

Road King Infrastructure Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 1098)

Annual Report 2015



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\$33 billion, comprising a land reserve of over 5,400,000 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

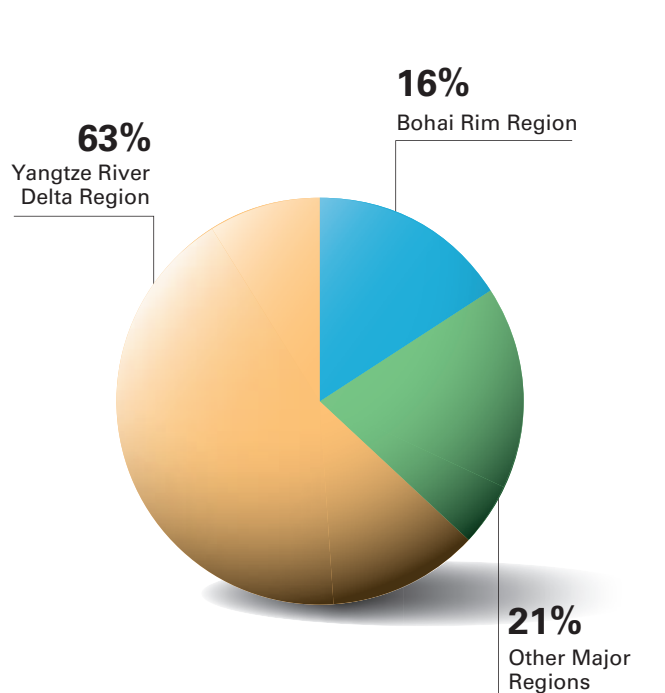
2	Financial Highlights
4	Chairman's Statement
6	Chief Executive Officer's Report
8	Major Awards
10	Management Discussion and Analysis
40	Directors and Senior Management
47	Directors' Report
59	Corporate Governance Report
71	Glossary
75	Corporate Information
F-1	Independent Auditor's Report
	Audited Consolidated 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-80	Financial Summary

FINANCIAL HIGHLIGHTS

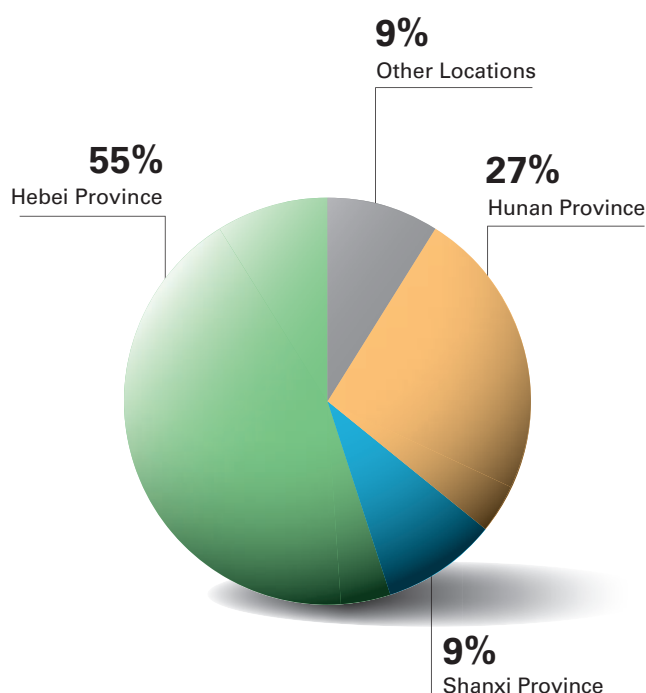
(HK\$'million)	For the year ended 31 December				
	2015	2014	2013	2012	2011 (restated)*
Revenue from property development	12,510	12,730	11,456	9,344	6,833
Group's share of toll road revenue	1,090	968	893	839	844
Cash received from toll road projects	530	515	512	523	658
Profit attributable to owners of the Company	820	1,005	1,002	818	735
Equity attributable to owners of the Company	13,155	13,208	12,672	11,793	11,072
Total assets	40,056	42,484	43,429	37,275	31,732
Dividend per Share (HK\$)	0.48	0.58	0.58	0.46	0.46
Gross gearing ratio (%)	96	102	100	93	89

* The figures of 2011 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 2015 BY LOCATION



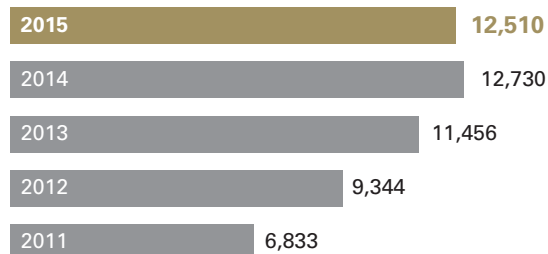
REVENUE CONTRIBUTION OF TOLL ROAD PROJECTS IN 2015 BY LOCATION



FINANCIAL HIGHLIGHTS

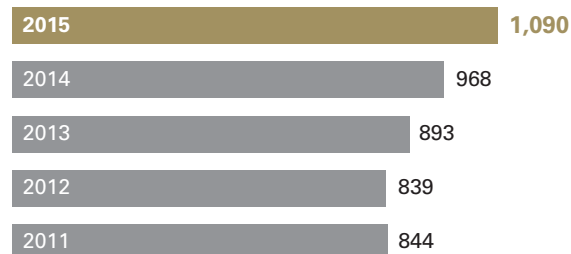
REVENUE FROM PROPERTY DEVELOPMENT

(HK\$ million)



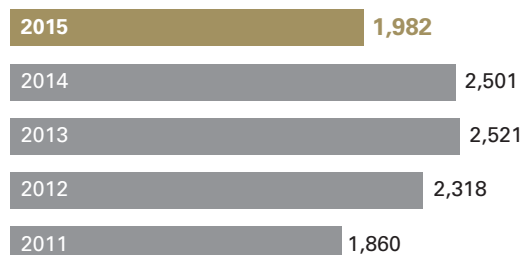
GROUP'S SHARE OF TOLL REVENUE

(HK\$ million)



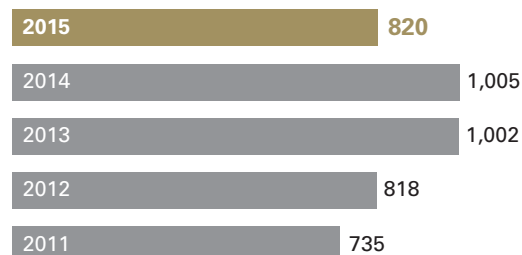
PROFIT BEFORE TAXATION

(HK\$ million)



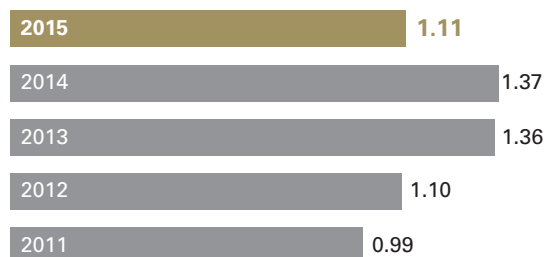
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY*

(HK\$ million)



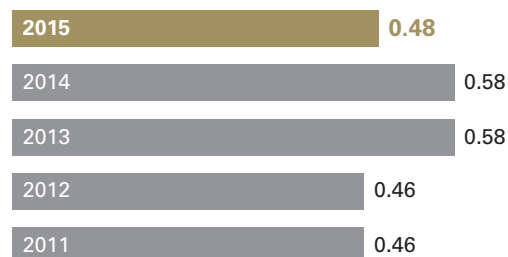
EARNINGS PER SHARE*

(HK\$)



DIVIDEND PER SHARE

(HK\$)



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

Zen Wei Pao, William
Chairman



CHAIRMAN'S STATEMENT


Dear Shareholders,

The profit attributable to the owners of the Company for 2015 was HK\$820 million. The Board recommended a final dividend of HK\$0.35 per Share. Together with the interim dividend of HK\$0.13 per Share, the total dividend for 2015 is HK\$0.48 per Share (2014: HK\$0.58 per Share).

In 2015, despite the impact of the global economy and reforms in the PRC, the Group recorded a growth of 12% in turnover, including the increase in property sales to RMB11,649 million and toll revenue of toll road projects to RMB2,187 million, totalling RMB13,836 million. The profit attributable to the owners of the Company decreased as compared with 2014 due to depreciation of Renminbi.

The property market has recovered gradually since the PRC adopted an easing monetary policy and loosened some austerity measures such as relaxation of purchase restrictions and lowering the down payment ratio, together with adopting the strategy of regional exploitation, contributed to the stable development of the Group's property business. In 2015, the Group acquired three new land parcels in areas where the Group's existing projects were located, with an aggregate floor area of approximately 1,002,000 sqm, and two of them would be developed jointly with well-established Mainland enterprises.

The Group has gained and accumulated valuable experience in the property business. Looking forward, the Group will continue to promote market oriented products, accelerate inventory turnover, strengthen its sales efforts and further consolidate its position in the industry. Meanwhile, the Group will continue to cooperate with well-established enterprises to seek and grasp opportunities, and through strengthening the business cooperation, enhance the operating capability and scale of the Group.



The Group has developed new property business model and, through managing closed-end property fund, attempted to identify new source of profit growth under managed risks. The property financial industry is encouraging with bright future and the coming 10 years will be a golden era for the industry. The Group have been put the effort in this sector for almost two years and achieved satisfied results. In 2016, there will be profits contributing to the Group and in the coming five years, there will be possibly a larger increase in the growth rate as compared with that of property development business.

The toll road business continued to generate stable cash flow for the Group in 2015, with cash receipts amounting to HK\$530 million. As Longcheng Expressway in Shanxi Province and Machao Expressway in Anhui Province acquired earlier by the Group have become increasingly developed, the existing toll road business is expected to achieve better results in the coming year.

It is expected that the year of 2016 is still unstable and vulnerable to changes, however all staff of the Group will continue to face the complicated and changing operating environment with positive attitude and to reward our Shareholders.

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, 18 March 2016

Ko Yuk Bing
Chief Executive Officer



CHIEF EXECUTIVE OFFICER'S REPORT

Dear Shareholders,

RESULTS FOR 2015

The profit after tax for the year of 2015 (excluding exchange and related differences) was HK\$1,158 million. However, under the impact of depreciation of RMB, an exchange loss of HK\$330 million was recorded, resulting in the profit of HK\$828 million for the year of 2015, with earnings per Share of HK\$1.11.

For the year ended 31 December 2015, property sales and toll revenue of the Group (including joint venture projects) amounted to RMB11,649 million and RMB2,187 million respectively, totalling RMB13,836 million, representing an increase of 12% as compared to 2014.

PROPERTY BUSINESS

The economic growth rate for 2015 was lower than expected. The government launched a series of measures, including cutting interest rate and cash reserve ratio. In the second half of the year, Chinese government further loosened the controls over property market. Although slight improvement has been shown in property market, the impacts diversified in different regions. The Group implemented the strategy of balancing turnover and profitability, and on this basis, the team worked together and achieved contracted and subscribed sales of RMB11,649 million, which is higher than 2014. In 2015, the Group recorded a revenue of HK\$12,510 million in equivalent by delivering 1,006,000 sqm of properties.

In 2015, the Group acquired three new land parcels in Langfang, which is adjacent to Beijing, Luoyang and Guangzhou for an aggregate floor area of about 1,002,000 sqm. Two of these new projects with larger area are joint venture projects with Beijing International Trust Co., Ltd. and Ping An Real Estate Company Limited respectively. The Group believes that the cooperation would allow the Group to invest in larger project, share higher profits and diversify the financial burden. In December 2015, the Group entered into a strategic cooperation framework agreement with Hebei Construction & Investment Group Co., Ltd., for the joint development of urbanization projects in Beijing-Tianjin-Hebei region.

TOLL ROAD BUSINESS

The total traffic volume and toll revenue of the Group's existing toll road projects were 76 million vehicles and RMB2,187 million respectively in 2015, representing an increase of approximately 16% and 14% as compared with 2014. Toll revenue contributed by expressway projects represented approximately 97% of that of the Group's toll road business.

With the increasingly developed Longcheng Expressway in Shanxi Province and Machao Expressway in Anhui Province, which the Group acquired in recent years, total toll revenue from those two expressways increased 44% as compared with 2014 and it is expected that the toll road revenue and attributable profit will continue to show a rapid increase.

In 2015, the Group completed the disposal of Yulin Highway in Guangxi Zhuang Autonomous Region and will continue to divest from the remaining Class I/II highway projects.

FINANCE AND FUNDING

The Group has been consistently following a prudent and stable financial policy, and developing and expanding different financing channels, including the preparation of issuance of corporate bonds in the Mainland, to mitigate the impact of the depreciation of RMB and further reduce the financing cost.

PROSPECT

Meanwhile, the China's economy faces downward pressure while property industry is still an important pillar of the economy. It is expected that the Chinese Government will continue the policy of maintaining stability and the Group is optimistic about the prospect of the property market.

The Group will continue to adopt the strategy that maintains deeper exploitation, and balances profitability and sales volume, researching and developing market-oriented products, enhancing the value-added services of the property management services, and to continuously improve product and service quality and brand appeal. In the meantime, the Group will enhance cooperation with business partners to look for better development. The Group believes that our market position and a well-developed operation team have established a solid foundation for the continuous expansion in property business.

The Group believes that the toll road business would provide steady cash flows. By leveraging the experience obtained over the past two decades, the Group ensures a sustainable and stable operation and development.

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, 18 March 2016

MAJOR AWARDS

ROAD KING INFRASTRUCTURE LIMITED

2015 Best 25 China Real Estate Listed Companies with Strongest Comprehensive Strengths

RK PROPERTIES HOLDINGS LIMITED

2015 First of Top 10 Foreign-owned Property Developers in China

2015 Top 30 Property Developers in China

2015 Best 25 of China Real Estate Developers Brand Value

2015 Socially Responsible Real Estate Enterprise in China

2015 Top 10 China Green Property Developers-Operation Category

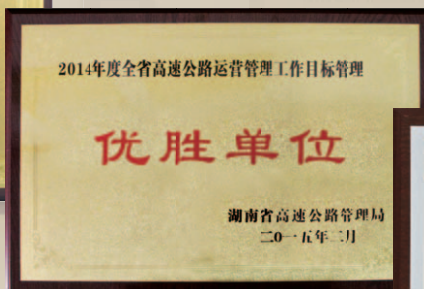
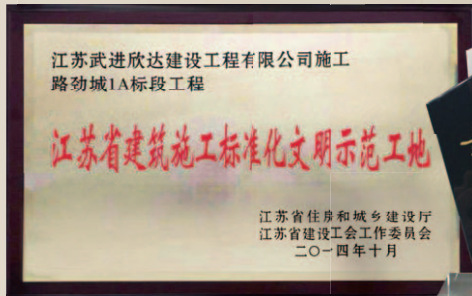


PROPERTY BUSINESS

Shanghai	2014 Most Popular Property – RK Shanghai Style Phase I
Changzhou	2014 Outstanding Practice in Standardized Construction Activities of Jiangsu Province – RK City (Changzhou)
Suzhou	2015 Most Influential Property in Suzhou – RK Hong Kong Times
Beijing	2015 Regional Benchmark Property of Real Estate Industry in Beijing – RK Grandtown
Jinan	2015 Lead Regional Full-featured Enterprise – RK City (Jinan)
Guangzhou	2015 Best Seller-Property – RK J•o•Y Heights

TOLL ROAD BUSINESS

Changyi Expressway	2014 Provincial Award for Excellence in Management and Operation of Expressway
Machao Expressway	2013-2014 Provincial Award for Excellence in Transportation



MANAGEMENT DISCUSSION AND ANALYSIS

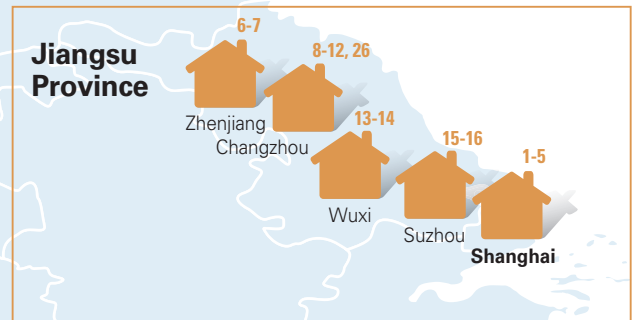
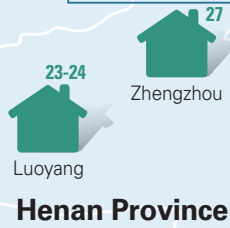
PROPERTY PROJECTS

 Yangtze River Delta Region

 Bohai Rim Region

 Other Major Regions

Bohai Rim Region



Yangtze River Delta Region









MANAGEMENT DISCUSSION AND ANALYSIS

MAJOR PROJECTS INFORMATION

Properties for Sale

As at 31 December 2015

Yangtze River Delta Region

	P1	RK Shanghai Villa						
	Floor area (sqm)	80,000	Nature	Residential	Stage of completion (note)	F/S/C	Land area (sqm)	136,000
	Approximate attributable interest	55.00%	Target completion	2017	Location	Shanghai		
Shanghai Juncheng Real Estate Ltd.								
	P2	RK Shanghai Manor						
	Floor area (sqm)	105,000	Nature	Residential	Stage of completion (note)	F/S/C	Land area (sqm)	133,000
	Approximate attributable interest	55.00%	Target completion	2018	Location	Shanghai		
Shanghai Juncheng Real Estate Ltd.								
	P3	RK Shanghai Style Phase I (formerly known as RK Shanghai Style)						
	Floor area (sqm)	52,000	Nature	Residential	Stage of completion (note)	C	Land area (sqm)	61,000
	Approximate attributable interest	75.00%	Target completion	Not applicable	Location	Shanghai		
Shanghai Junan Real Estate Ltd.								
	P4	RK Shanghai Style Phase II (formerly known as Land Parcel in Anting Jiading District)						
	Floor area (sqm)	135,000	Nature	Residential	Stage of completion (note)	F/S	Land area (sqm)	72,000
	Approximate attributable interest	49.00%	Target completion	2017	Location	Shanghai		
Shanghai Junda Real Estate Ltd.								
	P5	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.								
	P6	RK Notting Hill						
	Floor area (sqm)	120,000	Nature	Residential	Stage of completion (note)	S/C	Land area (sqm)	98,000
	Approximate attributable interest	100.00%	Target completion	2018	Location	Zhenjiang, Jiangsu Province		
Zhenjiang RK Properties Developments Ltd.								






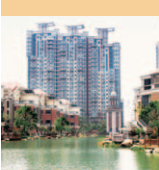
MANAGEMENT DISCUSSION AND ANALYSIS

MAJOR PROJECTS INFORMATION

Properties for Sale

As at 31 December 2015

Yangtze River Delta Region

	P7 RK City (Zhenjiang) (formerly known as Zhenjiang Dagang Project)							
	Floor area (sqm)	522,000	Nature	Residential	Stage of completion (note)	P/F	Land area (sqm)	257,000
	Approximate attributable interest	100.00%	Target completion	2020	Location	Zhenjiang, Jiangsu Province		
Zhenjiang RK Dagang Properties Developments Co., Ltd.								
	P8 RK City (Changzhou)							
	Floor area (sqm)	585,000	Nature	Residential	Stage of completion (note)	P/F/S/C	Land area (sqm)	280,000
	Approximate attributable interest	100.00%	Target completion	2020	Location	Changzhou, Jiangsu Province		
Changzhou RK Properties Developments Ltd.								
	P9 RK Urban Home Court							
	Floor area (sqm)	172,000	Nature	Residential	Stage of completion (note)	F/S/C	Land area (sqm)	95,000
	Approximate attributable interest	100.00%	Target completion	2017	Location	Changzhou, Jiangsu Province		
Changzhou RK Hongcheng Properties Developments Ltd.								
	P10 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.								
	P11 RK City Signature							
	Floor area (sqm)	264,000	Nature	Residential	Stage of completion (note)	P/F/S	Land area (sqm)	110,000
	Approximate attributable interest	100.00%	Target completion	2020	Location	Changzhou, Jiangsu Province		
Changzhou RK Hongrun Properties Developments Ltd.								
	P12 RK Royal City (Changzhou)							
	Floor area (sqm)	83,000	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.								


MANAGEMENT DISCUSSION AND ANALYSIS


MAJOR PROJECTS INFORMATION


Properties for Sale


As at 31 December 2015

Yangtze River Delta Region


P13		RK The Providence						
	Floor area (sqm)	172,000	Nature	Residential	Stage of completion (note)	F/S/C	Land area (sqm)	88,000
	Approximate attributable interest	100.00%	Target completion	2018	Location	Wuxi, Jiangsu Province		
	Wuxi RK Liyuan Properties Limited							


P14		RK Impression						
	Floor area (sqm)	94,000	Nature	Residential	Stage of completion (note)	S	Land area (sqm)	26,000
	Approximate attributable interest	100.00%	Target completion	2016	Location	Wuxi, Jiangsu Province		
	Wuxi RK Binhu Properties Co., Ltd.							

P15		RK Phoenix City						
	Floor area (sqm)	370,000	Nature	Residential	Stage of completion (note)	P/F/S/C	Land area (sqm)	843,000
	Approximate attributable interest	100.00%	Target completion	2019	Location	Suzhou, Jiangsu Province		
	Suzhou Junyu Properties Ltd.							

P16		RK Hong Kong Times						
	Floor area (sqm)	85,000	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.							

Bohai Rim Region

P17		RK World City						
	Floor area (sqm)	79,000	Nature	Residential and Commercial	Stage of completion (note)	F/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)	277,000	Nature	Residential	Stage of completion (note)	P/F/S/C	Land area (sqm)	811,000
	Approximate attributable interest	94.74%	Target completion	2020	Location	Tianjin		
	Tianjin Sunco Xindi Property Co., Ltd.							


MANAGEMENT DISCUSSION AND ANALYSIS


MAJOR PROJECTS INFORMATION


Properties for Sale


As at 31 December 2015

Bohai Rim Region


P19	RK Grandtown (formerly known as Land Parcel in Chao Baihe Development Area in Dachang Hui Autonomous County)							
	Floor area (sqm)	723,000	Nature	Residential	Stage of completion (note)	M/P/F/S	Land area (sqm)	495,000
	Approximate attributable interest	40.00%	Target completion	2020	Location	Langfang, Hebei Province		
Dachang Hui Autonomous County Zhongji Shouye Properties Developments Co., Ltd.								

P20	RK City (Jinan)							
	Floor area (sqm)	153,000	Nature	Residential	Stage of completion (note)	S	Land area (sqm)	42,000
	Approximate attributable interest	100.00%	Target completion	2016	Location	Jinan, Shandong Province		
Jinan RK Juncheng Properties Developments Co., Ltd.								

P21	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.								

P22	RK Unusual Landscape							
	Floor area (sqm)	60,000	Nature	Residential	Stage of completion (note)	C	Land area (sqm)	249,000
	Approximate attributable interest	94.74%	Target completion	Not applicable	Location	Qingdao, Shandong Province		
Shandong Sunco Rongsheng Land Co., Ltd.								

Other Major Regions

P23	RK Royal City (Luoyang)							
	Floor area (sqm)	344,000	Nature	Residential	Stage of completion (note)	P/F/S/C	Land area (sqm)	147,000
	Approximate attributable interest	100.00%	Target completion	2020	Location	Luoyang, Henan Province		
Luoyang RK Properties Developments Ltd.								

P24	RK Leader of Life (Luoyang) (formerly known as Land Parcel in Guo Jia Gaoxin District)							
	Floor area (sqm)	54,000	Nature	Residential	Stage of completion (note)	P	Land area (sqm)	54,000
	Approximate attributable interest	100.00%	Target completion	2018	Location	Luoyang, Henan Province		
Luoyang RK Hongjun Properties Developments Co., Ltd.								


MANAGEMENT DISCUSSION AND ANALYSIS

MAJOR PROJECTS INFORMATION

Properties for Sale


As at 31 December 2015


Other Major Regions


P25	RK Joy Heights							
	Floor area (sqm)	45,000	Nature	Residential	Stage of completion (note)	C	Land area (sqm)	103,000
	Approximate attributable interest	100.00%	Target completion	Not applicable	Location	Guangzhou, Guangdong Province		
Guangzhou Junyue Real Estate Limited								


Investment Properties

As at 31 December 2015

P26	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.								

P15	RK Phoenix City							
	Floor area (sqm)	22,000	Nature	Commercial	Stage of completion (note)	C	Land area (sqm)	17,000
	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.								

P27	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

MAJOR PROJECTS INFORMATION

New project acquired in the second half of 2015

As at 31 December 2015

Other Major Regions

P28	RK Vista Panorama (Guangzhou)							
	Floor area (sqm)	225,000	Nature	Residential	Stage of completion (note)	P	Land area (sqm)	90,000
	Approximate attributable interest	51.00%	Target completion	2019	Location	Guangzhou, Guangdong Province		
	Guangzhou Junhong 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

TOLL ROAD PROJECTS

-  Expressway
-  Highway







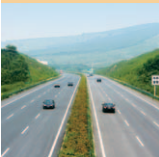
MANAGEMENT DISCUSSION AND ANALYSIS

MAJOR PROJECTS INFORMATION

Toll Road Business

As at 31 December 2015

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

MAJOR PROJECTS INFORMATION

Toll Road Business

As at 31 December 2015

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		

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The operating profit after taxation (excluding exchange and related differences) of the Group in 2015 was HK\$1,158 million. However, under the impact of RMB depreciation, an exchange loss of HK\$330 million was incurred, resulting in the profit for 2015 was HK\$828 million with earnings per Share of HK\$1.11. Property sales (including joint venture projects) for the year amounted to RMB11,649 million, representing a growth of 12% compared with 2014. The toll revenue of the existing toll road projects for the year amounted to RMB2,187 million, which is 14% more than that in 2014.

PROPERTY BUSINESS

In 2015, the central and local governments of the PRC implemented various policies improving the market sentiment such as lowered the lending interest rates and the down payment ratio, loosened the provident fund loan requirements and mitigated the transaction taxes. The property market became active but the impacts diversified in different regions, with the focus on the release of the demand for the property upgrade in tier 1 and 2 cities. Adhering to the steady and consistent business strategy of deeper exploitation and balancing turnover and profitability, the Group achieved remarkable results. The Group's property sales (including joint venture projects) increased to RMB11,649 million in 2015, including the contracted sales of RMB10,408 million and outstanding subscribed sales of RMB1,241 million.

Property Sales and Delivery

Set out below is an analysis of the Group's property sales and delivery by region (including joint venture projects) for 2015:

Regions (Notes)	Sales		Delivery	
	Amount RMB'million	Area sqm	Amount RMB'million	Area sqm
Yangtze River Delta	7,863	637,000	6,566	630,000
Bohai Rim	2,229	237,000	1,650	137,000
Other major regions	1,557	181,000	2,158	239,000
Total	11,649	1,055,000	10,374	1,006,000

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 2015, 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 suitable land reserve at reasonable prices. The Group recorded property sales (including joint venture projects) of RMB11,649 million in 2015, with an average selling price of approximately RMB11,000 per sqm, representing an increase of 12% and 11% respectively, as compared with last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Set out below is an analysis of the performance of the Group's property business for 2015 and 2014:

	For the year ended 31 December	
	2015	2014
	HK\$'million	HK\$'million
Revenue	12,510	12,730
Gross profit	2,883	3,334
Selling and operating expenses	(813)	(855)
Profit for the year	823	1,061

In 2015, the revenue of the Group's property business was mainly contributed by the delivery of properties in Yangtze River Delta region. The total area delivered in 2015 was 1,006,000 sqm, with an average price of approximately RMB10,300 per sqm. Operating profit after taxation of the property business was HK\$990 million. Taking into account the exchange loss of HK\$167 million due to RMB depreciation, the profit for the year was HK\$823 million.

Land Reserve

For land reserve replenishment, the Group acquired three pieces of land in Luoyang, Langfang and Guangzhou through listing-for-sale and subscription for trust units of an investment fund in 2015, with an aggregate floor area of about 1,002,000 sqm. Two of these new projects with larger area are jointly developed with well established PRC enterprises. The Group believes that the cooperation would allow the Group to invest in larger projects, share higher profits and diversify the financial burden.

Details of new lands are set out as follows:

City	Attributable Interest	Land Area sqm	Floor Area Sqm	Total Consideration RMB'million
Luoyang	100%	54,000	54,000	111
Langfang	40%	495,000	723,000	1,364
Guangzhou	51%	90,000	225,000	1,941

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's land reserve includes properties under planning and construction, properties held for sale and properties held for investment. As at 31 December 2015, the Group's land reserve was approximately 5,400,000 sqm and was mainly located in the following regions:

Provinces/Municipalities	Number of projects units	Area sqm
Yangtze River Delta region		
Shanghai	5	452,000
Jiangsu Province	12	2,826,000
Bohai Rim region		
Beijing	1	79,000
Tianjin	1	295,000
Hebei Province	1	723,000
Shandong Province	3	342,000
Other major regions		
Henan Province	3	423,000
Guangdong Province	2	270,000

In 2015, the Group's new construction area was 1,358,000 sqm while the area of completed projects was 1,322,000 sqm. New construction area and the area of completed projects in 2016 are expected to be 1,474,000 sqm and 1,384,000 sqm, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF MAJOR PROJECTS

Yangtze River Delta Region



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 2015, sales of RK Shanghai Villa was RMB546 million, with an average selling price of villas of approximately RMB17,800 per sqm. In 2015, the value and area of properties delivered were RMB730 million and 38,000 sqm, respectively. It is expected that a total area of 14,600 sqm will be delivered in 2016, of which 11,700 sqm had already been pre-sold as of 31 December 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 2015, sales of RK Shanghai Manor was RMB621 million, with an average selling price of villas of approximately RMB20,000 per sqm. In 2015, the value and area of properties delivered were RMB262 million and 17,000 sqm, respectively. It is expected that a total area of 43,200 sqm will be delivered in 2016, of which 36,900 sqm had already been pre-sold as of 31 December 2015.



RK Shanghai Style Phase I (formerly known as RK Shanghai Style), Shanghai

RK Shanghai Style Phase I 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 developed in two phases.

In 2015, sales of RK Shanghai Style Phase I was RMB1,585 million, with an average selling price of approximately RMB18,300 per sqm. In 2015, the value and area of properties delivered were RMB1,228 million and 72,000 sqm, respectively. It is expected that a total area of 46,600 sqm will be delivered in 2016, of which 39,200 sqm had already been pre-sold as of 31 December 2015.



RK Shanghai Style Phase II (formerly known as Land Parcel in Anting Jiading District), Shanghai

RK Shanghai Style Phase II lies in close proximity to the Changji East Road Metro Station and RK Shanghai Style Phase I of the Group, mainly for high-end residential development. The project has a site area of 72,000 sqm and a floor area of 135,000 sqm and is planned to comprise two phases. Phase 1 is expected to be launched in the first half of 2016 and delivered in late 2016.

MANAGEMENT DISCUSSION AND ANALYSIS



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 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 2015, sales of the residential buildings of i-Zone was RMB817 million, with an average selling price of more than RMB11,700 per sqm. Sales of Forest & Valley Villa was RMB1,588 million, with an average selling price of approximately RMB14,400 per sqm. In 2015, the value and area of properties delivered were RMB1,524 million and 139,000 sqm, respectively, for the residential buildings of i-Zone, and RMB461 million and 26,000 sqm, respectively, for Forest & Valley Villa. It is expected that a total area of 3,900 sqm of i-Zone will be delivered in 2016, of which 3,300 sqm had already been pre-sold as of 31 December 2015. A total area of 121,000 sqm of Forest & Valley Villa will be delivered, of which 92,000 sqm had already been pre-sold as of 31 December 2015.



路劲
香港时光
HONGKONG TIMES

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 floor area of 85,000 sqm.

In 2015, sales of RK Hong Kong Times was RMB285 million, with an average selling price of approximately RMB17,300 per sqm. It is expected that a total area of 45,000 sqm will be delivered in 2016, of which 18,500 sqm had already been pre-sold as of 31 December 2015.



R K CITY
武进中心 榜样生活城

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 2015, sales of RK City was RMB408 million, with an average selling price of approximately RMB7,500 per sqm. In 2015, the value and area of properties delivered were RMB779 million and 116,000 sqm, respectively. It is expected that a total area of 68,300 sqm will be delivered in 2016, of which 23,300 sqm had already been pre-sold as of 31 December 2015.

MANAGEMENT DISCUSSION AND ANALYSIS



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. The project has a site area and a floor area of 95,000 sqm and 232,000 sqm, the project is planned to be developed in two phases.

In 2015, sales of RK Urban Home Court was RMB269 million. In 2015, the value and area of properties delivered were RMB350 million and 60,000 sqm, respectively. It is expected that a total area of 49,900 sqm will be delivered in 2016, of which 7,700 sqm had already been pre-sold as of 31 December 2015.



RK City Signature, Changzhou

RK City Signature is located in Lingjiatang, Zhonglou District, Changzhou. With a site area of 110,000 sqm and a floor area of 264,000 sqm, the project is planned to be developed in three phases and Phase 1 had been launched in August 2015.

In 2015, sales of RK City Signature was RMB84 million, with an average selling price of approximately RMB9,300 per sqm. It is expected that a total area of 17,800 sqm will be delivered in 2016, of which 9,000 sqm had already been pre-sold as of 31 December 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 late 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 2015, sales of RK Royal City's villas and high-rise residential buildings was RMB397 million with the value and area of properties delivered of RMB761 million and 124,000 sqm, respectively. It is expected that a total area of 86,200 sqm will be delivered in 2016, of which 63,200 sqm had already been pre-sold as of 31 December 2015.

MANAGEMENT DISCUSSION AND ANALYSIS



RK The Providence, Wuxi

RK The Providence is located in Binhu District, Wuxi, Jiangsu Province. The project is located in the Taihu Tourist Resort Zone, a new upscale residential area in Wuxi, adjacent to the planned Metro line. The project has a site area and a floor area of 88,000 sqm and 200,000 sqm, respectively.

In 2015, sales of RK The Providence was RMB126 million, with an average selling price of approximately RMB11,000 per sqm. In 2015, the value and area of properties delivered were RMB150 million and 13,000 sqm, respectively. It is expected that a total area of 15,700 sqm will be delivered in 2016, of which 4,500 sqm had already been pre-sold as of 31 December 2015.



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 floor area of 94,000 sqm.

In 2015, sales of RK Impression was RMB88 million, with an average selling price of approximately RMB9,500 per sqm. It is expected that a total area of 41,700 sqm will be delivered in 2016, of which 14,000 sqm had already been pre-sold as of 31 December 2015.

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 2015, sales of RK World City was RMB207 million, with an average selling price of approximately RMB17,300 per sqm. In 2015, the value and area of properties delivered were RMB907 million and 43,000 sqm, respectively. It is expected that a total area of 7,200 sqm of the project will be delivered in 2016, of which 3,300 sqm had already been pre-sold as of 31 December 2015.



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 2015, sales of RK Sunny Town was RMB126 million, with an average selling price of approximately RMB15,300 per sqm.

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 95%, and its tenants include a number of renowned international restaurants and retail shops.

MANAGEMENT DISCUSSION AND ANALYSIS



路勁·領山

RK Leader of Life, Tianjin

RK Leader of Life located in Ji County, Tianjin, with a site area and a floor area of 327,000 sqm and 595,000 sqm, respectively. The project was developed in seven phases, with a focus on low-rise residential buildings.

In 2015, sales of RK Leader of Life was RMB367 million, with an average selling price of approximately RMB9,500 per sqm. In 2015, the value and area of properties delivered were RMB495 million and 55,000 sqm, respectively. It is expected that a total area of 8,700 sqm will be delivered in 2016, of which 5,400 sqm had already been pre-sold as of 31 December 2015.



RK Grandtown (formerly known as Land Parcel in Chao Baihe Development Area in Dachang Hui Autonomous County), Langfang

RK Grandtown located in Dachang County, Langfang, lying to the east of Yanjiao and is adjacent to Tongzhou District, Beijing, mainly for high-end residential development. The project has a site area of 495,000 sqm with a floor area of 723,000 sqm and is planned to comprise five phases of villas, semi-detached villas and high-rise residential buildings, coupled with 35,000 sqm for commercial complex and 1,000 sqm clubhouse. Phase 1 had been launched in the second half of 2015.

In 2015, sales of RK Grandtown was RMB642 million, with an average selling price of approximately RMB7,300 per sqm. It is expected that a total area of 175,000 sqm will be delivered in 2016, of which 87,500 sqm had already been pre-sold as of 31 December 2015.



RK City, Jinan

RK City located in Licheng District, Jinan, Shandong Province. The project has a site area and a floor area of 42,000 sqm and 156,000 sqm respectively. The project located in Erhuan East Road, which is the key area of urban development, and is the intersection of Beiyuan Commercial Circle, Hunglou Commercial Circle and Binhe New Town. Phase 1 focus on high-rise residential buildings and coupled with a 3,200 sqm kindergarten.

In 2015, sales of RK City was RMB346 million, with an average selling price of approximately RMB8,300 per sqm. It is expected that a total area of 149,800 sqm will be delivered in 2016, of which 102,000 sqm had already been pre-sold as of 31 December 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Major Regions



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 2015, sales of RK Royal City was RMB167 million, with the value and area of properties delivered were RMB283 million and 49,000 sqm, respectively. It is expected that a total area of 57,600 sqm will be delivered in 2016, of which 15,300 sqm had already been pre-sold as of 31 December 2015.

RK Leader of Life (formerly known as Land Parcel in Guo Jia Gaoxin District), Luoyang

Located in Guo Jia Gaoxin District, Luoyang, RK Leader of Life lies in close proximity to RK Royal City (Luoyang) of the Group, mainly for low density residential development. The project has a site area of 54,000 sqm and a floor area of 54,000 sqm and is expected to be launched in late 2016.

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 Kailian Ecological Zone is just across the River. The project enjoys a beautiful environment and convenient access.

In 2015, sales of the project was RMB180 million, with an average selling price of approximately RMB12,800 per sqm. In 2015, the value and area of properties delivered were RMB295 million and 28,000 sqm, respectively. It is expected that a total area of 12,100 sqm will be delivered in 2016, of which 2,000 sqm had already been pre-sold as of 31 December 2015.

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 2015, sales of RK J•o•Y Heights was RMB859 million, with average selling prices of approximately RMB10,700 per sqm for residential buildings. In 2015, the value and area of properties delivered were RMB1,396 million and 146,000 sqm, respectively. It is expected that a total area of 48,000 sqm will be delivered in 2016, of which 11,100 sqm had already been pre-sold as of 31 December 2015.



MANAGEMENT DISCUSSION AND ANALYSIS



Investment Property

RK Grand Metropolis, Changzhou

RK Grand Metropolis is located in Wujin District, Changzhou next to RK Vista Panorama (Changzhou), 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 2015, and its tenants included major chain business, cinema and fitness centre.

New Project

Acquired in the second half of 2015:

RK Vista Panorama, Guangzhou

In October 2015, the Group worked with a partner in Guangzhou to acquire a piece of land in Baohua Road, Huadu District, Guangzhou, mainly for high-end residential development through listing-for-sale. The land has a site area of 90,000 sqm and a floor area of 225,000 sqm. RK Vista Panorama is expected to be launched in 2016 and delivered in 2017. The land use right certificate for the project was obtained in January 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

TOLL ROAD BUSINESS

In 2015, the PRC, with the downward trend of import and export, positioned its medium to long term development strategy by ensuring investment growth and expanding domestic demand as an overall economic growth policy. The GDP growth still reached 6.9%. The PRC national average disposal income (excluding the pricing effect) was sustained, at a reasonable expectation, with an increment of 7.4% compared with that of last year. While the transform of national economic structure is taking effect, the household income is improving. This will boost the ratio of household possession of vehicles and procure the revenue growth of the Group's toll roads business in the next couple of years.

To cope with the Group's strategy in enhancing the investment portfolio, the Group has divested the Guangxi Yulin project at a reasonable price in 2015. In long run, the Group targets on expressway project investments with a promising return and this will form a good foundation for the Group's mid to long term development.

Financial Review

In 2015, the Group received cash distribution of HK\$530 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 2015 and 2014 are as follows:

	2015	2014
	HK\$'million	HK\$'million
Share of results of joint ventures before amortisation and taxation	599	491
Less: Share of amortisation of toll road operation rights and taxation	(321)	(303)
Withholding tax	(28)	(31)
Share of operating profits of joint ventures	250	157

The Group's share of operating profits of toll road joint ventures was increased from HK\$157 million in 2014 to HK\$250 million in 2015. This was benefited from the increase in traffic flow and the toll income as a result of a course of favorable actions taken out by our expressways.

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

	2015	2014	Increase
	RMB'million	RMB'million	(Decrease)
			%
Share of toll revenue			
Expressways	849	734	16
Highways	20	23	(13)
Share of expenses (excluding amortisation and taxation)			
Expressways	305	271	13
Highways	13	23	(43)

MANAGEMENT DISCUSSION AND ANALYSIS

The traffic volume and toll revenue of the existing toll road projects for 2015 are as follows:

Project	2015	Increase	2015	Increase
	Average Daily Traffic Vehicles	(Decrease) %	Toll Revenue RMB'million	(Decrease) %
Expressways				
Baojin Expressway	53,000	16	637	10
Tangjin Expressway	44,000	17	551	12
Changyi Expressway	60,000	17	585	9
Longcheng Expressway	13,000	1	200	17
Machao Expressway	13,000	22	154	109
	183,000	16	2,127	15
Highways	25,000	–	60	(5)
	<u>208,000</u>	13	<u>2,187</u>	14

The total traffic volume and toll revenue of the Group's toll road projects reached 76 million vehicles and RMB2,187 million, respectively in 2015. Toll revenue from expressway projects further increased from 96% of the entire toll road portfolio in 2014 to 97% in 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Expressway Projects

Baojin Expressway



In 2015, the traffic volume and toll revenue of Baojin Expressway increased by 16% and 10%, respectively. It was benefited from the completion of reconstruction and expansion works of the connected Beijing-Shijiazhuang Expressway and Shijiazhuang-Anyang Expressway at 2014 year end. After expansion, the overall road condition was promoted and the traffic upsurged dramatically.

Looking forward, the western section of G18 Rongcheng-Wuhai Expressway gradually opens for operation, the project will evolve into one of the major east-west transportation corridors. The toll income is expected to keep growing in future.

Tangjin Expressway



The traffic volume and toll revenue of Tangjin Expressway increased by 17% and 12%, respectively for the year. It was mainly due to the completion of the expansion work of the Tangjin Expressway Tianjin section by 2014 year end and the closure of the competing expressway resulting from the Tianjin explosion event during the year. The overall road condition and traffic were enhanced, which brought up the toll income.

It is expected that transport demand of Hebei Province and its surrounding area is still impacted by the excess capacity of steel and cement industry and the measure implemented on reducing smoggy weather, it is expected that the return will be slackened in near future.

Changyi Expressway



The traffic volume and toll income were increased by 17% and 9%, respectively in 2015. It was mainly driven by the increase in traffic nurtured by regional economic development.

It is projected that a promising result is expected in 2016 mainly benefit from the continual development of Changsha and its regional area.

MANAGEMENT DISCUSSION AND ANALYSIS



Longcheng Expressway

The toll income of Longcheng Expressway increased by 17% in 2015. It was benefited from the alteration of the freight transportation route at Jinzhong and the repairing work conducted at southern ring expressway of Taiyuan. This lead to the increase in freight traffic and income of the project.

The economic development of Shanxi Province is impacted by the fall in demand of coal in recent years. It is now turning into an economic restructuring phase. The regions around the project are actively building up new development area. It is the foundation of the future development. On the other hand, the construction plan of western and northern extensions connecting the expressway is on the way and the open will uplift the overall network, including Longcheng Expressway, surrounding Taiyuan. This will be a significant contribution to the project.



Machao Expressway

Machao Expressway recorded a growth of 109% in toll income in 2015. It is a fruitful reward of the promotion campaign carried out by the project team for raising the traffic and toll income since the operation commenced from end of 2013.

It is anticipated that the network connecting Machao Expressway is going to be extensive. It leads Machao to be an important part of expressway network connecting Anhui Province, Nanjing and Jiangsu Province. The prospects and potential return of the project are promising.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2015 and 2014.

	2015 HK\$'million	2014 HK\$'million
Revenue	12,510	12,730
Gross profit	2,883	3,334
Other (loss) income, net	(42)	100
Selling and operating expenses	(887)	(921)
Share of results of joint ventures	261	204
Finance costs	(233)	(216)
Profit before taxation	1,982	2,501
Income tax expenses	(1,154)	(1,472)
Profit after taxation	828	1,029
Non-controlling interests	(8)	(24)
Profit attributable to owners of the Company	820	1,005

Revenue and Gross Profit

The details of revenue and gross profit for 2015 and 2014 are included in the subsection headed "Financial Review" under "Property Business".

Other (Loss) Income, Net

The net other loss for 2015 was mainly caused by the exchange losses as a result of 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 subsection headed "Financial Review" under "Toll Road Business".

Income Tax Expenses

Income tax expenses comprised mainly profit tax, land appreciation tax and deferred tax. The higher income tax expenses last year were mainly attributable to the clearance of land appreciation tax for several property projects.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2015 and 2014.

	2015 HK\$'million	2014 HK\$'million
Non-current assets		
– Investments in joint ventures (including loans to joint ventures)	6,705	4,843
– Investment properties	2,193	2,244
– Other non-current assets	90	91
	8,988	7,178
Current assets		
– Inventory of properties (including prepayment for land leases)	25,728	29,332
– Bank balances and cash (including pledged bank deposits)	3,314	4,046
– Other current assets	2,026	1,928
	31,068	35,306
Current liabilities		
– Creditors and accrued charges	(5,776)	(6,104)
– Deposits from pre-sale of properties	(4,548)	(5,606)
– Bank and other borrowings – due within one year	(6,224)	(4,788)
– Other current liabilities	(1,539)	(1,530)
	(18,087)	(18,028)
Non-current liabilities	(7,993)	(10,403)
Total equity	13,976	14,053

Investments in Joint Ventures (including Loans to Joint Ventures)

Investments in joint ventures mainly represented our interests in the joint ventures relating to our toll road and property business. The increase in balance was mainly attributable to the acquisition of 40% equity interest in the property project in Langfang through subscription of units in an investment fund and 51% equity interest in the property project in Guangzhou.

In February 2016, the Group entered into an agreement with the joint venture partner of a property project in Shanghai to acquire 51% equity interest in the joint venture company at a cash consideration of RMB300 million and thereafter, it will become the wholly-owned subsidiary of the Company upon the completion of the transaction. Details of the transaction were set out in the announcement of the Company dated 26 February 2016.

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 decrease in balance was mainly attributable to the disposal of certain investment properties located in Guangzhou, but was partially offset by the inclusion of the completed commercial properties located in Suzhou. As of 31 December 2015, the total floor area of the investment properties of the Group was around 185,000 sqm.

MANAGEMENT DISCUSSION AND ANALYSIS

Inventory of Properties (including Prepayment for Land Leases)

The reduction of the inventory balance was the result of the majority of the new land parcels acquired in 2015 would be developed with the joint venture partners. Therefore, the related inventory costs were reflected in "Investments in joint ventures (including the loans to joint ventures)".

Bank Balances and Cash (including Pledged Bank Deposits)

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

Deposits from Pre-sale of Properties

The decrease in deposits from pre-sale of properties was mainly due to the concentration of delivery of the pre-sold properties in the second half of the year. At 31 December 2015, the total area pre-sold but yet to be delivered was about 620,000 sqm.

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

They represented mainly guaranteed senior notes, syndicated loans and project development loans of the Group.

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

	At 31 December				
	2015	2014			
	HK\$' million	HK\$' million			
Repayable:					
On demand or within one year	6,224	4,788			
After one year but within two years	5,954	4,054			
After two years but within five years	940	5,170			
More than five years	332	377			
	13,450	14,389			
Total Borrowings	13,450	14,389			
Source of Borrowings	2015	2014	Nature of Debts	2015	2014
Short term loans	46%	33%	Unsecured loans	73%	72%
Long term loans	54%	67%	Secured loans	27%	28%
	100%	100%		100%	100%
Currency Profile of Borrowings	2015	2014	Interest Rates Basis	2015	2014
HKD	1%	2%	Floating rate	33%	33%
RMB	47%	49%	Fixed rate	67%	67%
USD	52%	49%		100%	100%
	100%	100%		100%	100%

MANAGEMENT DISCUSSION AND ANALYSIS

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 2015, the gross gearing ratio and the net gearing ratio of the Group were 96% and 73% 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 10.93 times (2014: 14.04 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 2015 and 2014.

	2015 HK\$'million	2014 HK\$'million
Payment for land leases		
– Acquired by the Group	(542)	(4,349)
– Through joint venture arrangement	(2,026)	(688)
Net cash from operating activities, other than payment for land leases	4,098	2,135
Net cash from investing activities, other than payment for land leases	909	1,077
Net cash used in financing activities	(2,549)	(633)
Effect of change in exchange rates	(90)	(27)
Cash and cash equivalents at 1 January	2,851	5,336
Cash and cash equivalents at 31 December	2,651	2,851

Payment for Land Leases

During the year, the new land acquisition was mainly through the cooperation with the joint venture partners and the payment in 2015 mainly represented the land premiums of those joint venture projects located in Langfang and Guangzhou.

MANAGEMENT DISCUSSION AND ANALYSIS

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

The lower net cash from operating activities in 2014 was mainly caused by 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, other than Payment for Land Leases

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 reduction of restricted cash balances relating to the property sales.

Net Cash used in Financing Activities

The increase in net cash used in financing activities for the year was mainly attributable to the repayment of several offshore bank loans in Hong Kong and the property development loans in the PRC, as well as the payment of loan interest.

Liquidity and Financial Resources

As at 31 December 2015, the equity attributable to the owners of the Company was HK\$13,155 million (2014: HK\$13,208 million). Net assets per Share attributable to the owners of the Company was HK\$17.78 (2014: HK\$18.10).

As at 31 December 2015, the Group's total assets were HK\$40,056 million (2014: HK\$42,484 million) and bank balances and cash were HK\$3,072 million (2014: HK\$3,724 million), of which 96% was denominated in Renminbi and the remaining 4% 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 2015, bank balances of HK\$242 million (2014: HK\$322 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\$3,446 million (2014: HK\$4,021 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 are denominated principally in Renminbi. As a result, the Group is exposed to foreign currency risk on the fluctuation of Renminbi and US dollars. On 11 August 2015, the People's Bank of China announced the reform of the foreign exchange fixing, accordingly the Group incurred an exchange loss of HK\$330 million on the 2015 results. The volatility of the value of Renminbi was higher as compared to previous periods.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2015, the Group had provided guarantees of HK\$4,650 million (2014: HK\$5,476 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.

In addition, the Group had provided guarantees of HK\$845 million to banks in connection with the banking facilities granted to the joint venture of the Group as at 31 December 2015.

Employees

Excluding the staff of joint ventures, the Group had 2,584 employees as at 31 December 2015 (2014: 2,394). Expenditure on staff (excluding Directors' emoluments and share-based payment) amounted to HK\$578 million (2014: HK\$536 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

Meanwhile, the China's economy faces downward pressure while property industry is still an important pillar of the economy. It is expected that the PRC government will continue the policy of maintaining stability and the Group is optimistic about the prospect of the property market.

The Group will continue to adopt the strategy that maintains deeper exploitation, and balances profitability and sales volume, researching and developing market-oriented products, enhancing the value-added services of the property management services, and to continuously improve product and service quality and brand appeal. In the meantime, the Group will enhance cooperation with business partners to look for better development. The Group believes that the cooperation with well established PRC enterprises for the development of property projects would allow the Group to invest in larger size projects, share higher profits and diversify financial burden. Together with our market position and a well-developed operation team, the Group has established a solid foundation for the continuous expansion in property business.

The Group believes that the toll road business would provide steady cash flows. By leveraging the experience obtained over the past two decades, the Group ensures a sustainable and stable operation and development.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS



Mr. Zen Wei Pao, William

(aged 68, 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, 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 60, 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 26 years of experience in business development and operation in the PRC. He is the spouse of Ms. Chuk Wing Suet, Josephine.



Mr. Zen Wei Peu, Derek

(aged 63)

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 40 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. Chan Kam Hung

*(aged 57, 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). 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 35 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 53, 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



Mr. Xu Ruxin
(aged 62)

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.

NON-EXECUTIVE DIRECTORS



Mr. Lam Wai Hon, Patrick
(aged 53)

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. Mr. Lam is the Chief Executive Officer and an Executive Director of FSE Holdings Limited. He is a Non-executive Director of NWS Holdings Limited (HK stock code: 659) and was the Vice Chairman and a Non-executive Director of Newton Resources Ltd (HK stock code: 1231) from 20 May 2011 up to his resignation on 2 January 2016 and a Non-executive Director of Wai Kee Holdings Limited (HK stock code: 610) from 22 September 2000 up to his resignation on 30 December 2015. 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. Mou Yong
(aged 53)

Mr. Mou has been appointed as a Non-executive Director of the Company since December 2015. He is an executive director of Shenzhen Investment Limited (HK stock code: 604). He is also a director of 深業集團有限公司 and Shum Yip Holdings Company Limited. He held the positions of the head of Enterprise Leadership Personnel Management and the chief of General Office at The Shenzhen Municipal People's Government State-owned Assets Supervision and Administration Commission. Mr. Mou graduated from Shaanxi University of Technology with major in Chinese Language and Literature and holds an advanced Master of Business Administration degree from Peking University. He is a lawyer of The People's Republic of China and an arbitrator of The Shenzhen Arbitration Commission. Mr. Mou has extensive experience in corporate governance and administrative management.



Mr. Dong Fang
(aged 43)

Mr. Dong has been appointed as a Non-executive Director of the Company since December 2015. He is the Vice President of Shenzhen Investment Limited (HK stock code: 604). He is also the Vice President of 深業集團有限公司 and Shum Yip Holdings Company Limited. He is a director of Shahe Industrial Co., Ltd. (Shenzhen stock code: SZ000014). Mr. Dong served as a general manager of the real estate department and investment department in Shenzhen Investment Limited, and a deputy general manager of 惠州廣河高速公路有限公司. He also worked in the Transport Commission of Shenzhen Municipality. Mr. Dong graduated from Hunan University and holds a Master degree and a senior engineer qualification. He has extensive experience in corporate management, property investment and operation management.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS



Mr. Lau Sai Yung

(aged 68)

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, The Chinese University of Hong Kong. He also holds honorary positions in various schools, charitable and non-profit-making organisations. He holds a Bachelor degree in Business Administration from The Chinese University of Hong Kong. He is a Certified Public Accountant (Practising), a fellow of the Association of Chartered Certified Accountants of the United Kingdom, the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales and The Society of Chinese Accountants and Auditors, Hong Kong, an associate member of The Taxation Institute of Hong Kong, The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators of the United Kingdom, and Certified Tax Adviser. Mr. Lau has over 40 years of experience in the profession of accounting.



Dr. Chow Ming Kuen, Joseph

(aged 74)

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) and Build King Holdings Limited (HK stock code: 240). He was an Independent Non-executive Director of Hsin Chong Construction Group Ltd. (HK stock code: 404) from 17 June 2013 up to his resignation on 1 October 2015. 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



Mr. Tse Chee On, Raymond
(aged 65)

Mr. Tse has been appointed as an Independent Non-executive Director of the Company since October 2012. He is a member of the Remuneration Committee of the Company. 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 66)

Mr. Wong has been appointed as an Independent Non-executive Director of the Company since May 2014. He is a member of the Audit Committee and the Nomination Committee of the Company. 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.



Mr. Zhang Yongliang
(aged 48)

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 Corporate 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

SENIOR MANAGEMENT

Mr. Yu Kam Fat, James

(aged 60)

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 36 years of experience in civil engineering and project management.

Ms. Chuk Wing Suet, Josephine

(aged 44)

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 the property development projects in Shanghai and Changzhou. She holds a Bachelor of Social Science degree and a Master of Business Administration degree. Ms. Chuk has over 22 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 41)

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 20 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 43)

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 20 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 41)

Ms. Diao, joined the Group in 2007, is the Director-in-charge of the property development projects in Beijing and Shandong, and oversees the corporate communication function of the Group. Previously, she was the Associate Director of the Group overseeing the human resources function. Ms. Diao 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

Mr. Ho Ting Fung, Albert

(aged 62)

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 36 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 46)

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 24 years of engineering and project management experience in the PRC and Singapore. He worked for several renowned property developers before joining the Group.

Mr. Tan Qi

(aged 48)

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 11 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 been involved in the development of about 20 complexes comprising residential and commercial office properties in the PRC.

Mr. Luk Ting Nai, Daniel

(aged 45)

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 16 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 50)

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 24 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

Mr. Ng Fun Hung

(aged 43)

Mr. Ng, joined the Group in 2011, is the Financial Controller of the Group responsible for the accounting and tax functions. 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 19 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. Li Jian Jun

(aged 48)

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 16 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.

The Directors present herewith the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Group, including the 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 41 and 19 to the consolidated financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 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\$96.19 million was paid to the Shareholders in September 2015.

The Directors recommend the payment of a final dividend of HK\$0.35 per Share to the Shareholders whose names appear on the register of members of the Company on Friday, 27 May 2016 amounting to approximately HK\$258.98 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 Friday, 17 June 2016, 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 Tuesday, 17 May 2016 to Thursday, 19 May 2016, 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 Monday, 16 May 2016 for registration.

To qualify for the proposed final dividend

The register of members of the Company will also be closed from Thursday, 26 May 2016 to Friday, 27 May 2016, 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, 25 May 2016 for registration.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2015 is set out in the sections headed "Financial Highlights", "Chairman's Statement", "Chief Executive Officer's Report", "Management Discussion and Analysis", "Corporate Governance Report", "Consolidated Financial Statements" and "Financial Summary" on pages 2 to 3, pages 4 to 5, pages 6 to 7, pages 10 to 39, pages 59 to 70, pages F-3 to F-79 and page F-80 respectively. Description of the principal risks and uncertainties facing the Group can be found throughout this annual report.

DIRECTORS' REPORT

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 25 and 26 to the consolidated financial statements respectively.

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 2015 were approximately HK\$2,340,064,000.

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 27 to the consolidated financial statements.

RETIREMENT BENEFIT PLANS

Particulars of the retirement benefit plans of the Group are set out in note 33 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-80 of this annual report.

DIRECTORS' REPORT

MAJOR SUPPLIERS AND CUSTOMERS

The aggregate amount of purchases and revenue from property sales attributable to the Group's five largest suppliers and customers were less than 30% of the total value of the Group's purchases and revenue from property sales 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*)

Zen Wei Peu, Derek

Chan Kam Hung (*Chief Operating Officer*)

Fong Shiu Leung, Keter (*Finance Director*)

Xu Ruxin

Non-executive Directors:

Lam Wai Hon, Patrick

Mou Yong (appointed on 11 December 2015)

Dong Fang (appointed on 11 December 2015)

Lu Hua (resigned on 11 December 2015)

Gao Shengyuan (resigned on 11 December 2015)

Independent Non-executive Directors:

Lau Sai Yung

Chow Ming Kuen, Joseph

Tse Chee On, Raymond

Wong Wai Ho

Zhang Yongliang

Pursuant to Bye-law 86(2) of the Company's Bye-laws (the "Bye-laws"), Messrs. Mou Yong and Dong Fang, appointed as the Directors by the Board in 2015, 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, Messrs. Ko Yuk Bing, Chan Kam Hung, Fong Shiu Leung, Keter and Tse Chee On, Raymond 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' REPORT

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws, every Director and everyone of their heirs, executors and administrators, shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts.

The Company has arranged appropriate directors and officers liability insurance coverage for its Directors and officers.

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
Lam Wai Hon, Patrick	NWS Holdings Limited and its subsidiaries	Development, operation and management of toll roads in the PRC	Director
Mou Yong	Shenzhen Investment Limited group of companies (including its holding companies)	Property development, investment and management in the PRC	Director
Dong Fang	Shenzhen Investment Limited group of companies (including its holding companies)	Property development, investment and management in the PRC	Director
	Shahe Industrial Co., Ltd.	Property development, investment and management in the PRC	Director

DIRECTORS' REPORT

DISCLOSURE OF INTERESTS

Directors' Interests and Short Positions

As at 31 December 2015, 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	1	224,000	–	0.03
Ko Yuk Bing	Personal	1 & 3	2,100,000	–	0.28
Zen Wei Peu, Derek	Personal	1	14,495,000	–	1.96
		2	1,500,000	–	0.20
Chan Kam Hung	Personal	1	740,000	–	0.10
		2	1,400,000	–	0.19
Fong Shiu Leung, Keter	Personal	1	400,000	–	0.05
		2	1,200,000	–	0.16
Xu Ruxin	Personal	1	150,000	–	0.02
		2	800,000	–	0.11
Lam Wai Hon, Patrick	Personal	1	100,000	–	0.01
		2	50,000	–	0.01
Lau Sai Yung	Personal	1	455,000	–	0.06
		2	150,000	–	0.02
Chow Ming Kuen, Joseph	Personal	2	150,000	–	0.02
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 balance is 960,000 Shares held by Ms. Chuk Wing Suet, Josephine, the spouse of Mr. Ko Yuk Bing.
4. The percentage was calculated based on 739,936,566 Shares in issue as at 31 December 2015.

DIRECTORS' REPORT

(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 26 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 31.12.2015	Weighted average closing price HK\$ (Note 4)
		Balance at 01.01.2015	Granted during the year	Exercised during the year	Lapsed during the year		
Directors							
Zen Wei Pao, William	1	1,400,000	–	(1,400,000)	–	–	7.13
	2	2,000,000	–	(2,000,000)	–	–	8.15
Ko Yuk Bing	1 & 3	2,100,000	–	(2,100,000)	–	–	7.13
	2 & 3	2,600,000	–	(2,600,000)	–	–	8.15
Zen Wei Peu, Derek	1	850,000	–	(850,000)	–	–	7.13
	2	1,500,000	–	–	–	1,500,000	–
Chan Kam Hung	1	900,000	–	(240,000)	(660,000)	–	7.13
	2	1,400,000	–	–	–	1,400,000	–
Fong Shiu Leung, Keter	1	900,000	–	(200,000)	(700,000)	–	7.13
	2	1,400,000	–	(200,000)	–	1,200,000	8.15
Xu Ruxin	1	150,000	–	(150,000)	–	–	7.13
	2	800,000	–	–	–	800,000	–
Lam Wai Hon, Patrick	2	150,000	–	(100,000)	–	50,000	7.99
Lau Sai Yung	1	150,000	–	(150,000)	–	–	7.13
	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	–
Total		16,850,000	–	(9,990,000)	(1,510,000)	5,350,000	
Others							
Employees	1	4,755,000	–	(50,000)	(4,705,000)	–	7.14
	2	5,250,000	–	(200,000)	–	5,050,000	7.93
Total		10,005,000	–	(250,000)	(4,705,000)	5,050,000	
Grand Total		26,855,000	–	(10,240,000)	(6,215,000)	10,400,000	

DIRECTORS' REPORT

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 balance as at 1 January 2015 is 800,000 share options at an exercise price of HK\$6.79 and 800,000 share options at an exercise price of HK\$7.13 of the Company held by Ms. Chuk Wing Suet, Josephine, the spouse of Mr. Ko Yuk Bing.
4. 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	RMB11,000,000 (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	RMB14,500,000 ^(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 RMB14,500,000 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

EQUITY-LINKED AGREEMENTS

Save as disclosed in the subsection headed "Underlying Shares – Share Options" of "Disclosure of Interests", no equity-linked agreements were entered into during the year or subsisted at the end of the year.

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 2015, 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 11)
		Long position (Note 1)	Short position	
Wai Kee (Note 2)	Interest in controlled corporation	299,565,428	–	40.49
Wai Kee (Zens) Holding Limited (Note 3)	Interest in controlled corporation	299,565,428	–	40.49
Groove Trading Limited (Note 4)	Beneficial owner	65,918,000	–	8.91
Wai Kee China Investments (BVI) Company Limited (Note 4)	Interest in controlled corporation	230,647,428	–	31.17
Wai Kee China Investments Company Limited (Note 5)	Interest in controlled corporation	230,647,428	–	31.17
ZWP Investments Limited (Note 6)	Beneficial owner	230,647,428	–	31.17
深業集團有限公司 (Shum Yip Group Limited*) (Note 7)	Interest in controlled corporation	202,334,142	–	27.34
Shum Yip Holdings Company Limited (Note 8)	Interest in controlled corporation	202,334,142	–	27.34
Shenzhen Investment Limited (Note 9)	Interest in controlled corporation	202,334,142	–	27.34
Hover Limited (Note 10)	Beneficial owner	202,334,142	–	27.34

DIRECTORS' REPORT

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.
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 approximately 60.69% 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.
11. The percentage was calculated based on 739,936,566 Shares in issue as at 31 December 2015.

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 purpose only

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE GROUP

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 2015.

DONATIONS

During the year, donations made by the Group were HK\$5,724,000.

DIRECTORS' REPORT

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.

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 a share option scheme as an incentive to the Directors and eligible employees, details of the schemes are set out in note 26 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

On 22 October 2015, RKP Finance (2012) Limited ("RKP Finance"), a wholly-owned subsidiary of the Company, was granted a US\$30 million term loan facility with final maturity date of 36 months from the first utilisation date of the loan facility (the "US\$30 million Loan Facility"). For so long as the US\$30 million Loan Facility is made available to RKP 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.

On 23 December 2015, RKI Finance (2012) Limited ("RKI Finance"), a wholly-owned subsidiary of the Company, was granted a US\$50 million term loan facility with final maturity date of 36 months from the utilisation date of the loan facility (the "US\$50 million Loan Facility"). For so long as the US\$50 million Loan Facility is made available to RKI 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.

In addition to the loan facilities disclosed pursuant to Rule 13.18, the Group was also granted a HK\$200 million term loan facility with final maturity date of 12 months from the utilisation date of the loan facility during the year.

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. Lam Wai Hon, Patrick	<p>He was appointed as the Chief Executive Officer and an Executive Director of FSE Holdings Limited with effect from 1 January 2016, and was re-designated as a Non-executive Director of NWS Holdings Limited with effect from 1 January 2016.</p> <p>He resigned as a Non-executive Director of Wai Kee Holdings Limited, and the Vice Chairman and a Non-executive Director of Newton Resources Ltd with effect from 30 December 2015 and 2 January 2016 respectively.</p>
Mr. Mou Yong	<p>He was appointed as a Non-executive Director of the Company on 11 December 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.</p>
Mr. Dong Fang	<p>He was appointed as a Non-executive Director of the Company on 11 December 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.</p>
Dr. Chow Ming Kuen, Joseph	<p>He resigned as an Independent Non-executive Director of Hsin Chong Construction Group Ltd. with effect from 1 October 2015.</p>

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.

DIRECTORS' REPORT

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, 18 March 2016

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 2015, 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>)	Lam Wai Hon, Patrick	Lau Sai Yung
Ko Yuk Bing (<i>Deputy Chairman, Managing Director and Chief Executive Officer</i>)	Mou Yong Dong Fang	Chow Ming Kuen, Joseph Tse Chee On, Raymond
Zen Wei Peu, Derek		Wong Wai Ho
Chan Kam Hung (<i>Chief Operating Officer</i>)		Zhang Yongliang
Fong Shiu Leung, Keter (<i>Finance Director</i>)		
Xu Ruxin		

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.

CORPORATE GOVERNANCE REPORT

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 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 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.

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.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2015 and up to the date of this report, the Board reviewed the Company's compliance with the Code for the years ended 31 December 2014 and 2015 together with six months ended 30 June 2015, and the Company's disclosures in the Corporate Governance Reports for the years ended 31 December 2014 and 2015.

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.

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, and the annual general meeting held on 15 May 2015 are set out below:

Name of Directors	Meetings attended/held				Annual General Meeting held on 15 May 2015
	Board	Audit Committee	Nomination Committee	Remuneration Committee	
Executive Directors					
Zen Wei Pao, William	4/4	–	4/4	3/3	1/1
Ko Yuk Bing	4/4	–	–	–	1/1
Zen Wei Peu, Derek	4/4	–	–	–	1/1
Chan Kam Hung	4/4	–	–	–	1/1
Fong Shiu Leung, Keter	4/4	–	–	–	1/1
Xu Ruxin	3/4	–	–	–	1/1
Non-executive Directors					
Lam Wai Hon, Patrick	2/4	1/2	–	–	1/1
Mou Yong (appointed on 11 December 2015)	–	–	–	–	–
Dong Fang (appointed on 11 December 2015)	–	–	–	–	–
Lu Hua (resigned on 11 December 2015)	2/4	–	–	–	0/1
Gao Shengyuan (resigned on 11 December 2015)	0/4	–	–	–	0/1
Independent Non-executive Directors					
Lau Sai Yung	4/4	2/2	4/4	3/3	1/1
Chow Ming Kuen, Joseph	4/4	2/2	3/4	3/3	1/1
Tse Chee On, Raymond	4/4	–	–	1/1*	1/1
Wong Wai Ho	3/4	–	1/1*	–	1/1
Zhang Yongliang	2/3	–	–	–	0/1

CORPORATE GOVERNANCE REPORT

Note:

"-": Not Applicable

"*": Mr. Tse Chee On, Raymond was appointed as a member of the Remuneration Committee of the Company with effect from 20 August 2015.

Mr. Wong Wai Ho was appointed as a member of the Audit Committee and the Nomination Committee of the Company with effect from 20 August 2015.

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.

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 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 (or his associate) is materially interested nor shall he 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

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 2015 to 31 December 2015 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
Zen Wei Peu, Derek	B,C
Chan Kam Hung	B,C
Fong Shiu Leung, Keter	B,C
Xu Ruxin	B,C
Non-executive Directors	
Lam Wai Hon, Patrick	A,B,C
Mou Yong	B,C
Dong Fang	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
Zhang Yongliang	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.

Messrs. Mou Yong and Dong Fang (appointed in December 2015) received and went through a comprehensive induction package including the statutory and regulatory obligations of a director of a listed company respectively.

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.

CORPORATE GOVERNANCE REPORT

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.

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 two Non-executive Directors and one Independent Non-executive Director appointed by the Board 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 four members, namely Mr. Lau Sai Yung (Chairman of the Audit Committee), Mr. Lam Wai Hon, Patrick, Dr. Chow Ming Kuen, Joseph and Mr. Wong Wai Ho. 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 systems, risk management 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.

CORPORATE GOVERNANCE REPORT

Summary of Work Done

The following is a summary of major work performed by the Audit Committee during the year ended 31 December 2015 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 2014 and 2015, and the interim results of the Group for the six months ended 30 June 2015;
- Review of the Group's financial information, financial reporting procedures, internal control systems, risk management, and financial and accounting policies and practices;
- 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 2015;
- 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 2015 and 2016 annual general meetings;
- Review of the effectiveness of the internal audit function of the Company;
- Approval of the 2016 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 four members, namely Mr. Zen Wei Pao, William (Chairman of the Nomination Committee), Mr. Lau Sai Yung, Dr. Chow Ming Kuen, Joseph and Mr. Wong Wai Ho. 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.

CORPORATE GOVERNANCE REPORT

Summary of Work Done

The following is a summary of the work performed by the Nomination Committee during the year ended 31 December 2015 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 two Non-executive Directors and one Independent Non-executive Director;
- Recommendation to the Board on the nomination of members to the Audit, Nomination and Remuneration Committees; and
- Determination the rotation of the Directors for the forthcoming AGM.

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 four members, namely Dr. Chow Ming Kuen, Joseph (Chairman of the Remuneration Committee), Messrs. Zen Wei Pao, William, Lau Sai Yung and Tse Chee On, Raymond. 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 2015 and up to the date of this report:

- Review and approval of the Company's remuneration policy for 2015 and 2016;
- 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 remuneration and bonus policy of senior management;
- Recommendation to the Board on the remuneration of the newly appointed Non-executive Directors and Independent Non-executive Director;

CORPORATE GOVERNANCE REPORT

- Approval of remuneration of promoted senior staff and retirement payment to senior staff; and
- Review of the proposed Employees Partnership Scheme of the Company.

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 own remuneration.

The remuneration of a Director is determined with reference to his duties and responsibilities with the Company and the prevailing market situation. Details of the emoluments of the Directors during the year ended 31 December 2015 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 2015 were within the following bands:

	Number of Senior Management
Up to HK\$2,000,000	2
HK\$2,000,001 to HK\$3,000,000	4
HK\$3,000,001 to HK\$4,000,000	5
HK\$4,000,001 to HK\$5,000,000	1

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 Messrs. Ko Yuk Bing (Chairman of the Property Business Management Committee), Zen Wei Peu, Derek, Chan Kam Hung, Fong Shiu Leung, Keter and 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.

CORPORATE GOVERNANCE REPORT

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 2015.

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.

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 2015 until the conclusion of the next annual general meeting.

The fees paid/payable to external auditor for audit and non-audit services for the year ended 31 December 2015 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	1,746,000
Total	<u>6,926,000</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.

CORPORATE GOVERNANCE REPORT

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 2015. The Audit Committee considered the internal control system of the Company and its subsidiaries was effective and adequate.

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.

CORPORATE GOVERNANCE 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.

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 2015 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, namely the "Peking University China Finance 40 Forum Road King Scholarship (北京大學中國金融四十人路勁獎學金班)" (formerly known as "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, the programmes of which are supported by China Finance Academic Think Tank – China Finance 40 Forum.

In addition, the Group since 2013, 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.

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
“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

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”	$\frac{\text{Total equity attributable to owners of the Company}}{\text{Number of Shares in issue as at 31 December 2015}}$

TOLL ROAD PROJECTS

Anhui Province

“Heye Highway” National Highway 312 Hefei-Yeji Highway

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

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

PROPERTY PROJECTS

“Jinan University Project”	The project locates at North of University Road, West of Ziwei Road (No. 3), University Technology Zone, Changqing District, Jinan, Shandong Province, 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 (Zhenjiang)”	The project locates at South of Yihou Road and West of Yandun Shan Road, Dagang Town, Zhenjiang, Jiangsu 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 Grandtown”	The project locates at Xiadian Town, Dachang County, Langfang, Hebei 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 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 (Luoyang)”	The project locates at Southwest of the junction of Yanhuang Road and Tianzhong Road, Gaoxin District, Luoyang, Henan Province, the PRC
“RK Leader of Life (Tianjin)”	The project locates at Chengguan Town, Ji County, Tianjin, the PRC

GLOSSARY

“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 Shanghai Manor”	The project locates at lane 589, Hengrong Road, Waigang Town, Jiading District, Shanghai, the PRC
“RK Shanghai Style Phase I”	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 Style Phase II”	The project locates at East of Yutang 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 Vista Panorama (Guangzhou)”	The project locates at Baohua Road, Huadu District, Guangzhou, Guangdong 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

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

Lam Wai Hon, Patrick
Mou Yong
Dong Fang

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*)
Zen Wei Peu, Derek
Chan Kam Hung
Fong Shiu Leung, Keter
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
Wong Wai Ho

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

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
China CITIC Bank Corporation Limited
China Construction Bank Corporation
Industrial and Commercial Bank of China Limited

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

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>



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 (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages F-3 to F-79, which comprise the consolidated statement of financial position as at 31 December 2015, 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 financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

18 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	NOTES	2015 HK\$'000	2014 HK\$'000
Revenue	7	12,509,646	12,730,104
Cost of sales		(9,626,650)	(9,396,035)
Gross profit		2,882,996	3,334,069
Interest income		86,557	48,569
Other income		43,708	67,723
Other gains and losses	9	(171,987)	(16,597)
Selling expenses		(367,459)	(379,287)
Administrative expenses		(518,964)	(541,475)
Share of results of joint ventures	10	261,018	203,702
Finance costs	11	(233,346)	(216,049)
Profit before taxation	12	1,982,523	2,500,655
Income tax expenses	14	(1,154,213)	(1,471,272)
Profit for the year		828,310	1,029,383
Profit attributable to:			
Owners of the Company		820,005	1,005,018
Non-controlling interests		8,305	24,365
		828,310	1,029,383
Earnings per share	16		
– Basic		HK\$1.11	HK\$1.37
– Diluted		HK\$1.11	HK\$1.37

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
Profit for the year	828,310	1,029,383
Other comprehensive expense		
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation to presentation currency	(547,096)	(54,217)
Total comprehensive income for the year	281,214	975,166
Total comprehensive income (expense) attributable to:		
Owners of the Company	305,405	954,254
Non-controlling interests	(24,191)	20,912
	281,214	975,166

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	NOTES	2015 HK\$'000	2014 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	33,503	41,214
Investment properties	18	2,193,098	2,243,909
Interests in joint ventures	19	5,108,141	4,372,557
Deferred tax assets	29	56,229	49,193
Loans to joint ventures	20	1,596,933	470,525
		8,987,904	7,177,398
Current assets			
Inventory of properties	21	25,247,436	28,446,105
Prepayment for land leases	22	480,201	886,299
Loans to joint ventures	20	179,366	167,614
Debtors, deposits and prepayments	23	1,455,019	1,395,396
Prepaid income tax		392,726	364,450
Pledged bank deposits	24	241,932	322,335
Bank balances and cash	24	3,071,723	3,724,192
		31,068,403	35,306,391
Total assets		40,056,307	42,483,789
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	25	73,994	72,970
Reserves		13,081,403	13,134,921
		13,155,397	13,207,891
Non-controlling interests		820,470	844,661
Total equity		13,975,867	14,052,552
Non-current liabilities			
Bank and other borrowings – due after one year	27	7,226,144	9,600,290
Loans from non-controlling interests of subsidiaries	28	180,000	167,457
Deferred tax liabilities	29	586,532	634,853
		7,992,676	10,402,600
Current liabilities			
Creditors and accrued charges	30	5,775,998	6,104,137
Deposits from pre-sale of properties		4,548,201	5,606,260
Income tax payable		895,891	872,346
Bank and other borrowings – due within one year	27	6,224,230	4,788,420
Loans from non-controlling interests of subsidiaries	28	374,741	540,681
Other financial liabilities	31	268,703	116,793
		18,087,764	18,028,637
Total equity and liabilities		40,056,307	42,483,789

The consolidated financial statements on pages F-3 to F-79 were approved and authorised for issue by the Board of Directors on 18 March 2016 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 2015

	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 (note a)	HK\$'000	HK\$'000 (note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2014	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 (expense) 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
Profit for the year	-	-	-	-	-	-	-	820,005	820,005	8,305	828,310
Exchange differences arising on translation to presentation currency	-	-	(514,600)	-	-	-	-	-	(514,600)	(32,496)	(547,096)
Total comprehensive (expense) income for the year	-	-	(514,600)	-	-	-	-	820,005	305,405	(24,191)	281,214
Sub-total	72,970	3,072,836	1,692,851	1,260,000	24,472	911,129	-	6,479,038	13,513,296	820,470	14,333,766
Issue of ordinary shares upon exercise of share options	1,024	80,150	-	-	(9,910)	-	-	-	71,264	-	71,264
Cancellation of share options	-	-	-	-	(8,226)	-	-	8,226	-	-	-
Released upon strike-off of subsidiaries of the Company	-	-	(25,047)	-	-	-	-	25,047	-	-	-
Dividends	-	-	-	-	-	-	-	(429,163)	(429,163)	-	(429,163)
Appropriation	-	-	-	-	-	328,385	-	(328,385)	-	-	-
Balance at 31 December 2015	73,994	3,152,986	1,667,804	1,260,000	6,336	1,239,514	-	5,754,763	13,155,397	820,470	13,975,867

Notes:

- 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.
- 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.
- 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. 1,311,000 ordinary shares repurchased in 2013 with consideration of HK\$9,794,000 were cancelled in February 2014.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

NOTES	2015 HK\$'000	2014 HK\$'000
Operating activities		
Profit before taxation	1,982,523	2,500,655
Adjustments for:		
Depreciation of property, plant and equipment	12,596	13,322
Fair value gains on transfer of completed properties held for sale to investment properties	(62,735)	–
Change in fair value of investment properties	(92,936)	(127,736)
Change in fair value of other financial liabilities	128,273	83,197
Interest income	(86,557)	(48,569)
Finance costs	233,346	216,049
Gain on disposal of interest in a joint venture	(2,145)	–
Share of results of joint ventures	(261,018)	(203,702)
Gains on disposal of property, plant and equipment, net	(206)	(588)
Operating cash flows before movements in working capital	1,851,141	2,432,628
(Increase) decrease in debtors, deposits and prepayments	(70,849)	202,351
Increase in completed properties held for sale	(131,236)	(2,265,167)
Decrease in properties under development for sale	4,600,675	5,762,633
(Decrease) increase in creditors and accrued charges	(131,360)	644,717
Decrease in deposits from pre-sale of properties	(880,300)	(2,561,350)
Payment for land leases	(542,049)	(4,349,191)
Cash generated from (used in) operations	4,696,022	(133,379)
Income tax paid	(1,139,281)	(2,080,271)
Net cash generated from (used in) operating activities	3,556,741	(2,213,650)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	NOTES	2015 HK\$'000	2014 HK\$'000
Investing activities			
Cash distributions/dividends received from joint ventures		473,259	463,346
Additions to investment properties		–	(13,354)
Decrease (increase) in pledged bank deposits		70,183	(172,005)
Interest received		53,539	48,819
Proceeds on disposal of property, plant and equipment		585	2,469
Proceeds on disposal of investment properties		152,787	94,782
Net proceeds on disposal of interest in a joint venture	34	32,341	–
Cash outflow arising on disposal of a subsidiary	35	–	(1,208)
Settlement of other receivables		–	34,049
Purchases of property, plant and equipment		(7,828)	(14,210)
Net cash received from other financial liabilities		26,746	83,246
Repayment of loans to joint ventures		93,513	263,329
Decrease in restricted bank balances		424,675	461,315
Acquisition of joint ventures		(1,024,040)	(444,309)
Capital contributions to joint ventures		(156,428)	(390,194)
Loans to joint ventures		(1,256,575)	(27,157)
Net cash (used in) from investing activities		(1,117,243)	388,918
Financing activities			
New borrowings raised		3,282,119	7,358,333
Repayment of borrowings		(4,027,648)	(6,545,194)
Capital contributions from non-controlling interests of subsidiaries		–	132,266
Loans from non-controlling interests of subsidiaries		–	67,339
Repayment of loans from non-controlling interests of subsidiaries		(125,762)	(34,327)
Issue of ordinary shares		71,264	1,053
Repurchase of ordinary shares		–	(30,369)
Dividends paid		(429,163)	(388,816)
Interest paid		(1,320,018)	(1,193,622)
Net cash used in financing activities		(2,549,208)	(633,337)
Net decrease in cash and cash equivalents		(109,710)	(2,458,069)
Cash and cash equivalents at beginning of the year		2,851,433	5,336,386
Effect of foreign exchange rate changes		(90,411)	(26,884)
Cash and cash equivalents at end of the year, represented by bank balances and cash	32	2,651,312	2,851,433

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 41 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 ("HKFRSs")

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

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

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

¹ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

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 in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (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 anticipate that 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 is not significant.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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 (“CO”).

The provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors’ reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (Continued)

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.

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.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Basis of consolidation *(Continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

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), 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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 profit or loss in the period in which the item is derecognised.

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

Joint ventures

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Joint ventures *(Continued)*

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 of disposal) 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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.

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 except for exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing

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

The Group as lessor

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

Contingent rental income (representing income over and above base rent), 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Taxation *(Continued)*

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

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

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

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

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

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount of initial recognition.

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

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, 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).

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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 and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(Continued)*

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 have expired. 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

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 2015 was HK\$3,628,714,000 (2014: HK\$4,004,726,000).

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 2015 was HK\$3,628,714,000 (2014: HK\$4,004,726,000).

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 2015 was HK\$18,789,743,000 (2014: HK\$22,151,851,000).

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 27 and 28 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

	2015 HK\$'000	2014 HK\$'000
Financial assets		
Loans and receivables at amortised cost (including cash and cash equivalents)	6,329,873	5,758,980
Financial liabilities		
Liabilities at amortised cost	19,781,113	21,200,985
Other financial liabilities	268,703	116,793

(b) Financial risk management objectives and policies

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS (CONTINUED)

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

(i) Market risk

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

Foreign currency risk management

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

	Assets		Liabilities	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
United States dollars	81,416	65,452	6,973,070	7,143,051
Hong Kong dollars	51,705	25,696	239,883	400,858

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	
	2015 HK\$'000	2014 HK\$'000
United States dollars	344,583	353,880
Hong Kong dollars	9,409	18,758

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 50 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 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2015 would decrease/increase by HK\$3,564,000 (2014: HK\$3,819,000) after capitalisation of finance costs in properties under development for sale of HK\$18,713,000 (2014: HK\$20,050,000).

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\$134,146,000 (2014: HK\$139,593,000) where Renminbi strengthens/weakens by 5% against United States dollars.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

(ii) Credit risk management

As at 31 December 2015, 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 37.

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 and deferred consideration on disposal of interests in joint ventures as mentioned in notes 20 and 23 respectively, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties having similar characteristics.

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.

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 2015

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	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
2015								
Creditors and accrued charges	-	5,775,998	-	-	-	-	5,775,998	5,775,998
Bank and other borrowings								
- fixed rate	7.35	1,509,829	4,189,537	3,623,597	478,952	422,689	10,224,604	8,994,879
- variable rate	4.89	270,749	1,202,573	2,696,955	579,935	-	4,750,212	4,455,495
Loans from non-controlling interests of subsidiaries	6.79	39,579	366,759	183,873	-	-	590,211	554,741
Financial guarantee contracts	-	5,495,511	-	-	-	-	5,495,511	-
		13,091,666	5,758,869	6,504,425	1,058,887	422,689	26,836,536	19,781,113
Cross-currency swap contract								
- gross settlement								
- inflows		(80,708)	(2,763,194)	-	-	-	(2,843,902)	N/A
- outflows		68,573	2,872,705	-	-	-	2,941,278	N/A
		(12,135)	109,511	-	-	-	97,376	268,703
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 contract								
- 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 2015	9,000	396,461	–	405,461	387,500
At 31 December 2014	8,321	397,012	–	405,333	388,001

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value of financial instruments

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

- the fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis;
- 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.

Fair value measurements

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

The other financial liabilities comprising cross-currency interest rate swap contracts of HK\$268,703,000 (2014: HK\$116,793,000) 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 2015 and 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value of financial instruments (Continued)

Fair value measurements (Continued)

(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 2015 and 2014 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 2015		31 December 2014	
	Carrying amount HK\$'000	Fair value HK\$'000	Carrying amount HK\$'000	Fair value HK\$'000
2012 Guaranteed senior notes	2,736,975	2,861,688	2,723,744	2,864,891
2013 Guaranteed senior notes	2,674,197	2,656,098	2,773,451	2,733,165

7. REVENUE

	2015 HK\$'000	2014 HK\$'000
Revenue of the Group		
Sale of completed properties held for sale	12,205,731	12,475,778
Gross rental income from properties	66,911	62,420
Property management income	237,004	191,906
	12,509,646	12,730,104
Group's share of toll revenue of infrastructure joint ventures	1,090,009	968,270
Revenue of the Group and Group's share of toll revenue of infrastructure joint ventures	13,599,655	13,698,374

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 2015

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:

	2015			2014		
	Toll road HK\$'000	Property development and investment HK\$'000	Total HK\$'000	Toll road HK\$'000	Property development and investment HK\$'000	Total HK\$'000
Segment revenue	-	12,509,646	12,509,646	-	12,730,104	12,730,104
Segment profit	211,696	822,582	1,034,278	118,980	1,061,033	1,180,013
Segment assets (including interests in joint ventures)	4,094,399	33,245,218	37,339,617	4,545,707	35,310,519	39,856,226
Segment liabilities	(32,175)	(24,431,923)	(24,464,098)	(93,397)	(26,846,478)	(26,939,875)
Other segment information						
Amounts included in the measure of segment profit or segment assets:						
Interest income	14,957	71,015	85,972	21,055	26,996	48,051
Gain on disposal of interest in a joint venture	2,145	-	2,145	-	-	-
Fair value gains on transfer of completed properties held for sale to investment properties	-	62,735	62,735	-	-	-
Change in fair value of investment properties	-	92,936	92,936	-	127,736	127,736
Depreciation	(289)	(11,648)	(11,937)	(182)	(12,346)	(12,528)
Finance costs	(3,392)	(204,966)	(208,358)	(3,439)	(173,781)	(177,220)
Income tax expenses	(28,304)	(1,125,589)	(1,153,893)	(31,772)	(1,439,500)	(1,471,272)
Share of results of joint ventures	277,940	(13,401)	264,539	187,954	16,979	204,933
Interests in joint ventures	3,628,714	1,474,899	5,103,613	4,004,726	357,648	4,362,374
Additions to non-current assets during the year	53	1,188,206	1,188,259	722,402	336,623	1,059,025

8. SEGMENT INFORMATION *(CONTINUED)*

(a) Measurement

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

Segment profit represents profit earned by each segment, which includes share of results of joint ventures, gain on disposal of interest in a joint venture, 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.

Segment assets include property, plant and equipment, investment properties, interests in joint ventures, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

8. SEGMENT INFORMATION (CONTINUED)

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

	2015 HK\$'000	2014 HK\$'000
Total segment profit	1,034,278	1,180,013
Unallocated items:		
Interest income	585	518
Corporate income	5,577	61
Corporate expenses	(183,301)	(111,149)
Finance costs	(24,988)	(38,829)
Income tax expenses	(320)	–
Share of losses of joint ventures	(3,521)	(1,231)
Consolidated profit for the year	828,310	1,029,383
Total segment assets	37,339,617	39,856,226
Unallocated assets:		
Property, plant and equipment	322	965
Interests in joint ventures	4,528	10,183
Deposits and prepayments	207,602	5,023
Bank balances and cash	2,504,238	2,611,392
Consolidated total assets	40,056,307	42,483,789
Total segment liabilities	(24,464,098)	(26,939,875)
Unallocated liabilities:		
Accrued charges	(109,972)	(102,338)
Bank and other borrowings	(1,237,667)	(1,272,231)
Other financial liabilities	(268,703)	(116,793)
Consolidated total liabilities	(26,080,440)	(28,431,237)

(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 from investment properties.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

9. OTHER GAINS AND LOSSES

	2015 HK\$'000	2014 HK\$'000
Gain on disposal of interest in a joint venture	2,145	–
Gains on disposal of property, plant and equipment	206	588
Fair value gains on transfer of completed properties held for sale to investment properties	62,735	–
Change in fair value of investment properties	92,936	127,736
Change in fair value of other financial liabilities	(128,273)	(83,197)
Net exchange losses	(201,736)	(61,724)
	(171,987)	(16,597)

10. SHARE OF RESULTS OF JOINT VENTURES

	2015 HK\$'000	2014 HK\$'000
Share of profits of infrastructure joint ventures before amortisation and taxation	598,786	491,075
Less share of: Amortisation of toll road operation rights	(180,780)	(182,654)
Income tax expenses	(140,066)	(120,467)
	277,940	187,954
Share of (losses) profits of other joint ventures	(16,922)	15,748
	261,018	203,702

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

11. FINANCE COSTS

	2015 HK\$'000	2014 HK\$'000
Interest on borrowings	1,291,873	1,152,917
Other finance costs	124,149	190,821
	1,416,022	1,343,738
Less: Capitalised in properties under development for sale	(1,182,676)	(1,127,689)
	233,346	216,049

Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 7.68% (2014: 8.13%) per annum to expenditure on qualifying assets.

12. PROFIT BEFORE TAXATION

	2015 HK\$'000	2014 HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	13,992	14,907
Less: Capitalised in properties under development for sale	(1,396)	(1,585)
	12,596	13,322
Minimum lease payments paid under operating lease rentals in respect of land and buildings	18,599	21,333
Less: Capitalised in properties under development for sale	–	(135)
	18,599	21,198
Salaries and other benefits	503,697	467,914
Provident fund scheme contributions, net of forfeited contributions of HK\$47,000 (2014: HK\$872,000)	74,159	68,482
Less: Capitalised in properties under development for sale	(135,313)	(133,606)
Total staff costs (excluding Directors' emoluments)	442,543	402,790
Audit fee	3,980	3,980
Cost of inventory of properties recognised as an expense	9,440,691	9,221,004
and after crediting:		
Bank interest income	28,855	26,118

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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	2015 Total HK\$'000
Executive Directors						
Zen Wei Pao, William		–	6,756	7,494	676	14,926
Ko Yuk Bing	(a)	–	7,296	6,068	577	13,941
Zen Wei Peu, Derek		–	4,273	237	18	4,528
Chan Kam Hung		–	4,062	2,124	406	6,592
Fong Shiu Leung, Keter		–	3,367	1,820	337	5,524
Xu Ruxin		–	2,059	700	154	2,913
Non-executive Directors						
Lam Wai Hon, Patrick		380	–	–	–	380
Mou Yong	(b)	16	–	–	–	16
Dong Fang	(b)	16	–	–	–	16
Lu Hua	(c)	256	–	–	–	256
Gao Shengyuan	(d)	256	–	–	–	256
Independent Non-executive Directors						
Lau Sai Yung		510	–	–	–	510
Chow Ming Kuen, Joseph		500	–	–	–	500
Tse Chee On, Raymond		308	–	–	–	308
Wong Wai Ho		365	–	–	–	365
Zhang Yongliang	(e)	244	–	–	–	244
		2,851	27,813	18,443	2,168	51,275

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

Notes:

- (a) Mr. Ko Yuk Bing's emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.
- (b) Mr. Mou Yong and Mr. Dong Fang were appointed as Non-executive Directors of the Company on 11 December 2015.
- (c) Mr. Lu Hua resigned as a Non-executive Director of the Company on 11 December 2015.
- (d) Mr. Gao Shengyuan was appointed as a Non-executive Director of the Company on 23 May 2014 and resigned on 11 December 2015.
- (e) Mr. Zhang Yongliang was appointed as an Independent Non-executive Director of the Company on 16 February 2015.
- (f) Ms. Nie Meisheng resigned as an Independent Non-executive Director of the Company on 3 November 2014.

In addition to the above Directors' emoluments, the details of share options held by individual Directors at 31 December 2015 and 31 December 2014 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 2015

14. INCOME TAX EXPENSES

	2015 HK\$'000	2014 HK\$'000
Current tax:		
PRC enterprise income tax ("EIT")	678,074	822,635
PRC land appreciation tax ("LAT")	382,124	553,797
PRC withholding tax	127,485	58,172
	1,187,683	1,434,604
Deferred tax (note 29)	(33,470)	36,668
	1,154,213	1,471,272

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:

	2015 HK\$'000	2014 HK\$'000
Profit before taxation	1,982,523	2,500,655
Tax at the applicable income tax rate of 25% (2014: 25%) (note)	495,631	625,164
LAT provision	382,124	553,797
Tax effect of LAT	(95,531)	(138,449)
Tax effect of expenses not deductible for tax purpose	413,838	459,391
Tax effect of income not taxable for tax purpose	(14,035)	(23,748)
Tax effect of share of results of joint ventures	(65,255)	(50,926)
Tax effect of tax losses not recognised	10,764	7,650
Tax effect of temporary differences not recognised	(55,820)	9,320
Tax effect of utilisation of tax losses previously not recognised	(19,922)	(16,273)
Deferred tax on undistributed earnings of PRC subsidiaries and joint ventures	(14,290)	10,292
PRC withholding tax	127,485	58,172
Others	(10,776)	(23,118)
Income tax for the year	1,154,213	1,471,272

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 2015

15. DIVIDENDS PAID

	2015	2014
	HK\$'000	HK\$'000
2014 final dividend paid of HK\$0.45 (2014: 2013 final dividend of HK\$0.40) per share	332,971	293,590
2015 interim dividend paid of HK\$0.13 (2014: 2014 interim dividend of HK\$0.13) per share	96,192	95,226
	429,163	388,816

Subsequent to the end of the reporting period, a final dividend in respect of 2015 of HK\$0.35 per share amounting to a total of approximately HK\$259 million has been proposed by the Board on 18 March 2016. 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 739,936,566 shares in issue as at 18 March 2016.

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:

	2015	2014
	HK\$'000	HK\$'000
Earnings for the purposes of basic and diluted earnings per share attributable to owners of the Company	820,005	1,005,018

	2015	2014
	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	736,706	733,508
Effect of dilutive potential ordinary shares: Share options	123	334
Weighted average number of ordinary shares for the purpose of diluted earnings per share	736,829	733,842

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 2014	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
Additions	–	941	5,569	1,318	7,828
Disposals	–	–	(2,264)	(1,652)	(3,916)
Exchange adjustments	(27)	(1,021)	(1,796)	(1,368)	(4,212)
At 31 December 2015	820	29,726	47,799	34,604	112,949
Depreciation					
At 1 January 2014	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
Charge for the year	–	1,116	6,618	6,258	13,992
Eliminated on disposals	–	–	(1,990)	(1,547)	(3,537)
Exchange adjustments	(27)	(685)	(1,432)	(900)	(3,044)
At 31 December 2015	820	20,844	35,199	22,583	79,446
Carrying values					
At 31 December 2015	–	8,882	12,600	12,021	33,503
At 31 December 2014	–	9,393	14,287	17,534	41,214

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.

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 2015

18. INVESTMENT PROPERTIES

	2015 HK\$'000	2014 HK\$'000
Completed properties, at fair value		
At 1 January	2,243,909	2,095,204
Transfer from completed properties held for sale (note)	38,239	34,984
Transfer from investment properties under construction	–	145,755
Disposal during the year	(152,787)	(94,782)
Fair value gains on transfer of completed properties held for sale to investment properties	62,735	–
Change in fair value recognised in profit or loss	92,936	73,512
Exchange difference arising on translation to presentation currency	(91,934)	(10,764)
At 31 December	2,193,098	2,243,909
Properties under construction, at fair value		
At 1 January	–	78,525
Additions	–	13,354
Transfer to completed investment properties	–	(145,755)
Change in fair value recognised in profit or loss	–	54,224
Exchange difference arising on translation to presentation currency	–	(348)
At 31 December	–	–
Total	2,193,098	2,243,909

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. 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 completed investment properties at the date of transfer, 31 December 2015 and 31 December 2014 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 2015

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 2015	31 December 2014				
	HK\$'000	HK\$'000				
Completed properties	2,162,984	2,063,322	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)	2015: 5%-6.5% (6%) 2014: 5%-6.5% (6.2%) 2015: 6%-7% (6.6%) 2014: 6%-7% (6.7%) 2015: RMB93-RMB167 (RMB126) 2014: RMB47-RMB180 (RMB122)
Completed properties	30,114	180,587	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
	2,193,098	2,243,909				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

18. INVESTMENT PROPERTIES (CONTINUED)

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

	2015 HK\$'000	2014 HK\$'000
At 1 January	2,063,322	1,972,949
Transfer from completed properties held for sale	36,280	29,940
Disposal during the year	(1,319)	(2,762)
Fair value gains on transfer of completed properties held for sale to investment properties	62,735	–
Change in fair value recognised in profit or loss	86,677	72,803
Exchange difference arising on translation to presentation currency	(84,711)	(9,608)
At 31 December	2,162,984	2,063,322

19. INTERESTS IN JOINT VENTURES

	2015 HK\$'000	2014 HK\$'000
Interests in infrastructure joint ventures		
Cost of investments	4,950,224	5,341,862
Share of post-acquisition profits and other comprehensive income, net of dividends received	2,180,331	2,544,221
Return of cost of investments (note a)	(3,263,799)	(3,560,216)
Impairment losses on cost of investments (note b)	(238,042)	(321,141)
	3,628,714	4,004,726
Interests in other joint ventures		
Cost of investments	1,514,189	338,163
Share of post-acquisition (losses) profits and other comprehensive (expense) income, net of dividends received	(34,762)	29,668
	1,479,427	367,831
	5,108,141	4,372,557

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 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

19. INTERESTS IN JOINT VENTURES (CONTINUED)

Infrastructure joint ventures

All infrastructure joint ventures are co-operative joint ventures established and operating in the PRC, details of the Company's principal infrastructure joint ventures at 31 December 2015 and 31 December 2014 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
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 (Xiongxin – 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 (Xiongxin 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 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
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

19. INTERESTS IN JOINT VENTURES (CONTINUED)

Infrastructure joint ventures (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Hunan Changyi Expressway Co., Ltd. 湖南長益高速公路有限公司	RMB98,553,500	43.17%	Investment in and development, operation and management of Hunan Changsha – Yiyang Expressway (Changbai Section) in Hunan, the PRC
Hunan Changyi (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	RMB1,467,000,000	45% (note)	Investment in and development, operation and management of Longcheng Expressway in Shanxi, the PRC
Anhui Machao Expressway Co., Ltd. 安徽省馬巢高速公路有限公司	RMB 575,000,000	49% (note)	Investment in and development, operation and management of Machao Expressway in Anhui, the PRC

Note: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

19. INTERESTS IN JOINT VENTURES (CONTINUED)

Infrastructure joint ventures (Continued)

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.

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

	2015	2014
	HK\$'000	HK\$'000
Current assets	2,160,221	2,014,267
Non-current assets	2,333,000	2,534,593
Current liabilities	(102,954)	(94,223)
Non-current liabilities	(275,000)	(255,000)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	247,414	162,761
	2015	2014
	HK\$'000	HK\$'000
Revenue	772,250	706,207
Profit and total comprehensive income for the year	349,622	333,834
Dividends received during the year	102,797	110,739
The above profit for the year includes the following:		
Depreciation and amortisation	(122,124)	(114,121)
Interest income	3,489	2,507
Income tax expense	(127,417)	(113,018)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 (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:

	2015 HK\$'000	2014 HK\$'000
Net assets of the infrastructure joint ventures	4,115,267	4,199,637
Proportion of the Group's ownership interests in the infrastructure joint ventures	40%	40%
Adjustment on sharing basis	233,465	242,413
Carrying amount of the Group's interests in the infrastructure joint ventures	1,879,572	1,922,268

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

	2015 HK\$'000	2014 HK\$'000
Current assets	1,733,473	1,397,960
Non-current assets	1,152,143	1,493,117
Current liabilities	(121,282)	(72,958)
Non-current liabilities	(28,889)	(26,667)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	296,002	120,186

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 (Continued)

	2015 HK\$'000	2014 HK\$'000
Revenue	668,414	598,413
Profit and total comprehensive income for the year	303,416	271,952
Dividends received during the year	74,348	76,821
The above profit for the year includes the following:		
Depreciation and amortisation	(149,249)	(129,213)
Interest income	1,897	1,477
Income tax expense	(101,241)	(94,425)

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:

	2015 HK\$'000	2014 HK\$'000
Net assets of the infrastructure joint ventures	2,735,445	2,791,452
Proportion of the Group's ownership interests in the infrastructure joint ventures	45%	45%
Adjustment on sharing basis	(46,698)	(22,717)
Carrying amount of the Group's interests in the infrastructure joint ventures	1,184,252	1,233,436

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

	2015 HK\$'000	2014 HK\$'000
Current assets	2,420,639	2,167,187
Non-current assets	1,520,038	1,758,984
Current liabilities	(232,574)	(174,203)
Non-current liabilities	(494,500)	(659,131)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	116,063	116,611
Current financial liabilities (excluding trade and other payables and provisions)	(99,201)	(51,617)
Non-current financial liabilities (excluding trade and other payables and provisions)	(297,604)	(464,551)
	2015 HK\$'000	2014 HK\$'000
Revenue	709,610	652,852
Profit and total comprehensive income for the year	256,310	248,377
The above profit for the year includes the following:		
Depreciation and amortisation	(184,331)	(168,039)
Interest income	612	452
Interest expense	(28,197)	(40,512)
Income tax expense	(97,317)	(88,698)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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:

	2015 HK\$'000	2014 HK\$'000
Net assets of the infrastructure joint ventures	3,213,603	3,092,837
Proportion of the Group's ownership interests in the infrastructure joint ventures	43.17%	43.17%
Capitalised interest	32,289	36,640
Adjustment on sharing basis	325,602	322,465
Carrying amount of the Group's interests in the infrastructure joint ventures	1,745,203	1,694,283

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

	2015 HK\$'000	2014 HK\$'000
Current assets	218,724	394,219
Non-current assets	4,863,715	5,105,713
Current liabilities	(139,781)	(425,943)
Non-current liabilities	(3,479,187)	(3,454,055)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	130,584	354,800
Current financial liabilities (excluding trade and other payables and provisions)	(24,390)	(177,665)
Non-current financial liabilities (excluding trade and other payables and provisions)	(3,365,854)	(3,262,944)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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)*

	2015 HK\$'000	2014 HK\$'000
Revenue	242,024	207,386
Loss and total comprehensive expense for the year	(91,636)	(150,023)
The above loss for the year includes the following:		
Depreciation and amortisation	(45,757)	(45,362)
Interest income	99	97
Interest expense	(218,445)	(238,667)
Income tax expense	(22,222)	(35,556)

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:

	2015 HK\$'000	2014 HK\$'000
Net assets of the infrastructure joint venture	1,463,471	1,619,934
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	658,562	728,970

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

	2015 HK\$'000	2014 HK\$'000
Current assets	60,079	43,306
Non-current assets	2,790,350	2,795,729
Current liabilities	(100,458)	(156,779)
Non-current liabilities	(2,090,139)	(2,006,401)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	48,366	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)	(2,090,000)	(2,005,088)
	2015 HK\$'000	2014 HK\$'000
Revenue	186,899	89,710
Profit (loss) and total comprehensive income (expense) for the year	9,357	(25,494)
The above profit (loss) for the year includes the following:		
Depreciation and amortisation	(34,670)	(18,114)
Interest income	272	171
Interest expense	(128,300)	(89,670)
Income tax expense	(139)	(1,313)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 *(Continued)*

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:

	2015	2014
	HK\$'000	HK\$'000
Net assets of the infrastructure joint venture	659,832	675,855
Proportion of the Group's ownership interest in the infrastructure joint venture	49%	49%
Goodwill	199,962	208,083
Carrying amount of the Group's interest in the infrastructure joint venture	523,280	539,252

Aggregate information of infrastructure joint ventures that are not individually material

	2015	2014
	HK\$'000	HK\$'000
The Group's share of loss and total comprehensive expenses	(27,029)	(52,990)
Aggregate carrying amounts of the Group's interests in infrastructure joint ventures (excluding return of cost of investments)	901,644	1,446,733

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

19. INTERESTS IN JOINT VENTURES (CONTINUED)

Property joint ventures

Particulars of the Group's interests in principal property joint ventures as at 31 December 2015 and 2014 are as follows:

Name of entity	Place of establishment	Principal place of business	Registered capital	Attributable interest to the Group	Principal activities
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% (note a)	Property development
上海新弘企業管理有限 公司("上海新弘")	PRC	PRC	RMB192,000,000 (2014: N/A)	40% (2014: N/A) (note b)	Property development
廣州雋宏房地產開發 有限公司("廣州雋宏")	PRC	PRC	RMB500,000,000 (2014: N/A)	51% (2014: N/A) (note c)	Property development

Notes:

- (a) 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. The Group entered into an agreement with the joint venture partner of 上海雋合 in late February 2016 to acquire 51% equity interest in 上海雋合 at a cash consideration of RMB300 million and thereafter, it will become a wholly-owned subsidiary of the Company upon the completion of the transaction. The major asset of the project is the property under development and the transaction will be accounted for as acquisition of assets.
- (b) During the year ended 31 December 2015, 北京路勁雋達房地產開發有限公司, a wholly-owned subsidiary of the Group, subscribed for 560 million trust units from Beijing International Trust Co., Ltd (the "Fund") for a cash consideration of RMB560 million (equivalent to HK\$705 million). The Fund was primarily established for the purpose of acquisition of 上海新弘 which was engaged in property development in the PRC. 上海新弘 is jointly controlled by the Group and unanimous consent was required for decision making in the board of directors of 上海新弘.
- (c) 廣州雋宏 was jointly owned by 深圳市路勁雋御投資發展有限公司, a wholly-owned subsidiary of the Group, and an independent third party, as to 51% and 49% equity interest respectively. Capital contribution and profit sharing ratio are based on equity interest proportion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

19. INTERESTS IN JOINT VENTURES (CONTINUED)

Property joint ventures (Continued)

Summarised financial information of material property joint ventures

(i) 上海新弘 (including its subsidiary)

	2015 HK\$'000
Current assets	1,649,240
Non-current assets	22,501
Current liabilities	(865,510)
The above amounts of assets and liabilities include the following:	
Cash and cash equivalents (including pledged bank deposits)	59,937
Loss and total comprehensive expense for the period	(23,737)
The above loss for the period includes the following:	
Depreciation and amortisation	(47)
Interest income	607
Interest expense	(472)
Income tax credit	7,912

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

	2015 HK\$'000
Net assets of the property joint ventures	806,231
Proportion of the Group's ownership interests in the property joint ventures	40%
Premium of acquisition of joint venture	351,206
Carrying amount of the Group's interests in the property joint ventures	673,698

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

19. INTERESTS IN JOINT VENTURES (CONTINUED)

Property joint ventures (Continued)

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

	2015 HK\$'000	2014 HK\$'000
The Group's share of (loss) profit and total comprehensive (expense) income	(7,427)	15,748
Aggregate carrying amounts of the Group's interests in property and other joint ventures	805,729	367,831

20. LOANS TO JOINT VENTURES

The Group as lenders

	Notes	2015 HK\$'000	2014 HK\$'000
Amounts due from			
安徽省馬巢高速公路有限公司	(a)	–	6,218
湖南長益高速公路有限公司	(b)	198,403	258,084
晉中龍城高速公路有限責任公司	(c)	85,366	88,833
上海雋合	(d)	499,908	264,065
深圳市盛世盈豐投資發展有限公司	(e)	44,390	20,939
廣州雋宏	(f)	948,232	–
		1,776,299	638,139
Less: amounts shown as current assets		(179,366)	(167,614)
Amounts shown as non-current assets		1,596,933	470,525

Notes:

- (a) The amount was unsecured, carrying interest at a fixed rate of 6% per annum and fully repaid in 2015.
- (b) The loans are unsecured, carrying interest at PBOC prescribed interest rate plus a 10% margin (2014: 10%) per annum. The amount included in non-current assets amounting to HK\$148,793,000 (2014: HK\$206,460,000) is due in October 2019 and the remaining amount of HK\$49,610,000 (2014: HK\$51,624,000) included in current assets is due within one year.
- (c) The amount is unsecured, interest free and due in December 2016.
- (d) The amount is unsecured, carrying interest at a fixed rate of 6.15% 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 December 2016.
- (f) The amount is unsecured, carrying interest at a fixed rate of 11% per annum and due in November 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

21. INVENTORY OF PROPERTIES

	2015 HK\$'000	2014 HK\$'000
Completed properties held for sale	6,457,693	6,294,254
Properties under development for sale (note)	18,789,743	22,151,851
	25,247,436	28,446,105

Note: Included in the amount are properties under development for sale of HK\$13,184,506,000 (2014: HK\$16,396,070,000) which are expected to be completed and available for sale to the customers more than twelve months from the end of the reporting period.

22. PREPAYMENT FOR LAND LEASES

As at 31 December 2015, the total consideration prepaid in full of HK\$480,201,000 (2014: HK\$886,299,000) in accordance with 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".

23. DEBTORS, DEPOSITS AND PREPAYMENTS

	2015 HK\$'000	2014 HK\$'000
Aged analysis of trade debtors, presented based on invoice dates (note):		
Within 60 days	2,157	6,083
61 to 90 days	992	783
More than 90 days	7,547	8,944
	10,696	15,810
Deferred consideration on disposal of interests in joint ventures	176,555	180,959
Refundable deposits/prepayment for acquisition of property projects	622,134	467,335
Prepayment of business tax and other taxes	187,896	304,450
Other receivables, deposits and prepayments	457,738	426,842
	1,455,019	1,395,396

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

24. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits of HK\$241,932,000 (2014: HK\$322,335,000) 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\$567,485,000 (2014: HK\$1,112,801,000) 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\$420,411,000 (2014: HK\$872,759,000) according to the relevant requirements of the PRC local government and the cash received mainly from bank loans of HK\$147,074,000 (2014: HK\$240,042,000) for property development.

Bank balances carried interest at market rates which range from 0.01% to 4.2% (2014: 0.01% to 1.1%) per annum.

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

	2015 HK\$'000	2014 HK\$'000
United States dollars	81,416	63,431
Hong Kong dollars	48,652	22,609

25. SHARE CAPITAL

	2015 Number of shares	2014 Number of shares	2015 HK\$'000	2014 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	729,696,566	735,178,566	72,970	73,518
Issue of shares upon exercise of share options	10,240,000	155,000	1,024	16
Shares repurchased and cancelled (note)	-	(5,637,000)	-	(564)
At 31 December	739,936,566	729,696,566	73,994	72,970

Note: Inclusive of 1,311,000 shares repurchased in 2013.

No convertible preference shares are issued in both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

25. SHARE CAPITAL (CONTINUED)

The Company repurchased its own shares through the Stock Exchange during the year of 2014 as follows:

Month of repurchases	Number of ordinary shares of HK\$0.1 each	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest 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
	<u>4,326,000</u>			<u>30,369</u>

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.

26. SHARE OPTION SCHEME

The old share option scheme (the "Old Scheme") was adopted by the Company in May 2003 and had been expired on 11 May 2013. At 31 December 2015, there were no options remained outstanding under the Old Scheme. At 31 December 2014, the number of shares in respect of which options had been granted and remained outstanding under the Old Scheme were 11,355,000, representing approximately 1.6% of the Company's issued share capital.

The Company adopted another new 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

26. SHARE OPTION SCHEME (CONTINUED)

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.

At 31 December 2015, the number of shares in respect of which options had been granted and remained outstanding under the New Scheme were 10,400,000 (2014: 15,500,000), representing approximately 1.4% (2014: 2.1%) respectively of the Company's issued share capital.

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

2015

Date of grant	Exercisable period	Exercise price HK\$	Balance at 1.1.2015	Granted during the year	Exercised during the year	Cancelled during the year	Balance at 31.12.2015
Directors							
9 April 2010	9 April 2010 to 8 April 2015	6.79	6,600,000	-	(5,090,000)	(1,510,000)	-
28 May 2013	29 May 2013 to 28 May 2018	7.13	10,250,000	-	(4,900,000)	-	5,350,000
			16,850,000	-	(9,990,000)	(1,510,000)	5,350,000
Employees							
9 April 2010	9 April 2010 to 8 April 2015	6.79	4,755,000	-	(50,000)	(4,705,000)	-
28 May 2013	29 May 2013 to 28 May 2018	7.13	5,250,000	-	(200,000)	-	5,050,000
			10,005,000	-	(250,000)	(4,705,000)	5,050,000
			26,855,000	-	(10,240,000)	(6,215,000)	10,400,000
Weighted average exercise price			6.99	-	6.96	6.79	7.13

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

26. SHARE OPTION SCHEME (CONTINUED)

2014		Exercise price HK\$	Balance	Granted	Exercised	Cancelled	Balance
Date of grant	Exercisable period		at 1.1.2014	during the year	during the year	during the year	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

27. BANK AND OTHER BORROWINGS

	2015 HK\$'000	2014 HK\$'000
2012 Guaranteed senior notes (note (a))	2,736,975	2,723,744
2013 Guaranteed senior notes (note (b))	2,674,197	2,773,451
Bank loans (note (c))	8,039,202	8,891,515
	13,450,374	14,388,710

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

27. BANK AND OTHER BORROWINGS (CONTINUED)

The maturity of the above loans is as follows:

	2015 HK\$'000	2014 HK\$'000
Unsecured borrowings repayable*:		
Within one year	3,530,444	858,249
More than one year but not exceeding two years	5,390,534	4,036,151
More than two years but not exceeding five years	558,190	5,090,144
	9,479,168	9,984,544
Secured borrowings repayable*:		
Within one year	2,306,286	3,542,170
More than one year but not exceeding two years	563,091	17,449
More than two years but not exceeding five years	382,012	79,315
More than five years	332,317	377,231
	3,583,706	4,016,165
Carrying amount of unsecured bank loan that is repayable within one year and contains a repayable on demand clause	387,500	388,001
Total borrowings	13,450,374	14,388,710
Less: Amounts classified as current liabilities	(6,224,230)	(4,788,420)
Amount due over one year shown and classified as non-current liabilities	7,226,144	9,600,290

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

Notes:

- (a) The 2012 Guaranteed senior notes with an outstanding principal amounting to US\$350,000,000 (2014: 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.
- (b) The 2013 Guaranteed senior notes with an outstanding principal amounting to RMB2,200,000,000 (2014: 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.
- (c) Bank loans with carrying amount of HK\$3,583,707,000 (2014: HK\$4,117,688,000) bear interest at a fixed rate of 5.46% to 7.26% (2014: 6.12% to 7.26%) 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, ranging from 3.5% to 4.73% (2014: 3.5% to 5%) per annum.

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:

	2015 HK\$'000	2014 HK\$'000
United States dollars	6,893,799	7,061,568
Hong Kong dollars	195,412	348,557

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

28. LOANS FROM NON-CONTROLLING INTERESTS OF SUBSIDIARIES

At the end of the reporting period, loans with carrying amount of HK\$374,741,000 (2014: HK\$540,681,000) are unsecured, carrying interest at a fixed rate of 5.7% to 7.38% (2014: 7.2% to 7.44%) 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\$180,000,000 (2014: HK\$167,457,000) are unsecured and carrying interest at a fixed rate of 5.7% to 6.9% (2014: 7.2% to 7.38%) per annum. Such amounts are repayable in 2017 and are classified as non-current liabilities.

29. DEFERRED TAXATION

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

	Tax losses	Fair value adjustment on properties under development	Undistributed earnings of subsidiaries and joint ventures in the PRC	Change in fair value of investment properties	Interest capitalised on properties under development	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014	(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
(Credit) charge for the year	(9,214)	–	(14,290)	(29,283)	19,317	(33,470)
Exchange adjustments	2,672	(494)	(7,126)	(10,469)	(6,470)	(21,887)
At 31 December 2015	(71,323)	15,094	133,482	253,228	199,822	530,303

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

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

	2015 HK\$'000	2014 HK\$'000
Deferred tax assets	(56,229)	(49,193)
Deferred tax liabilities	586,532	634,853
	530,303	585,660

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

29. DEFERRED TAXATION (CONTINUED)

Deferred tax assets has not been recognised in the consolidated financial statements in respect of deductible temporary differences amounting to HK\$441,200,000 (2014: HK\$664,480,000) due to the unpredictability of future taxable profit streams.

At 31 December 2015, the Group has estimated unused tax losses of HK\$424,834,000 (2014: HK\$435,299,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK\$285,292,000 (2014: HK\$259,124,000) of such losses. No deferred tax asset has been recognised in respect of the remaining losses of HK\$139,542,000 (2014: HK\$176,175,000) due to the unpredictability of future taxable profit streams. Such remaining unrecognised tax losses of HK\$139,542,000 (2014: HK\$176,175,000) will expire within five years from the end of the reporting period.

30. CREDITORS AND ACCRUED CHARGES

	2015 HK\$'000	2014 HK\$'000
Aged analysis of creditors presented based on invoice date:		
Trade payables		
Within 60 days	116,469	138,268
61 to 90 days	51,780	14,155
More than 90 days	654,786	359,371
	823,035	511,794
Bills payables		
Within 60 days	48,943	67,099
61 to 90 days	34,268	29,442
More than 90 days	80,404	98,440
	163,615	194,981
Accrued construction costs	3,582,035	4,254,405
	4,568,685	4,961,180
Interest payable	92,661	99,034
Accrued taxes (other than EIT and LAT)	65,116	72,209
Other payables and accrued charges	1,049,536	971,714
	5,775,998	6,104,137

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

31. OTHER FINANCIAL LIABILITIES

Other financial liabilities as of 31 December 2015 represent the fair value of one outstanding cross-currency swap contract of HK\$268,703,000 (2014: HK\$116,793,000). The Group will pay United States dollars and receive Renminbi on gross settlement basis at the date specified in the terms of contract.

The outstanding contract as of 31 December 2015 was entered into 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.

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

32. 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:

	2015 HK\$'000	2014 HK\$'000
Bank balances and cash	3,071,723	3,724,192
Less: restricted bank balances – proceeds from pre-sale of certain property projects (note 24)	(420,411)	(872,759)
	2,651,312	2,851,433

33. 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 2015

34. DISPOSAL OF INTEREST IN A JOINT VENTURE

During the year ended 31 December 2015, the Group entered into a sale and purchase agreement to dispose of its 70% equity interest in Guangxi Lutong Highway Development Co., Ltd. to the PRC joint venture partner at a cash consideration of RMB28,640,000 (equivalent to HK\$35,934,000). The gain on disposal of the infrastructure joint venture was recognised in profit or loss.

The Group's disposal of its interest in the joint venture during the year ended 31 December 2015 had the following effects:

	HK\$'000
Cost of investment	146,770
Share of post-acquisition profits and other comprehensive income, net of dividend received	30,196
Return of cost of investment	(146,770)
Carrying amount of interest in the joint venture disposed of	30,196
PRC withholding tax	3,593
Gain on disposal	2,145
Total consideration satisfied by cash	35,934
Net cash inflow arising on disposal:	
Cash consideration	35,934
PRC withholding tax in connection with the disposal	(3,593)
	32,341

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 held 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 became jointly controlled by the Group and 中融國際 and it is accounted for as a joint venture of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

35. DEEMED DISPOSAL OF A SUBSIDIARY (CONTINUED)

The consolidated net assets of 上海雋合 at the date of deemed disposal were 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)
	<u>688,135</u>
Satisfied by:	
Loan to a joint venture	478,782
Retained interest in joint venture, at fair value (note)	209,353
	<u>688,135</u>

Note: The fair value for retained interest in 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	<u>1,208</u>
------------------------------------	--------------

During the year ended 31 December 2014, 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. 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:

	2015 HK\$'000	2014 HK\$'000
Within one year	94,423	86,827
In the second to fifth year inclusive	374,231	361,861
Over five years	925,126	993,366
	<u>1,393,780</u>	<u>1,442,054</u>

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 revenue of the tenants, but subject to a minimum fixed charge.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

36. 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:

	2015 HK\$'000	2014 HK\$'000
Within one year	13,955	12,325
In the second to fifth year inclusive	7,731	9,907
	21,686	22,232

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.

37. CONTINGENT LIABILITIES

At 31 December 2015, the Group provided guarantees of HK\$4,650,201,000 (2014: HK\$5,475,928,000) 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 will be released upon receiving the building ownership certificate of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted. The Directors consider that the fair value of such guarantees on initial recognition was insignificant.

At 31 December 2015, the Group provided guarantees of HK\$845,310,000 (2014: Nil) to banks in connection with the banking facilities granted to a joint venture. The Directors consider that the fair value of such guarantees on initial recognition was insignificant.

38. PLEDGE OF ASSETS

At the end of the reporting period, other than the pledged bank deposits as disclosed in note 24, the Group's inventory of properties of HK\$3,446,268,000 (2014: HK\$4,021,231,000) 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 2015

39. RELATED PARTY TRANSACTIONS

Other than set out in notes 20 and 28, the Group had transactions with the following related parties during the year:

Related parties	Nature	2015 HK\$'000	2014 HK\$'000
Joint ventures	Interest income	55,912	21,209
Non-controlling interests of subsidiaries	Interest expenses	49,050	50,379

The 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:

	2015 HK\$'000	2014 HK\$'000
Short-term employment benefits	99,385	114,179
Post-employment benefits	5,640	5,492
	105,025	119,671

The remuneration of Directors and key executives is determined with reference to the performance of individuals and market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

40. 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:

	2015 HK\$'000	2014 HK\$'000
ASSETS		
Non-current asset		
Unlisted investments in subsidiaries	14,065,380	14,511,368
Current assets		
Deposits and prepayments	491	478
Bank balances and cash	94,657	45,166
	95,148	45,644
Total assets	14,160,528	14,557,012
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital (note 25)	73,994	72,970
Reserves (note)	6,607,323	6,927,625
	6,681,317	7,000,595
Current liabilities		
Bank borrowings	387,500	388,001
Creditors and accrued charges	453	866
Amounts due to subsidiaries	7,091,258	7,167,550
	7,479,211	7,556,417
Total equity and liabilities	14,160,528	14,557,012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

40. 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 2014	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 (expense) 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
Profit for the year	-	-	-	-	-	309,593	309,593
Exchange difference arising on translation to presentation currency	-	(270,972)	-	-	-	-	(270,972)
Total comprehensive (expense) income for the year	-	(270,972)	-	-	-	309,593	38,621
Sub-total	3,072,836	1,107,937	1,260,000	24,472	-	1,501,001	6,966,246
Issue of ordinary shares upon exercise of share options	80,150	-	-	(9,910)	-	-	70,240
Cancellation of share options	-	-	-	(8,226)	-	8,226	-
Dividends	-	-	-	-	-	(429,163)	(429,163)
Balance at 31 December 2015	3,152,986	1,107,937	1,260,000	6,336	-	1,080,064	6,607,323

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

41. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2015 and 31 December 2014 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 2015

41. 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\$153,245,300 (2014: 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 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
無錫路勁蠡苑房地產有限公司	PRC	PRC	RMB1,146,000,000	–	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\$50,000,000 (2014: US\$35,000,000)	–	100	Development and sale of properties
Registered as sino-foreign equity joint venture enterprises in the PRC						
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

41. 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 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	–	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	RMB4,385,300,000 (2014: 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
洛陽路勁宏駿房地產開發有限公司 [®]	PRC	PRC	RMB30,000,000	–	100	Development and sale of properties
常州路勁房地產開發有限公司	PRC	PRC	RMB860,000,000 (2014: 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	RM550,470,000 (2014: 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 principal activity of those subsidiaries is provision of financial services only and the companies do not have any operations.

[®] Incorporated in 2015.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

41. PRINCIPAL SUBSIDIARIES (CONTINUED)

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

	2015 HK\$'000	2014 HK\$'000
Road King Infrastructure Finance (2012) Limited	2,736,975	2,723,744
RKI Finance (2013) Limited	2,674,197	2,773,451
	5,411,172	5,497,195

42. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

The Group's total assets less current liabilities at 31 December 2015 amounted to HK\$21,968,543,000 (2014: HK\$24,455,152,000). The Group's net current assets at 31 December 2015 amounted to HK\$12,980,639,000 (2014: HK\$17,277,754,000).

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000 (restated)
Revenue	12,509,646	12,730,104	11,456,048	9,344,130	6,832,508
Profit before taxation	1,982,523	2,500,655	2,520,762	2,317,737	1,859,586
Income tax expenses	(1,154,213)	(1,471,272)	(1,497,395)	(1,465,003)	(1,116,873)
Profit for the year	828,310	1,029,383	1,023,367	852,734	742,713
Attributable to:					
Owners of the Company	820,005	1,005,018	1,001,618	818,179	735,007
Non-controlling interests	8,305	24,365	21,749	34,555	7,706
	828,310	1,029,383	1,023,367	852,734	742,713

ASSETS AND LIABILITIES

	As at 31 December				
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000 (restated)
Total assets	40,056,307	42,483,789	43,429,463	37,275,341	31,732,189
Total liabilities	(26,080,440)	(28,431,237)	(30,066,211)	(25,052,468)	(20,382,961)
	13,975,867	14,052,552	13,363,252	12,222,873	11,349,228
Attributable to:					
Owners of the Company	13,155,397	13,207,891	12,671,769	11,793,131	11,072,316
Non-controlling interests	820,470	844,661	691,483	429,742	276,912
	13,975,867	14,052,552	13,363,252	12,222,873	11,349,228



Road King Infrastructure Limited