,048	62,345

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

Directors' emoluments (Continued)

	Notes	Directors' fees HK\$'000	Salaries and allowances HK\$'000	Performance related bonus HK\$'000	Retirement scheme contributions HK\$'000	2013 Total HK\$'000
Executive Directors						
Zen Wei Pao, William		–	6,434	12,370	643	19,447
Ko Yuk Bing	(1)	–	6,804	10,016	550	17,370
Chan Kam Hung		–	3,684	3,506	368	7,558
Fong Shiu Leung, Keter		–	3,025	3,005	303	6,333
Zen Wei Peu, Derek		–	4,069	1,808	15	5,892
Xu Ruxin		–	1,868	700	93	2,661
Non-executive Directors						
Lu Hua		220	–	–	–	220
Lam Wai Hon, Patrick		291	–	–	–	291
Independent Non-executive Directors						
Chow Shiu Kee, Stephen	(5)	161	–	–	–	161
Lau Sai Yung		452	–	–	–	452
Chow Ming Kuen, Joseph		439	–	–	–	439
Nie Meisheng		238	–	–	–	238
Tse Chee On, Raymond		238	–	–	–	238
		2,039	25,884	31,405	1,972	61,300

Notes:

- (1) Mr. Ko Yuk Bing's emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.
- (2) Mr. Gao Shengyuan was appointed as a Non-executive Director of the Company on 23 May 2014.
- (3) Ms. Nie Meisheng resigned as an Independent Non-executive Director of the Company on 3 November 2014.
- (4) Mr. Wong Wai Ho was appointed as an Independent Non-executive Director of the Company on 23 May 2014.
- (5) Mr. Chow Shiu Kee, Stephen retired as an Independent Non-executive Director of the Company on 8 May 2013.

In addition to the above Directors' emoluments, certain share options (with a fair value of HK\$5,700,000) were granted to the Directors during the year ended 31 December 2013 and the details of share options held by individual Directors at 31 December 2014 and 31 December 2013 are shown in the Directors' report.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

14. INCOME TAX EXPENSES

	2014 HK\$'000	2013 HK\$'000
Current tax:		
PRC enterprise income tax ("EIT")	822,635	843,333
PRC land appreciation tax ("LAT")	553,797	671,099
PRC withholding tax	58,172	57,118
	1,434,604	1,571,550
Deferred tax (note 30)	36,668	(74,155)
	1,471,272	1,497,395

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

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

The provision for LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations which is charged at progressive rates ranging from 30% to 60% of the appreciation value, with certain allowable deductions.

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

	2014 HK\$'000	2013 HK\$'000
Profit before taxation	2,500,655	2,520,762
Tax at the applicable income tax rate of 25% (2013: 25%) (note)	625,164	630,191
LAT provision	553,797	671,099
Tax effect of LAT	(138,449)	(167,775)
Tax effect of expenses not deductible for tax purpose	459,391	393,646
Tax effect of income not taxable for tax purpose	(23,748)	(43,292)
Tax effect of share of results of joint ventures	(50,926)	(50,441)
Tax effect of tax losses not recognised	7,650	19,420
Tax effect of temporary differences not recognised	9,320	14,063
Tax effect of utilisation of tax losses previously not recognised	(16,273)	(20,058)
Deferred tax on undistributed earnings of PRC subsidiaries and joint ventures	10,292	344
PRC withholding tax	58,172	57,118
Others	(23,118)	(6,920)
Income tax for the year	1,471,272	1,497,395

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

15. DIVIDENDS PAID

	2014	2013
	HK\$'000	HK\$'000
2013 final dividend paid of HK\$0.40 (2013: 2012 final dividend of HK\$0.30) per share	293,590	222,614
2014 interim dividend paid of HK\$0.13 (2013: 2013 interim dividend of HK\$0.18) per share	95,226	132,843
	388,816	355,457

Subsequent to the end of the reporting period, a final dividend in respect of 2014 of HK\$0.45 per share amounting to a total of approximately HK\$328 million has been proposed by the Board on 12 March 2015. The amount has not been included as a liability in the consolidated financial statements as it was not declared before the end of the reporting period.

The amount of the proposed final dividend has been calculated on the basis of 729,696,566 shares in issue as at 12 March 2015.

16. EARNINGS PER SHARE

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

	2014	2013
	HK\$'000	HK\$'000
Earnings for the purposes of basic and diluted earnings per share attributable to owners of the Company	1,005,018	1,001,618
	2014	2013
	Number	Number
	of shares	of shares
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	733,508	738,942
Effect of dilutive potential ordinary shares:		
Share options	334	1,633
Weighted average number of ordinary shares for the purpose of diluted earnings per share	733,842	740,575

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost					
At 1 January 2013	39,479	18,694	34,794	33,446	126,413
Additions	–	10,694	8,093	9,783	28,570
Disposals	–	–	(3,030)	(6,187)	(9,217)
Transfer to completed properties held for sale	(38,935)	–	–	–	(38,935)
Exchange adjustments	307	378	930	689	2,304
At 31 December 2013	851	29,766	40,787	37,731	109,135
Additions	–	189	7,119	6,902	14,210
Disposals	–	–	(1,417)	(8,215)	(9,632)
Exchange adjustments	(4)	(149)	(199)	(112)	(464)
At 31 December 2014	847	29,806	46,290	36,306	113,249
Depreciation					
At 1 January 2013	10,978	18,694	22,470	17,288	69,430
Charge for the year	1,047	352	6,051	5,622	13,072
Eliminated on disposals	–	–	(2,878)	(4,899)	(7,777)
Eliminated on transfer	(11,267)	–	–	–	(11,267)
Exchange adjustments	93	383	759	449	1,684
At 31 December 2013	851	19,429	26,402	18,460	65,142
Charge for the year	–	1,075	6,463	7,369	14,907
Eliminated on disposals	–	–	(772)	(6,979)	(7,751)
Exchange adjustments	(4)	(91)	(90)	(78)	(263)
At 31 December 2014	847	20,413	32,003	18,772	72,035
Carrying values					
At 31 December 2014	–	9,393	14,287	17,534	41,214
At 31 December 2013	–	10,337	14,385	19,271	43,993

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

18. INVESTMENT PROPERTIES

	2014 HK\$'000	2013 HK\$'000
Completed properties, at fair value		
At 1 January	2,095,204	2,075,900
Transfer from completed properties held for sale (note)	34,984	230,838
Transfer from investment properties under construction	145,755	110,863
Disposal during the year	(94,782)	(558,800)
Fair value gains on transfer of completed properties held for sale to investment properties	–	170,688
Change in fair value recognised in profit or loss	73,512	21,243
Exchange difference arising on translation to presentation currency	(10,764)	44,472
At 31 December	2,243,909	2,095,204
Properties under construction, at fair value		
At 1 January	78,525	134,438
Additions	13,354	45,898
Transfer to completed investment properties	(145,755)	(110,863)
Change in fair value recognised in profit or loss	54,224	6,250
Exchange difference arising on translation to presentation currency	(348)	2,802
At 31 December	–	78,525
Total	2,243,909	2,173,729

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

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

The fair values of investment properties under construction and completed investment properties at the date of transfer, 31 December 2014 and 31 December 2013 were determined by reference to valuations carried out by an independent firm of professional valuers not connected to the Group, who had recognised qualifications and relevant experience. The valuation report on these properties was signed by directors of the firm of professional valuers who are members of The Hong Kong Institute of Surveyors.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

18. INVESTMENT PROPERTIES (CONTINUED)

The following table gives information about how the fair values of the investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Investment properties held by the Group	Fair value		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Range (weighted average)
	31 December 2014 HK\$'000	31 December 2013 HK\$'000				
Completed properties	2,063,322	1,972,949	Level 3	Income capitalisation of the net income and made provisions for reversionary income potential	1. Term yield (the higher the term yield, the lower the fair value) 2. Reversionary yield (the higher the reversionary yield, the lower the fair value) 3. Market monthly rental rate (RMB/sqm) (the higher the market monthly rental rate, the higher the fair value)	2014: 5% – 6.5% (6.2%) 2013: 5% – 6.5% (6.2%) 2014: 6% – 7% (6.7%) 2013: 6% – 7% (6.7%) 2014: RMB47 – RMB180 (RMB122) 2013: RMB60 – RMB138 (RMB106)
Completed properties (Note)	180,587	122,255	Level 2	Direct comparison method – based on market observable transactions of similar properties and adjusted to reflect the conditions of the subject property	N/A	N/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

18. INVESTMENT PROPERTIES (CONTINUED)

Investment properties held by the Group	Fair value		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Range (weighted average)
	31 December 2014	31 December 2013				
	HK\$'000	HK\$'000				
Properties under construction (Note)	-	78,525	Level 3	Residual method – based on market observable transactions of similar properties and taken into account the construction costs that will be expended to complete the development	1. Contingency (the higher the contingency, the lower the fair value) 2. Developer's profit (the higher the developer's profit, the lower the fair value) 3. Marketing costs (the higher the marketing costs, the lower the fair value) 4. Construction costs (the higher the construction costs, the lower the fair value)	N/A (2013: 5%) N/A (2013: 10%) N/A (2013: 2%) N/A
	2,243,909	2,173,729				

Note: Certain investment properties located in Guangzhou were entered into sales and purchase agreements during the year. The valuation method changed from residual method to direct comparison method, based on the market observable transactions of similar properties and adjusted to reflect the conditions of the investment properties. The balance of properties under construction under Level 3 fair value measurement in December 2013 was transferred to Level 2 fair value measurement in current year.

The movement in the balance of completed properties under Level 3 fair value measurements is as follows:

	2014 HK\$'000	2013 HK\$'000
At 1 January	1,972,949	2,075,900
Transfer from completed properties held for sale	29,940	230,838
Disposal during the year	(2,762)	(558,800)
Fair value gains on transfer of completed properties held for sale to investment properties	-	170,688
Change in fair value recognised in profit or loss	72,803	9,993
Exchange difference arising on translation to presentation currency	(9,608)	44,330
At 31 December	2,063,322	1,972,949

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

19. INTERESTS IN JOINT VENTURES

	2014 HK\$'000	2013 HK\$'000
Interests in infrastructure joint ventures		
Cost of investments	5,341,862	4,623,485
Share of post-acquisition profits and other comprehensive income, net of dividends received	2,544,221	2,519,933
Return of cost of investments (note a)	(3,560,216)	(3,284,430)
Impairment losses on cost of investments (note b)	(321,141)	(321,141)
	4,004,726	3,537,847
Interests in other joint ventures		
Cost of investments	338,163	16,123
Share of post-acquisition profits and other comprehensive income, net of dividends received	29,668	13,496
	367,831	29,619
	4,372,557	3,567,466

Notes:

- (a) The infrastructure joint ventures distribute the cash surplus to the Group and the other venturers including a return of total investment costs. The amount of cash distribution varies from time to time and depends on the toll road performance, the amount of operating expenses and capital expenditure incurred by the joint ventures.
- (b) The Group conducts a review on the performance of the toll road infrastructure projects each year. The recoverable amounts of interests in infrastructure joint ventures were determined based on value-in-use calculations, which were determined by the present value of the estimated future returns on investments from the joint ventures. No impairment loss is recognised in current and prior year.

Infrastructure joint ventures

All infrastructure joint ventures are co-operative joint ventures established and operating in the PRC, details of the Company's principal infrastructure joint ventures at 31 December 2014 and 31 December 2013 are as follows:

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Hebei Baofa Expressway Co., Ltd. 河北保發高速公路有限公司	RMB96,287,600	40%	Investment in and operation and management of Hebei Baojin Expressway (Bazhou Dong Section) in Hebei, the PRC
Hebei Baofeng Expressway Co., Ltd. 河北保豐高速公路有限公司	RMB95,700,000	40%	Investment in and operation and management of Hebei Baojin Expressway (Rongcheng - Xiongxin Section) in Hebei, the PRC
Hebei Baohui Expressway Co., Ltd. 河北保惠高速公路有限公司	RMB96,007,600	40%	Investment in and operation and management of Hebei Baojin Expressway (Bazhou Zhong Section) in Hebei, the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

19. INTERESTS IN JOINT VENTURES (CONTINUED)

Infrastructure joint ventures (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Hebei Baojie Expressway Co., Ltd. 河北保捷高速公路有限公司	RMB97,262,000	40%	Investment in and operation and management of Hebei Baojin Expressway (Xiongxian - Bazhou Section) in Hebei, the PRC
Hebei Baojin Expressway Co., Ltd. 河北保津高速公路有限公司	RMB96,843,600	40%	Investment in and operation and management of Hebei Baojin Expressway (Xushui - Rongcheng Section) in Hebei, the PRC
Hebei Baoli Expressway Co., Ltd. 河北保利高速公路有限公司	RMB97,359,600	40%	Investment in and operation and management of Hebei Baojin Expressway (Xiongxian East Section) in Hebei, the PRC
Hebei Baoming Expressway Co., Ltd. 河北保明高速公路有限公司	RMB90,030,400	40%	Investment in and operation and management of Hebei Baojin Expressway (Bazhou - Tianjinjie Section) in Hebei, the PRC
Hebei Baosheng Expressway Co., Ltd. 河北保昇高速公路有限公司	RMB96,507,600	40%	Investment in and operation and management of Hebei Baojin Expressway (Xiongxian Section) in Hebei, the PRC
Hebei Baoyi Expressway Co., Ltd. 河北保怡高速公路有限公司	RMB96,575,200	40%	Investment in and operation and management of Hebei Baojin Expressway (Rongcheng Section) in Hebei, the PRC
Hebei Baoyu Expressway Co., Ltd. 河北保裕高速公路有限公司	RMB97,426,400	40%	Investment in and operation and management of Hebei Baojin Expressway (Bazhou West Section) in Hebei, the PRC
Hebei Tanghui Expressway Company Limited 河北唐惠高速公路有限公司	RMB287,324,000	45%	Investment in and operation and management of Hebei Tangjin Expressway (Chenzhuang - Fengnan Section) in Hebei, the PRC
Hebei Tangjin Expressway Company Limited 河北唐津高速公路有限公司	RMB250,300,000	45%	Investment in and operation and management of Hebei Tangjin Expressway (Fengnan - Jijinjie Section) in Hebei, the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

19. INTERESTS IN JOINT VENTURES (CONTINUED)

Infrastructure joint ventures (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Hebei Tangrun Expressway Company Limited 河北唐潤高速公路有限公司	RMB172,524,000	45%	Investment in and operation and management of Hebei Tangjin Expressway (Shuangmiao – Chenzhuang Section) in Hebei, the PRC
Hunan Changyi (Baining) Expressway Co., Ltd. 湖南長益(白寧)高速公路有限公司	RMB97,011,500	43.17%	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Baining Section) in Hunan, the PRC
Hunan Changyi (Cangyi) Expressway Co., Ltd. 湖南長益(滄益)高速公路有限公司	RMB98,985,400	43.17%	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Cangyi Section) in Hunan, the PRC
Hunan Changyi Expressway Co., Ltd. 湖南長益高速公路有限公司 ("Changyi Expressway")	RMB98,553,500	43.17%	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Changbai Section) in Hunan, the PRC
Hunan Changyi (Hengchang) Expressway Co., Ltd. 湖南長益(衡滄)高速公路有限公司	RMB101,695,200	43.17%	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Hengchang Section) in Hunan, the PRC
Hunan Changyi (Ningheng) Expressway Co., Ltd. 湖南長益(寧衡)高速公路有限公司	RMB98,458,100	43.17%	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Ningheng Section) in Hunan, the PRC
Hunan Changyi (Zijiang No. 2 Bridge) Expressway Co., Ltd. 湖南長益(資江二橋)高速公路有限公司	RMB78,328,300	43.17%	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Zijiang No. 2 Bridge) in Hunan, the PRC
Jinzhong Longcheng Expressway Co., Ltd. 晉中龍城高速公路有限責任公司 ("Longcheng Expressway")	RMB1,467,000,000	45% (Note 1)	Investment in and development, operation and management of Longcheng Expressway in Shanxi, the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

19. INTERESTS IN JOINT VENTURES (CONTINUED)

Infrastructure joint ventures (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Anhui Machao Expressway Co., Ltd. 安徽省馬巢高速公路有限公司 ("Machao Expressway")	RMB 575,000,000	49% (2013: N/A) (Note 1 & 2)	Investment in and development, operation and management of Machao Expressway in Anhui, the PRC

Notes:

- (1) Except for these infrastructure joint ventures, the profit/cash sharing ratios in other infrastructure joint ventures differ from the proportion of the registered capital held by the Group over the duration of the joint ventures. During the early stage of the joint ventures, the Group is entitled to higher profit/cash sharing ratios than the proportion of registered capital held by the Group as contained in the relevant joint venture agreements. Thereafter, until such time as specified in the joint venture agreements, the other venturers of the joint ventures are entitled to profit/cash sharing ratios higher than their respective proportion of registered capital held by them as contained in the joint venture agreements. Thereafter, the profit/cash sharing ratios of the joint ventures may be the same as the proportion of their registered capital or in accordance with a predetermined ratio stipulated in the joint venture agreements.
- (2) Pursuant to the equity transfer agreement dated 21 March 2014, the Group acquired 49% equity interest in Machao Expressway from an independent third party at a cash consideration of RMB271,004,000 (equivalent to HK\$343,043,000). The acquisition was completed in May 2014.

The above table lists the joint ventures of the Group which, in opinion of the Directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other joint ventures would, in the opinion of the Directors, result in particulars of excessive length.

Summarised financial information of material infrastructure joint ventures

Summarised financial information in respect of the Group's material infrastructure joint ventures is set out below.

The summarised financial information below represents amounts shown in the infrastructure joint ventures' financial statements prepared in accordance with HKFRSs. The infrastructure joint ventures are accounted for using the equity method in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

19. INTERESTS IN JOINT VENTURES (CONTINUED)

Infrastructure joint ventures (Continued)

Summarised financial information of material infrastructure joint ventures (Continued)

- (i) Infrastructure joint ventures engaged in investment in and operation and management of Hebei Baojin Expressway

	2014 HK\$'000	2013 HK\$'000
Current assets	2,014,267	1,827,751
Non-current assets	2,534,593	2,634,115
Current liabilities	(94,223)	(48,943)
Non-current liabilities	(255,000)	(235,000)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	162,761	275,374
	2014 HK\$'000	2013 HK\$'000
Revenue	706,207	788,778
Profit and total comprehensive income for the year	333,834	393,600
Dividends received during the year	110,739	105,711
The above profit for the year includes the following:		
Depreciation and amortisation	(114,121)	(121,127)
Interest income	2,507	1,977
Income tax expense	(113,018)	(139,832)

Reconciliation of the above summarised financial information to the carrying amount of the interests in the infrastructure joint ventures (excluding return of cost of investments) recognised in the consolidated financial statements:

	2014 HK\$'000	2013 HK\$'000
Net assets of the infrastructure joint ventures	4,199,637	4,177,923
Proportion of the Group's ownership interests in the infrastructure joint ventures	40%	40%
Adjustment on sharing basis	242,413	222,530
Carrying amount of the Group's interests in the infrastructure joint ventures	1,922,268	1,893,699

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

19. INTERESTS IN JOINT VENTURES (CONTINUED)

Infrastructure joint ventures (Continued)

Summarised financial information of material infrastructure joint ventures (Continued)

(ii) Infrastructure joint ventures engaged in investment in and operation and management of Hebei Tangjin Expressway

	2014 HK\$'000	2013 HK\$'000
Current assets	1,397,960	1,401,243
Non-current assets	1,493,117	1,457,175
Current liabilities	(72,958)	(95,227)
Non-current liabilities	(26,667)	(20,000)

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	120,186	313,933
---------------------------	---------	---------

	2014 HK\$'000	2013 HK\$'000
Revenue	598,413	570,184
Profit and total comprehensive income for the year	271,952	232,435
Dividends received during the year	76,821	123,503

The above profit for the year includes the following:

Depreciation and amortisation	(129,213)	(145,573)
Interest income	1,477	2,494
Income tax expense	(94,425)	(80,057)

Reconciliation of the above summarised financial information to the carrying amount of the interests in the infrastructure joint ventures (excluding return of cost of investments) recognised in the consolidated financial statements:

	2014 HK\$'000	2013 HK\$'000
Net assets of the infrastructure joint ventures	2,791,452	2,743,191
Proportion of the Group's ownership interests in the infrastructure joint ventures	45%	45%
Adjustment on sharing basis	(22,717)	6,494
Carrying amount of the Group's interests in the infrastructure joint ventures	1,233,436	1,240,930

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

19. INTERESTS IN JOINT VENTURES (CONTINUED)**Infrastructure joint ventures** (Continued)**Summarised financial information of material infrastructure joint ventures** (Continued)

(iii) Infrastructure joint ventures engaged in investment in and development, operation and management of Hunan Changsha – Yiyang Expressway

	2014	2013
	HK\$'000	HK\$'000
Current assets	2,167,187	1,850,766
Non-current assets	1,758,984	1,916,071
Current liabilities	(174,203)	(173,026)
Non-current liabilities	(659,131)	(758,624)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	116,611	99,276
Current financial liabilities (excluding trade and other payables and provisions)	(51,617)	(51,487)
Non-current financial liabilities (excluding trade and other payables and provisions)	(464,551)	(566,361)
	2014	2013
	HK\$'000	HK\$'000
Revenue	652,852	587,766
Profit and total comprehensive income for the year	248,377	208,750
Dividends received during the year	–	449,132
The above profit for the year includes the following:		
Depreciation and amortisation	(168,039)	(176,641)
Interest income	452	414
Interest expense	(40,512)	(44,912)
Income tax expense	(88,698)	(78,685)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

19. INTERESTS IN JOINT VENTURES (CONTINUED)

Infrastructure joint ventures (Continued)

Summarised financial information of material infrastructure joint ventures (Continued)

- (iii) Infrastructure joint ventures engaged in investment in and development, operation and management of Hunan Changsha – Yiyang Expressway (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interests in the infrastructure joint ventures (excluding return of cost of investments) recognised in the consolidated financial statements:

	2014 HK\$'000	2013 HK\$'000
Net assets of the infrastructure joint ventures	3,092,837	2,835,187
Proportion of the Group's ownership interests in the infrastructure joint ventures	43.17%	43.17%
Capitalised interest	36,640	39,579
Adjustment on sharing basis	322,465	308,786
Carrying amount of the Group's interests in the infrastructure joint ventures	1,694,283	1,572,315

- (iv) Infrastructure joint venture engaged in investment in and development, operation and management of Longcheng Expressway

	2014 HK\$'000	2013 HK\$'000
Current assets	394,219	877,827
Non-current assets	5,105,713	5,136,422
Current liabilities	(425,943)	(1,128,330)
Non-current liabilities	(3,454,055)	(3,508,467)

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	354,800	325,627
Current financial liabilities (excluding trade and other payables and provisions)	(177,665)	(126,582)
Non-current financial liabilities (excluding trade and other payables and provisions)	(3,262,944)	(3,452,912)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

19. INTERESTS IN JOINT VENTURES (CONTINUED)**Infrastructure joint ventures** (Continued)**Summarised financial information of material infrastructure joint ventures** (Continued)

- (iv) Infrastructure joint venture engaged in investment in and development, operation and management of Longcheng Expressway (Continued)

	2014	2013
	HK\$'000	HK\$'000
Revenue	207,386	194,817
Loss and total comprehensive expense for the year	(150,023)	(161,441)
The above loss for the year includes the following:		
Depreciation and amortisation	(45,362)	(31,015)
Interest income	97	93
Interest expense	(238,667)	(234,904)
Income tax expense	(35,556)	(40,000)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the infrastructure joint venture recognised in the consolidated financial statements:

	2014	2013
	HK\$'000	HK\$'000
Net assets of the infrastructure joint venture	1,619,934	1,377,452
Proportion of the Group's ownership interest in the infrastructure joint venture	45%	45%
Carrying amount of the Group's interest in the infrastructure joint venture	728,970	619,853

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

19. INTERESTS IN JOINT VENTURES *(CONTINUED)*

Infrastructure joint ventures *(Continued)*

Summarised financial information of material infrastructure joint ventures *(Continued)*

- (v) Infrastructure joint venture engaged in investment in and development, operation and management of Machao Expressway

	2014 HK\$'000
Current assets	43,306
Non-current assets	2,795,729
Current liabilities	(156,779)
Non-current liabilities	(2,006,401)

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	21,270
Current financial liabilities (excluding trade and other payables and provisions)	(38,071)
Non-current financial liabilities (excluding trade and other payables and provisions)	(2,005,088)

	2014 HK\$'000
Revenue	89,710
Loss and total comprehensive expense for the year	(25,494)
The above loss for the year includes the following:	
Depreciation and amortisation	(18,114)
Interest income	171
Interest expense	(89,670)
Income tax expense	(1,313)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the infrastructure joint venture recognised in the consolidated financial statements:

	2014 HK\$'000
Net assets of the infrastructure joint venture	675,855
Proportion of the Group's ownership interest in the infrastructure joint venture	49%
Goodwill	208,083
Carrying amount of the Group's interest in the infrastructure joint venture	539,252

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

19. INTERESTS IN JOINT VENTURES (CONTINUED)**Infrastructure joint ventures** (Continued)**Aggregate information of infrastructure joint ventures that are not individually material**

	2014 HK\$'000	2013 HK\$'000
The Group's share of loss and total comprehensive expenses	(52,990)	(22,780)
Aggregate carrying amounts of the Group's interests in infrastructure joint ventures (excluding return of cost of investments)	1,446,733	1,495,480

Property joint ventures

Particulars of the Group's interests in principal property joint ventures as at 31 December 2014 and 2013 are as follows:

Name of entity	Place of establishment	Principal place of business	Registered capital	Attributable interest to the Group	Principal activity
上海順馳方城置業有限公司	PRC	PRC	RMB50,000,000	31.5%	Property development
上海雋合置業有限公司("上海雋合")	PRC	PRC	RMB20,410,000	49% (2013: N/A) (Note 1)	Property development

Notes:

- (1) 上海雋合 was established as a wholly-owned subsidiary in July 2014 and the Group's interest in 上海雋合 was diluted from 100% to 49% in December 2014 and accounted for as a joint venture of the Group after the deemed disposal transaction. Details of the transaction were set out in note 35.
- (2) Other than 上海雋合, the Group acquired a property joint venture from an independent third party in March 2014 at a cash consideration of RMB80,000,000 (equivalent to HK\$101,266,000). The entity is jointly controlled by the Group and the independent third party and is engaged in urban redevelopment in the PRC.

Aggregate information of property and other joint ventures that are not individually material

	2014 HK\$'000	2013 HK\$'000
The Group's share of profit and total comprehensive income	15,748	5,736
Aggregate carrying amounts of the Group's interests in property and other joint ventures	367,831	29,619

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

20. LOANS TO JOINT VENTURES

The Group as lenders

	Notes	2014 HK\$'000	2013 HK\$'000
Amount due from			
Machao Expressway	(a)	6,218	–
Changyi Expressway	(b)	258,084	308,924
Longcheng Expressway	(c)	88,833	88,608
上海雋合	(d)	264,065	–
深圳市盛世盈豐投資發展有限公司	(e)	20,939	–
		638,139	397,532
Less: amounts shown as current assets		(167,614)	(88,608)
Amounts shown as non-current assets		470,525	308,924

Notes:

- (a) The amount is unsecured, carrying interest at a fixed rate of 6% per annum and due in August 2015.
- (b) The loans are unsecured, carrying interest at PBOC prescribed interest rate plus a 10% margin (2013: a fixed rate of 7.205% to 7.755%) per annum. The amount included in non-current assets is due in October 2019 and the remaining amount of HK\$51,624,000 (2013: Nil) included in current assets is due within one year.
- (c) The amount is unsecured, interest free and due in December 2015.
- (d) The amount is unsecured, carrying interest at PBOC prescribed interest rate plus a 10% margin per annum and due in September 2017.
- (e) The amount is unsecured, carrying interest at a fixed rate of 10% per annum and due in October 2015.

21. OTHER RECEIVABLES

At 31 December 2013, the amount represented the cash advance to Huge Rise Investments Limited and its subsidiaries, which are independent third parties. Based on the cash advance agreement dated 4 January 2010, the cash advance would be fully repaid before December 2014 and it was interest bearing at 1% per annum over 3-month HIBOR. The outstanding amount was settled in 2014.

22. INVENTORY OF PROPERTIES

	2014 HK\$'000	2013 HK\$'000
Completed properties held for sale	6,294,254	4,072,755
Properties under development for sale (note)	22,151,851	22,309,764
	28,446,105	26,382,519

Note: Included in the amount are properties under development for sale of HK\$16,396,070,000 (2013: HK\$14,383,102,000) which are expected to be completed and available for sale to the customers more than twelve months from the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

23. PREPAYMENT FOR LAND LEASES

As at 31 December 2014, the total consideration prepaid in full of HK\$886,299,000 (2013: HK\$1,925,815,000) according to the sale and purchase agreement entered into with the PRC local government for the acquisition of certain pieces of land in the PRC for property development for sale is classified as current assets. Upon the delivery of relevant land title document to the Group, the prepaid amount which represents the land purchase costs of those pieces of land will be recognised as “properties under development for sale” under “inventory of properties”.

24. DEBTORS, DEPOSITS AND PREPAYMENTS

	2014 HK\$'000	2013 HK\$'000
Aged analysis of trade debtors, presented based on invoice dates (note):		
Within 60 days	6,083	3,982
60 to 90 days	783	49
More than 90 days	8,944	3,368
	15,810	7,399
Deferred consideration on disposal of interests in joint ventures (note 36)	180,959	181,875
Refundable tender deposits for acquisition of land and toll road project	467,335	540,798
Prepayment of business tax and other taxes	304,450	371,421
Other receivables, deposits and prepayments	426,842	508,366
	1,395,396	1,609,859

Note: The debtors are mainly arisen from sale of properties. Consideration in respect of properties sold is paid in accordance with the terms of the related sale and purchase agreements, normally within 60 days from the agreements. Consideration will be fully received prior to the delivery of the properties to the property purchasers.

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

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

25. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits of HK\$322,335,000 (2013: HK\$151,091,000) in total are pledged as securities in favour of banks for mortgage facilities granted to the buyers of properties developed by the Group and short-term facilities granted to the Group.

Included in bank balances and cash, bank balances amounting to HK\$1,112,801,000 (2013: HK\$1,744,909,000) in total were restricted to be used for the development of certain property projects. These bank balances comprised the proceeds received from pre-sale of properties of certain property projects deposited into designated bank accounts of the Group of HK\$872,759,000 (2013: HK\$1,340,829,000) according to the relevant requirements of the PRC local government and the cash received mainly from bank loans of HK\$240,042,000 (2013: HK\$404,080,000) for property development.

Bank balances carried interest at market rates which range from 0.01% to 1.10% (2013: 0.01% to 2.35%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

25. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH (CONTINUED)

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

	2014	2013
	HK\$'000	HK\$'000
United States dollars	63,431	374,862
Hong Kong dollars	22,609	13,366

26. SHARE CAPITAL

	2014	2013	2014	2013
	Number of shares	Number of shares	HK\$'000	HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each	20,000,000,000	20,000,000,000	2,000,000	2,000,000
7.5% convertible preference shares of HK\$0.1 each	518,380	518,380	52	52
Issued and fully paid:				
Ordinary shares				
At 1 January	735,178,566	741,934,566	73,518	74,193
Issue of shares upon exercise of share options	155,000	648,000	16	65
Shares repurchased and cancelled	(5,637,000)	(7,404,000)	(564)	(740)
At 31 December	729,696,566	735,178,566	72,970	73,518

No convertible preference shares are issued in both years.

The Company repurchased its own shares through the Stock Exchange as follows:

2014

Month of repurchases	Number of ordinary shares of HK\$0.1 each	Price per share		Aggregate consideration paid HK\$'000
		Highest	Lowest	
		HK\$	HK\$	
March	17,000	7.11	7.11	121
June	1,275,000	7.05	6.86	8,886
July	224,000	7.23	7.00	1,590
August	1,973,000	7.15	6.91	13,924
September	837,000	7.02	6.90	5,848
	4,326,000			30,369

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

26. SHARE CAPITAL (CONTINUED)

2013

Month of repurchases	Number of ordinary shares of HK\$0.1 each	Price per share		Aggregate consideration paid HK\$'000
		Highest	Lowest	
		HK\$	HK\$	
June	2,588,000	7.25	6.77	17,946
July	1,463,000	7.56	7.08	10,726
August	580,000	7.70	7.40	4,402
September	2,773,000	8.10	7.48	21,630
November	627,000 (Note)	7.50	7.37	4,675
December	684,000 (Note)	7.60	7.36	5,119
	<u>8,715,000</u>			<u>64,498</u>

Note: 627,000 shares and 684,000 shares repurchased in November 2013 and December 2013 respectively were cancelled in February 2014.

Save as disclosed above, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Company's listed shares in both years.

27. SHARE OPTION SCHEME

Old Share Option Scheme

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

The total number of shares which may be issued under the Old Scheme and any other schemes of the Company must not in aggregate exceed 10% (the "10% Limit") of the shares in issue as at the date of adoption of the Old Scheme less the aggregate of exercised, cancelled and outstanding options. On 15 May 2007, renewal of the 10% Old Scheme mandate limit was approved by the shareholders and the total number of options available for grant at 31 December 2012 under the Old Scheme was 39,540,156. The 10% Limit may be refreshed with the approval of shareholders of the Company. The maximum number of shares that may be issued upon exercise of all outstanding options granted and are yet to be exercised under the Old Scheme and any other schemes must not exceed 30% of the shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised, lapsed/cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares in issue unless the same is approved by the shareholders.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

27. SHARE OPTION SCHEME (CONTINUED)

Old Share Option Scheme (continued)

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

The Old Scheme, which was valid and effective for a period of 10 years commencing on the adoption date, expired on 11 May 2013.

New Share Option Scheme

The Company adopted another share option scheme (the "New Scheme") on 8 May 2013. The purpose of the New Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and the shares for the benefit of the Company and the shareholders as a whole.

The participants of the New Scheme include any executive or non-executive directors of the Group, any executives, officers, consultants or full-time employees of the Group.

The total number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other share option schemes of the Company and/or any subsidiary shall not in aggregate exceed 10% (the "10% Limit") in nominal amount of the aggregate of the shares in issue on the adoption date. Options lapsed or cancelled in accordance with the terms of the New Scheme and such other share option schemes of the Company and/or any subsidiary shall not be counted for the purpose of calculating the 10% Limit. The 10% limit may be refreshed with the approval of the shareholders of the Company. The limit on the total number of the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme, together with all outstanding options granted and yet to be exercised under any other share option schemes of the Company and/or any subsidiary, must not exceed 30% of the number of issued shares from time to time.

The total number of shares issued and to be issued upon exercise of all options granted and to be granted to each participant under the New Scheme and any other share option schemes of the Company and/or any subsidiary (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the number of shares in issue as at the proposed grant date unless the same is approved by the shareholders.

The option exercisable period commences on the commencement date (the date upon which the options are granted and accepted) of such options and ends on the fifth anniversary of the commencement date. Each participant must pay HK\$1 as consideration for the grant of options not later than 30 days after the grant date.

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

The New Scheme shall be valid and effective for a period of 10 years commencing on the adoption date, i.e. 8 May 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

27. SHARE OPTION SCHEME (CONTINUED)

New Share Option Scheme (continued)

On 28 May 2013, 17,400,000 share options under the New Scheme were granted to and accepted by the directors and employees of the Group for an aggregate consideration of HK\$25 and the share options are fully vested at the date of grant. The estimated fair values of the options granted of HK\$10,600,000 (of which HK\$5,700,000 was the fair value of the options granted to the Directors, the details of the fair value of the options granted to the individual Directors are shown in Directors' report) was recognised in profit or loss. The fair value of the options was calculated using the Hull White Trinomial pricing model. The inputs into the model were as follows:

Share price at date of grant	HK\$7.13
Exercise price	HK\$7.13
Expected volatility	26.37%
Expected life	5 years
Risk-free rate	0.65%
Expected dividend yield	8.92%

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

The variables and assumptions used in computing the fair value of the share options granted under the New Scheme are based on the Company's best estimate. The value of an option varies with different variables of certain subjective assumptions.

At 31 December 2014, the number of shares in respect of which options had been granted and remained outstanding under the Old Scheme and New Scheme were 11,355,000 (2013: 12,475,000) and 15,500,000 (2013: 17,400,000), representing approximately 1.6% (2013: 1.7%) and 2.1% (2013: 2.4%) respectively of the Company's issued share capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

27. SHARE OPTION SCHEME (CONTINUED)

New Share Option Scheme (continued)

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

2014

Date of grant	Exercisable period	Exercise price HK\$	Balance at 1.1.2014	Granted during the year	Exercised during the year	Cancelled during the year	Balance at 31.12.2014
Directors							
9 April 2010	9 April 2010 to 8 April 2015	6.79	6,600,000	-	-	-	6,600,000
28 May 2013	29 May 2013 to 28 May 2018	7.13	10,350,000	-	-	(100,000)	10,250,000
			16,950,000	-	-	(100,000)	16,850,000
Employees							
9 April 2010	9 April 2010 to 8 April 2015	6.79	5,875,000	-	(155,000)	(965,000)	4,755,000
28 May 2013	29 May 2013 to 28 May 2018	7.13	7,050,000	-	-	(1,800,000)	5,250,000
			12,925,000	-	(155,000)	(2,765,000)	10,005,000
			29,875,000	-	(155,000)	(2,865,000)	26,855,000
Weighted average exercise price			6.99	-	6.79	7.02	6.99

2013

Date of grant	Exercisable period	Exercise price HK\$	Balance at 1.1.2013	Granted during the year	Exercised during the year	Cancelled during the year	Balance at 31.12.2013
Directors							
9 April 2010	9 April 2010 to 8 April 2015	6.79	6,750,000	-	-	(150,000)	6,600,000
28 May 2013	29 May 2013 to 28 May 2018	7.13	-	10,350,000	-	-	10,350,000
			6,750,000	10,350,000	-	(150,000)	16,950,000
Employees							
9 April 2010	9 April 2010 to 8 April 2015	6.79	6,828,000	-	(648,000)	(305,000)	5,875,000
28 May 2013	29 May 2013 to 28 May 2018	7.13	-	7,050,000	-	-	7,050,000
			6,828,000	7,050,000	(648,000)	(305,000)	12,925,000
			13,578,000	17,400,000	(648,000)	(455,000)	29,875,000
Weighted average exercise price			6.79	7.13	6.79	6.79	6.99

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

28. BANK AND OTHER BORROWINGS

	2014 HK\$'000	2013 HK\$'000
2010 Guaranteed senior notes (note (a))	–	1,255,896
2011 Guaranteed senior notes (note (b))	–	1,608,834
2012 Guaranteed senior notes (note (c))	2,723,744	2,674,364
2013 Guaranteed senior notes (note (d))	2,773,451	2,757,676
Bank loans (note (e))	8,891,515	5,116,778
	14,388,710	13,413,548

The maturity of the above loans is as follows:

	2014 HK\$'000	2013 HK\$'000
Unsecured borrowings repayable*:		
Within one year	858,249	2,695,054
More than one year but not exceeding two years	4,036,151	1,604,453
More than two years but not exceeding five years	5,090,144	5,432,040
	9,984,544	9,731,547
Secured borrowings repayable*:		
Within one year	3,542,170	2,909,849
More than one year but not exceeding two years	17,449	12,660
More than two years but not exceeding five years	79,315	64,873
More than five years	377,231	402,833
	4,016,165	3,390,215
Carrying amount of unsecured bank loan that is repayable within one year and contains a repayable on demand clause	388,001	291,786
Total borrowings	14,388,710	13,413,548
Less: Amounts classified as current liabilities	(4,788,420)	(5,896,689)
Amount due over one year shown and classified as non-current liabilities	9,600,290	7,516,859

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

Notes:

- (a) At 31 December 2013, the 2010 Guaranteed senior notes with an outstanding principal amounting to US\$163,580,000 were listed on the Singapore Exchange Securities Trading Limited ("SGX") and were issued in September 2010. The notes, bearing interest at a fixed rate of 9.5% per annum, would be matured in September 2015 were early redeemed in September 2014.
- (b) At 31 December 2013, the 2011 Guaranteed senior notes with an outstanding principal amounting to RMB1,272,000,000 were listed on the SGX and were issued in February 2011. The notes, bearing interest at a fixed rate of 6% per annum, had matured and were fully redeemed in February 2014.
- (c) The 2012 Guaranteed senior notes with an outstanding principal amounting to US\$350,000,000 (2013: US\$350,000,000) are listed on the Stock Exchange and were issued in September 2012. The notes, bearing interest at a fixed rate of 9.875% per annum, will mature in September 2017.
- (d) The 2013 Guaranteed senior notes with an outstanding principal amounting to RMB2,200,000,000 (2013: RMB2,200,000,000) are listed on the Stock Exchange and were issued in December 2013. The notes, bearing interest at a fixed rate of 6% per annum, will mature in December 2016.
- (e) Bank loans with carrying amount of HK\$4,117,688,000 (2013: HK\$3,390,215,000) bear interest at a fixed rate of 6.12% to 7.26% (2013: 6.15% to 7.38%) per annum. Interest rates on the remaining bank loans, which carry at floating interest rates based on either HIBOR or LIBOR plus a specified margin, range from 3.5% to 5% (2013: 2.5% to 5%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

28. BANK AND OTHER BORROWINGS (CONTINUED)

Details on the fair value disclosures of the guaranteed senior notes are set out in note 6(c)(ii).

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

	2014 HK\$'000	2013 HK\$'000
United States dollars	7,061,568	4,779,157
Hong Kong dollars	348,557	877,666

29. LOANS FROM NON-CONTROLLING INTERESTS OF SUBSIDIARIES

At the end of the reporting period, the loans with carrying amount of HK\$540,681,000 (2013: HK\$267,752,000) are unsecured, interest bearing at a fixed rate of 7.2% to 7.44% (2013: 6.72% to 7.38%) per annum and the entire balance will be repayable within one year.

At the end of the reporting period, loans with carrying amount of HK\$167,457,000 (2013: HK\$410,791,000) are unsecured and interest bearing at a fixed rate of 7.2% to 7.38% (2013: 7.38%) per annum. Such amounts are repayable in the second half of 2016 and are classified as non-current liabilities.

30. DEFERRED TAXATION

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

	Tax losses HK\$'000	Fair value adjustment on properties under development HK\$'000	Undistributed earnings of subsidiaries and joint ventures in the PRC HK\$'000	Change in fair value of investment properties HK\$'000	Interest capitalised on properties under development HK\$'000	Total HK\$'000
At 1 January 2013	(51,931)	15,356	132,717	374,828	134,089	605,059
Charge (credit) for the year	5,769	-	344	(108,826)	28,558	(74,155)
Disposal of joint ventures	-	-	9,430	-	-	9,430
Exchange adjustments	(979)	311	2,692	6,213	3,247	11,484
At 31 December 2013	(47,141)	15,667	145,183	272,215	165,894	551,818
(Credit) charge for the year	(17,901)	-	10,292	22,164	22,113	36,668
Exchange adjustments	261	(79)	(577)	(1,399)	(1,032)	(2,826)
At 31 December 2014	(64,781)	15,588	154,898	292,980	186,975	585,660

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

30. DEFERRED TAXATION (CONTINUED)

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

	2014 HK\$'000	2013 HK\$'000
Deferred tax assets	(49,193)	(31,474)
Deferred tax liabilities	634,853	583,292
	585,660	551,818

Deferred tax assets has not been recognised in the consolidated financial statements in respect of deductible temporary differences amounting to HK\$554,557,000 (2013: HK\$506,086,000) due to the unpredictability of future taxable profit streams.

At 31 December 2014, the Group has estimated unused tax losses of HK\$435,299,000 (2013: HK\$399,232,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK\$259,124,000 (2013: HK\$188,565,000) of such losses. No deferred tax asset has been recognised in respect of the remaining losses of HK\$176,175,000 (2013: HK\$210,667,000) due to the unpredictability of future taxable profit streams. Such remaining unrecognised tax losses of HK\$176,175,000 (2013: HK\$210,667,000) will expire within five years from the end of the reporting period.

31. CREDITORS AND ACCRUED CHARGES

	2014 HK\$'000	2013 HK\$'000
Aged analysis of creditors presented based on invoice date:		
Trade payables		
Within 60 days	138,268	186,187
60 to 90 days	14,155	17,755
More than 90 days	359,371	269,908
	511,794	473,850
Bills payables		
Within 60 days	67,099	8,861
60 to 90 days	29,442	–
More than 90 days	98,440	11,392
	194,981	20,253
Accrued construction costs	4,254,405	4,082,009
Sub-total	4,961,180	4,576,112
Interest payable	99,034	161,974
Accrued taxes (other than EIT and LAT)	72,209	47,021
Other payables and accrued charges	971,714	766,192
	6,104,137	5,551,299

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

32. OTHER FINANCIAL LIABILITIES/ASSETS

Other financial liabilities as of 31 December 2014 represent the fair value of cross-currency swap contracts of HK\$116,793,000 (2013: other financial assets of HK\$46,785,000). At the end of the reporting period, the Group has one (2013: three) outstanding cross-currency swap contract(s). The Group will pay United States dollars and receive Renminbi on gross settlement basis at the date specified in the terms of contracts.

The outstanding contract as of 31 December 2014 was entered in 2013 and will mature in 2016. The principal amount of RMB2,200,000,000 with a fixed interest rate at 6% per annum was swapped to principal amount of US\$361,872,000 at a fixed interest rate of 4.81% per annum. The contract rate was RMB6.0795: US\$1.

During the year, the total principal amount of another two swap contracts amounting to RMB1,445,000,000 matured. The contract rates were RMB6.37:US\$1 for both contracts. A principal amount of RMB1,300,000,000 with interest rate at 6% per annum was swapped to principal amount of US\$204,082,000 at a fixed interest rate of 7.2% per annum. For another contract, a principal amount of RMB145,000,000 with fixed interest rate of 3.6% per annum was swapped to principal amount of US\$22,763,000 at a three-month floating LIBOR rate plus 3%.

Details on the fair value measurement of the swap contracts are set out in note 6(c)(i).

33. CASH AND CASH EQUIVALENTS

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

	2014 HK\$'000	2013 HK\$'000
Bank balances and cash	3,724,192	6,677,215
Less: restricted bank balances - proceeds from pre-sale of certain property projects (note 25)	(872,759)	(1,340,829)
	2,851,433	5,336,386

34. RETIREMENT BENEFIT PLANS

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

35. DEEMED DISPOSAL OF A SUBSIDIARY

On 28 November 2014, the Group entered into a capital contribution agreement (“Agreement”) with 中融國際信託有限公司 (“中融國際”) pursuant to which 中融國際 agreed to make a capital contribution of RMB300,000,000 to 上海雋合, a wholly-owned subsidiary of the Company. 上海雋合 holds a 90% owned subsidiary which is engaged in property development in the PRC. Upon completion of the initial capital contribution of RMB100,000,000 (equivalent to HK\$126,904,000) by 中融國際 in December 2014, the effective equity interest of the Group in 上海雋合 has been diluted from 100% to 49%. The articles of association of 上海雋合 was revised in December 2014 and it becomes jointly controlled by the Group and 中融國際 and it is accounted for as a joint venture of the Group.

The consolidated net assets of 上海雋合 at the date of deemed disposal are as follows:

	HK\$'000
Prepayment for land leases	688,135
Debtors, deposits and prepayments	3,753
Bank balances and cash	1,208
Creditors and accrued charges	(4,961)
	688,135
Satisfied by:	
Loan to a joint venture	478,782
Retained interest in a joint venture, at fair value (note)	209,353
	688,135
Note: The fair value for retained interest in the joint venture was determined by reference to the discounted future cash flow to be generated from 上海雋合 by a suitable discount rate.	
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	1,208

During the year, the disposed subsidiary had made operating cash outflow of approximately HK\$686,927,000 to the Group. The loss of the disposed subsidiary had no significant impact to the consolidated financial statements.

36. DISPOSAL OF INTERESTS IN JOINT VENTURES

During the year ended 31 December 2013, the Group entered into sale and purchase agreements to dispose of its 50% equity interest in Anhui Road Universe Hefei Highway Development Co., Ltd., and 60% equity interests in Anhui Road Universe Hehuai Highway Yangjin Section Development Company Limited and Anhui Road Universe Hehuai Highway Dayang Section Development Company Limited to the PRC joint venture partner at a cash consideration of HK\$256,875,000 in aggregate. The loss on disposal of the infrastructure joint ventures was recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

36. DISPOSAL OF INTERESTS IN JOINT VENTURES (CONTINUED)

The Group's disposal of its interests in the joint ventures during the year ended 31 December 2013 had the following effects:

	HK\$'000
Cost of investments	435,723
Share of post-acquisition profits and other comprehensive income, net of dividend received	296,237
Reduction of cost of investment	(349,071)
Impairment losses on cost of investments	(80,845)
Carrying amount of interests in the joint ventures disposed of	302,044
Expenses in connection with the disposal	9,430
Loss on disposal	(54,599)
Total consideration	256,875
Satisfied by:	
Cash consideration	75,000
Deferred consideration (note)	181,875
	256,875
Net cash inflow arising on disposal:	
Cash consideration	75,000
Expenses in connection with the disposal	(9,430)
	65,570

Note: Pursuant to the sale and purchase agreements and supplementary agreements, the deferred consideration has been extended in 2014 and the Directors expected that the whole amount will be recovered within 2015. Accordingly, such deferred consideration was classified as current assets and included in other receivables (see note 24).

37. OPERATING LEASE COMMITMENTS

As lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases:

	2014 HK\$'000	2013 HK\$'000
Within one year	86,827	68,221
In the second to fifth year inclusive	361,861	302,511
Over five years	993,366	1,070,625
	1,442,054	1,441,357

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

37. OPERATING LEASE COMMITMENTS (CONTINUED)

As lessee

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

	2014 HK\$'000	2013 HK\$'000
Within one year	12,325	13,792
In the second to fifth year inclusive	9,907	15,585
	22,232	29,377

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

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

38. CAPITAL COMMITMENTS

	2014 HK\$'000	2013 HK\$'000
Capital expenditure in respect of the development of investment properties		
– contracted for but not provided in the consolidated financial statements	–	12,797
– authorised but not contracted for	–	2,797
	–	15,594
Capital injection into infrastructure joint ventures contracted for but not provided in the consolidated financial statements	–	174,873

39. CONTINGENT LIABILITIES

At 31 December 2014, the Group provided guarantees of HK\$5,475,928,000 (2013: HK\$5,328,244,000) to banks in favour of its customers in respect of the mortgage loans provided by the banks to such customers for the purchase of the Group's developed properties. These guarantees provided by the Group to the banks would be released upon receiving the building ownership certificate of the respective property by the banks from the customers as a pledge for security to the mortgage loan granted. The Directors consider that the fair value of such guarantees on initial recognition was insignificant.

40. PLEDGE OF ASSETS

At the end of the reporting period, other than the pledged bank deposits as disclosed in note 25, the Group's inventory of properties of HK\$4,021,231,000 (2013: HK\$3,400,356,000) were pledged to banks to secure the banking facilities granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

41. RELATED PARTY TRANSACTIONS

Other than set out in notes 20 and 29, the Group had transactions with the following related parties during the year:

Related parties	Nature	2014 HK\$'000	2013 HK\$'000
Joint ventures	Interest income	21,209	22,634
Non-controlling interests of subsidiaries	Interest expenses	50,379	36,407

Above transactions did not constitute a connected transaction as defined under the Listing Rules.

Compensation of key management personnel

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

	2014 HK\$'000	2013 HK\$'000
Short-term employment benefits	114,179	117,531
Post-employment benefits	5,492	5,492
Equity-settled share-based payments	–	10,279
	119,671	133,302

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

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

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

	2014 HK\$'000	2013 HK\$'000
Unlisted investments in subsidiaries	14,511,368	13,751,537
Deposits and prepayments	478	478
Amounts due from subsidiaries	1,173,349	1,032,709
Bank balances and cash	45,166	553,959
Total assets	15,730,361	15,338,683
Bank borrowings	388,001	–
Creditors and accrued charges	866	74
Amounts due to subsidiaries	8,340,899	8,376,439
Share capital (see note 26)	72,970	73,518
Reserves (Note)	6,927,625	6,888,652
Total equity and liabilities	15,730,361	15,338,683

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

42. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

	Share premium HK\$'000	Foreign currency translation reserve HK\$'000	Special reserve HK\$'000	Share option reserve HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 1 January 2013	3,159,965	1,246,263	1,260,000	17,962	-	1,617,633	7,301,823
Loss for the year	-	-	-	-	-	(168,444)	(168,444)
Exchange difference arising on translation to presentation currency	-	159,553	-	-	-	-	159,553
Total comprehensive expense for the year	-	159,553	-	-	-	(168,444)	(8,891)
Sub-total	3,159,965	1,405,816	1,260,000	17,962	-	1,449,189	7,292,932
Issue of ordinary shares upon exercise of share options	5,193	-	-	(858)	-	-	4,335
Cancellation of share options	-	-	-	(592)	-	592	-
Share repurchased and cancelled	(53,964)	-	-	-	-	-	(53,964)
Share repurchased and not yet cancelled	-	-	-	-	(9,794)	-	(9,794)
Recognition of equity-settled share-based payments	-	-	-	10,600	-	-	10,600
Dividends	-	-	-	-	-	(355,457)	(355,457)
Balance at 31 December 2013	3,111,194	1,405,816	1,260,000	27,112	(9,794)	1,094,324	6,888,652
Profit for the year	-	-	-	-	-	483,464	483,464
Exchange difference arising on translation to presentation currency	-	(26,907)	-	-	-	-	(26,907)
Total comprehensive income for the year	-	(26,907)	-	-	-	483,464	456,557
Sub-total	3,111,194	1,378,909	1,260,000	27,112	(9,794)	1,577,788	7,345,209
Issue of ordinary shares upon exercise of share options	1,241	-	-	(204)	-	-	1,037
Cancellation of share options	-	-	-	(2,436)	-	2,436	-
Share repurchased and cancelled	(39,599)	-	-	-	9,794	-	(29,805)
Dividends	-	-	-	-	-	(388,816)	(388,816)
Balance at 31 December 2014	3,072,836	1,378,909	1,260,000	24,472	-	1,191,408	6,927,625

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

43. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2014 and 31 December 2013 are as follows:

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid ordinary share capital/ paid registered capital	Proportion of nominal value of issued ordinary shares capital/registered capital held by the Company		Principal activities
				Directly	Indirectly	
				%	%	
<i>Incorporated in the British Virgin Islands ("BVI")/Hong Kong</i>						
Intersafe Investments Limited	BVI	Hong Kong	US\$16,000,000	–	100	Investment holding
Ontex Investments Limited	BVI	Hong Kong	US\$1	–	100	Investment holding
Road King Infrastructure Finance (2012) Limited	BVI	#	US\$1	100	–	Provision of financial services
RK Properties Holdings Limited	BVI	Hong Kong	US\$1	–	100	Investment holding
RK Properties Management Limited	Hong Kong	Hong Kong	HK\$1	–	100	Provision of management services
RKI Finance (2013) Limited	BVI	#	US\$1	100	–	Provision of financial services
RKP Overseas Finance 2013 (A) Limited	BVI	#	US\$1	–	100	Provision of financial services
RKP Overseas Finance 2014 (A) Limited®	BVI	#	US\$1	–	100	Provision of financial services
Road Base Investments Limited	BVI	Hong Kong	US\$1	–	100	Investment holding
Road Bond Investments Limited	BVI	Hong Kong	US\$1	–	100	Investment holding
Road Crown Investments Limited	BVI	Hong Kong	US\$1	–	100	Investment holding
Road Express Investments Limited	BVI	Hong Kong	US\$1	–	100	Investment holding
Road Famous Investments Limited	BVI	Hong Kong	US\$1	–	100	Investment holding
Road Glorious Investments Limited	BVI	Hong Kong	US\$1	–	100	Investment holding
Road Grand Investments Limited	BVI	Hong Kong	US\$1	–	100	Investment holding
Road King (China) Infrastructure Limited	BVI	Hong Kong	HK\$2,000,000,000	100	–	Investment holding
Road King Infrastructure Management Limited	Hong Kong	Hong Kong	HK\$2	–	100	Provision of management services
Road Link Investments Limited	BVI	Hong Kong	US\$1	–	100	Investment holding
Road Rise Investments Limited	BVI	Hong Kong	US\$1	–	100	Investment holding
Sunco Property Holdings Company Limited	BVI	Hong Kong	US\$250	–	94.74	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

43. PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid ordinary share capital/ paid registered capital	Proportion of nominal value of issued ordinary shares capital/registered capital held by the Company		Principal activities
				Directly	Indirectly	
				%	%	
Registered as wholly foreign owned enterprises in the PRC						
Changzhou Great Gallop Properties Developments Ltd.	PRC	PRC	US\$143,245,300	–	100	Development and sale of properties
Changzhou Great Superior Properties Developments Ltd.	PRC	PRC	RMB612,220,000	–	100	Development and sale of properties
Guangzhou Junde Real Estate Limited	PRC	PRC	RMB60,000,000	–	100	Development and sale of properties
Guangzhou Junya Real Estate Limited	PRC	PRC	RMB60,220,000	–	100	Development and sale of properties
Guangzhou Junyue Real Estate Limited	PRC	PRC	RMB538,000,000	–	100	Development and sale of properties
Tianjin Kingsvalue Real Estate Investment Management Limited	PRC	PRC	RMB678,500,000	–	94.74	Investment holding
Tianjin Sunco Binhai Land Co., Ltd.	PRC	PRC	RMB600,000,000	–	94.74	Investment holding
Tianjin Sunco Binhai Real Estate Investment Management Limited	PRC	PRC	RMB760,000,000	–	94.74	Investment holding
河北路勁房地產開發有限公司	PRC	PRC	RMB51,500,000	–	100	Development and sale of properties
無錫路勁蠡苑房地產有限公司	PRC	PRC	RMB1,146,000,000 (2013: RMB960,000,000)	–	100	Development and sale of properties
常州路勁宏遠房地產開發有限公司	PRC	PRC	US\$50,000,000	–	100	Development and sale of properties
常州路勁宏承房地產開發有限公司	PRC	PRC	US\$35,000,000 (2013: US\$25,500,000)	–	100	Development and sale of properties

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

43. PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid ordinary share capital/ paid registered capital	Proportion of nominal value of issued ordinary shares capital/registered capital held by the Company		Principal activities
				Directly %	Indirectly %	
Registered as sino-foreign equity joint venture enterprises in the PRC						
Zhengzhou Keshu Real Estate Co., Ltd.	PRC	PRC	RMB235,000,000	–	94.74	Development and sale of properties
常州宏智房地產開發有限公司	PRC	PRC	RMB100,000,000	–	100	Development and sale of properties
蘇州雋御地產有限公司	PRC	PRC	RMB1,008,600,000	–	100	Development and sale of properties
常州路勁宏潤房地產開發有限公司 [@]	PRC	PRC	US\$30,000,000	–	100	Development and sale of properties
Registered as limited liability companies in the PRC						
Guangzhou Junhua Real Estate Limited	PRC	PRC	RMB400,000,000	–	100	Development and sale of properties
上海雋安置業有限公司	PRC	PRC	RMB950,000,000 (2013: RMB550,000,000)	–	75	Development and sale of properties
上海雋城置業有限公司	PRC	PRC	RMB600,000,000	–	55	Development and sale of properties
天津順馳新地置業有限公司	PRC	PRC	RMB700,000,000	–	94.74	Development and sale of properties
北京路勁雋御房地產開發有限公司	PRC	PRC	RMB1,385,000,000	–	100	Development and sale of properties
洛陽路勁房地產開發有限公司	PRC	PRC	RMB100,000,000	–	100	Development and sale of properties
常州路勁房地產開發有限公司	PRC	PRC	RMB480,000,000	–	100	Development and sale of properties
鎮江路勁大港房地產開發有限公司	PRC	PRC	RMB917,450,000	–	100	Development and sale of properties
鎮江路勁房地產開發有限公司	PRC	PRC	RMB185,000,000	–	100	Development and sale of properties
無錫路勁濱湖房地產有限公司 [@]	PRC	PRC	RMB250,000,000	–	100	Development and sale of properties
濟南路勁雋成房地產開發有限公司	PRC	PRC	RMB150,000,000	–	100	Development and sale of properties
蘇州路勁地產有限公司 [@]	PRC	PRC	RMB770,000,000	–	100	Development and sale of properties

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

@ Incorporated in 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

43. PRINCIPAL SUBSIDIARIES (CONTINUED)

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

In the opinion of the Directors, none of the Group's non-wholly owned subsidiaries have material non-controlling interests to the Group.

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

	2014	2013
	HK\$'000	HK\$'000
RKI Finance (2010) Limited	–	1,255,896
RKI Finance (2011) Limited	–	1,608,834
Road King Infrastructure Finance (2012) Limited	2,723,744	2,674,364
RKI Finance (2013) Limited	2,773,451	2,757,676
	5,497,195	8,296,770

44. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

The Group's total assets less current liabilities at 31 December 2014 amounted to HK\$24,455,152,000 (2013: HK\$21,874,194,000). The Group's net current assets at 31 December 2014 amounted to HK\$17,277,754,000 (2013: HK\$15,748,608,000).

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000 (restated)	2010 HK\$'000 (restated)
Revenue	12,730,104	11,456,048	9,344,130	6,832,508	4,942,028
Profit before taxation	2,500,655	2,520,762	2,317,737	1,859,586	1,604,511
Income tax expenses	(1,471,272)	(1,497,395)	(1,465,003)	(1,116,873)	(1,015,753)
Profit for the year	1,029,383	1,023,367	852,734	742,713	588,758
Attributable to:					
Owners of the Company	1,005,018	1,001,618	818,179	735,007	581,045
Non-controlling interests	24,365	21,749	34,555	7,706	7,713
	1,029,383	1,023,367	852,734	742,713	588,758

ASSETS AND LIABILITIES

	As at 31 December				
	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000 (restated)	2010 HK\$'000 (restated)
Total assets	42,483,789	43,429,463	37,275,341	31,732,189	27,686,375
Total liabilities	(28,431,237)	(30,066,211)	(25,052,468)	(20,382,961)	(17,326,540)
	14,052,552	13,363,252	12,222,873	11,349,228	10,359,835
Attributable to:					
Owners of the Company	13,207,891	12,671,769	11,793,131	11,072,316	10,244,172
Non-controlling interests	844,661	691,483	429,742	276,912	115,663
	14,052,552	13,363,252	12,222,873	11,349,228	10,359,835



Road King Infrastructure Limited