

Road King Infrastructure Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 1098)

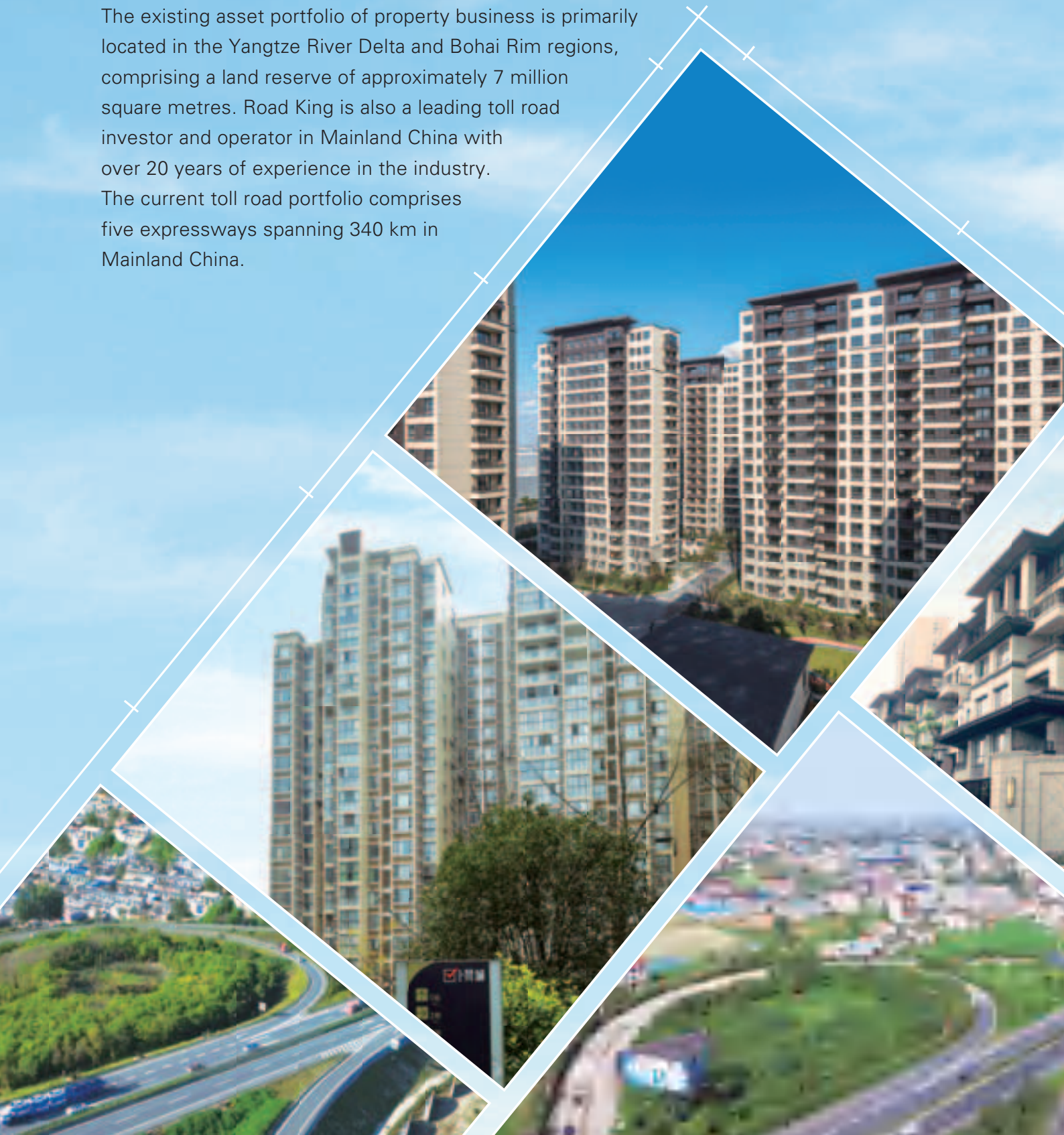
Annual Report 2016



CORPORATE PROFILE

ROAD KING INFRASTRUCTURE LIMITED

Road King Infrastructure Limited (“Road King”) is a prominent property developer in Mainland China and Hong Kong focusing on developing quality residential apartments at affordable prices. The existing asset portfolio of property business is primarily located in the Yangtze River Delta and Bohai Rim regions, comprising a land reserve of approximately 7 million square metres. Road King is also a leading toll road investor and operator in Mainland China with over 20 years of experience in the industry. The current toll road portfolio comprises five expressways spanning 340 km in Mainland China.



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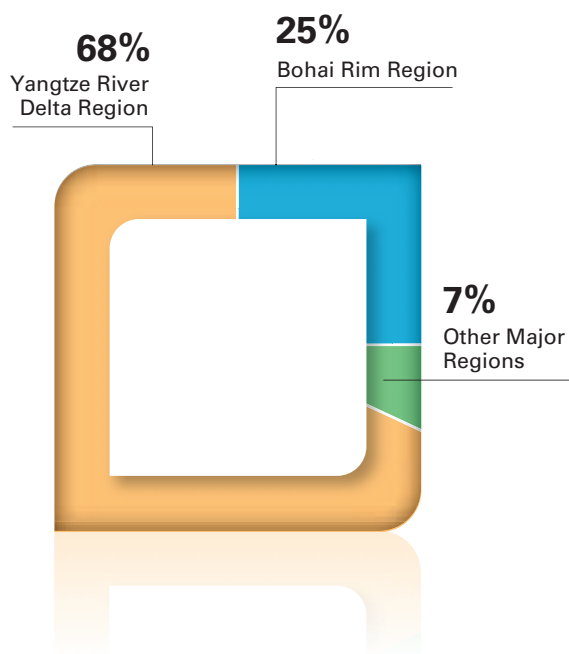
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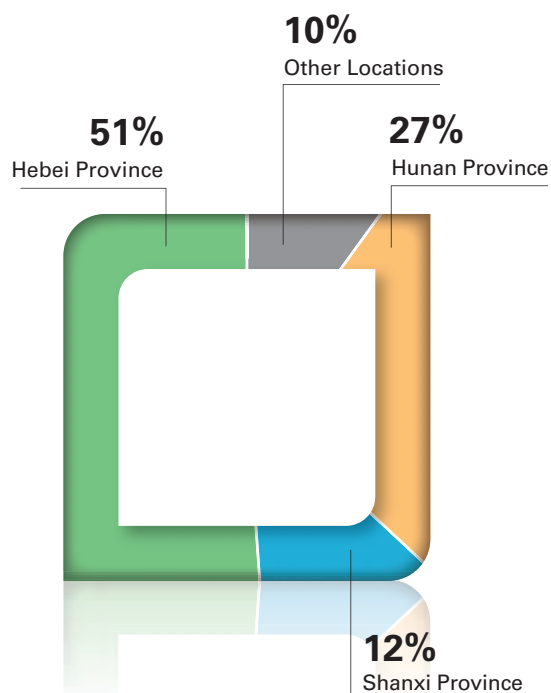
FINANCIAL HIGHLIGHTS

(HK\$'million)	2016	For the year ended 31 December			
		2015	2014	2013	2012
Revenue from property development	16,842	12,510	12,730	11,456	9,344
Group's share of toll road revenue	1,238	1,090	968	893	839
Cash received from toll road projects	580	530	515	512	523
Profit attributable to owners of the Company	1,250	820	1,005	1,002	818
Equity attributable to owners of the Company	13,292	13,155	13,208	12,672	11,793
Total assets	50,400	40,056	42,484	43,429	37,275
Dividend per share (HK\$)	0.68	0.48	0.58	0.58	0.46
Earnings per share (HK\$)	1.69	1.11	1.37	1.36	1.10
Net gearing ratio (%)	66	73	74	49	49

REVENUE CONTRIBUTION OF PROPERTY PROJECTS IN 2016 BY LOCATION

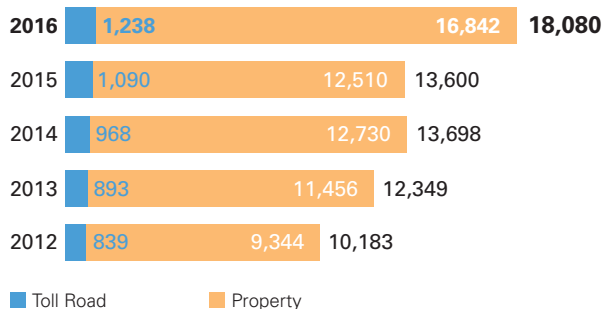


REVENUE CONTRIBUTION OF TOLL ROAD PROJECTS IN 2016 BY LOCATION



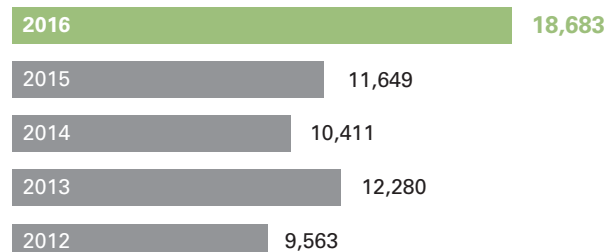
REVENUE FROM PROPERTY DEVELOPMENT AND GROUP'S SHARE OF TOLL REVENUE

(HK\$'million)



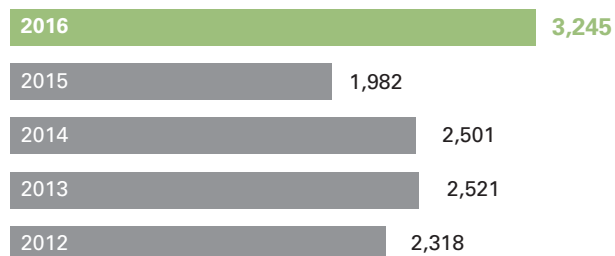
PROPERTY SALES FROM PROPERTY DEVELOPMENT (INCLUDING JOINT VENTURE PROJECTS)

(RMB'million)



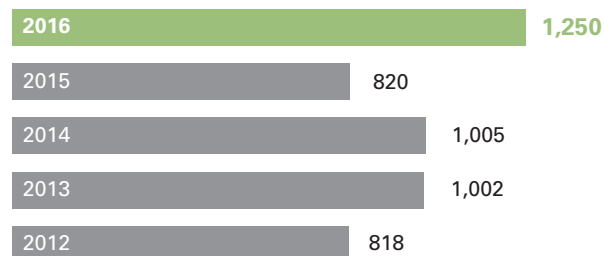
PROFIT BEFORE TAXATION

(HK\$'million)



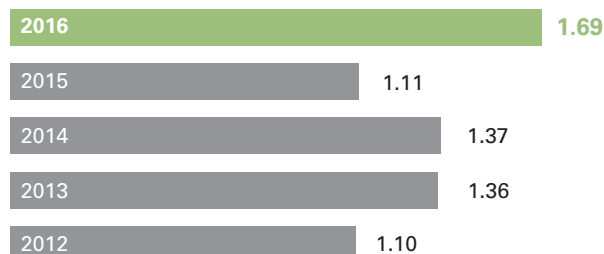
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

(HK\$'million)



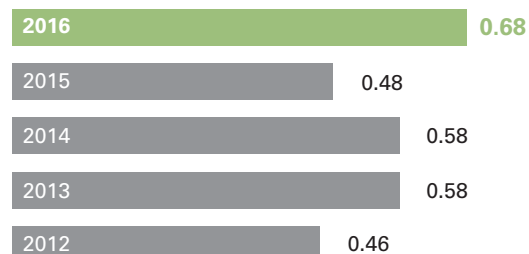
EARNINGS PER SHARE

(HK\$)



DIVIDEND PER SHARE

(HK\$)





CHAIRMAN'S STATEMENT



Zen Wei Pao, William
Chairman

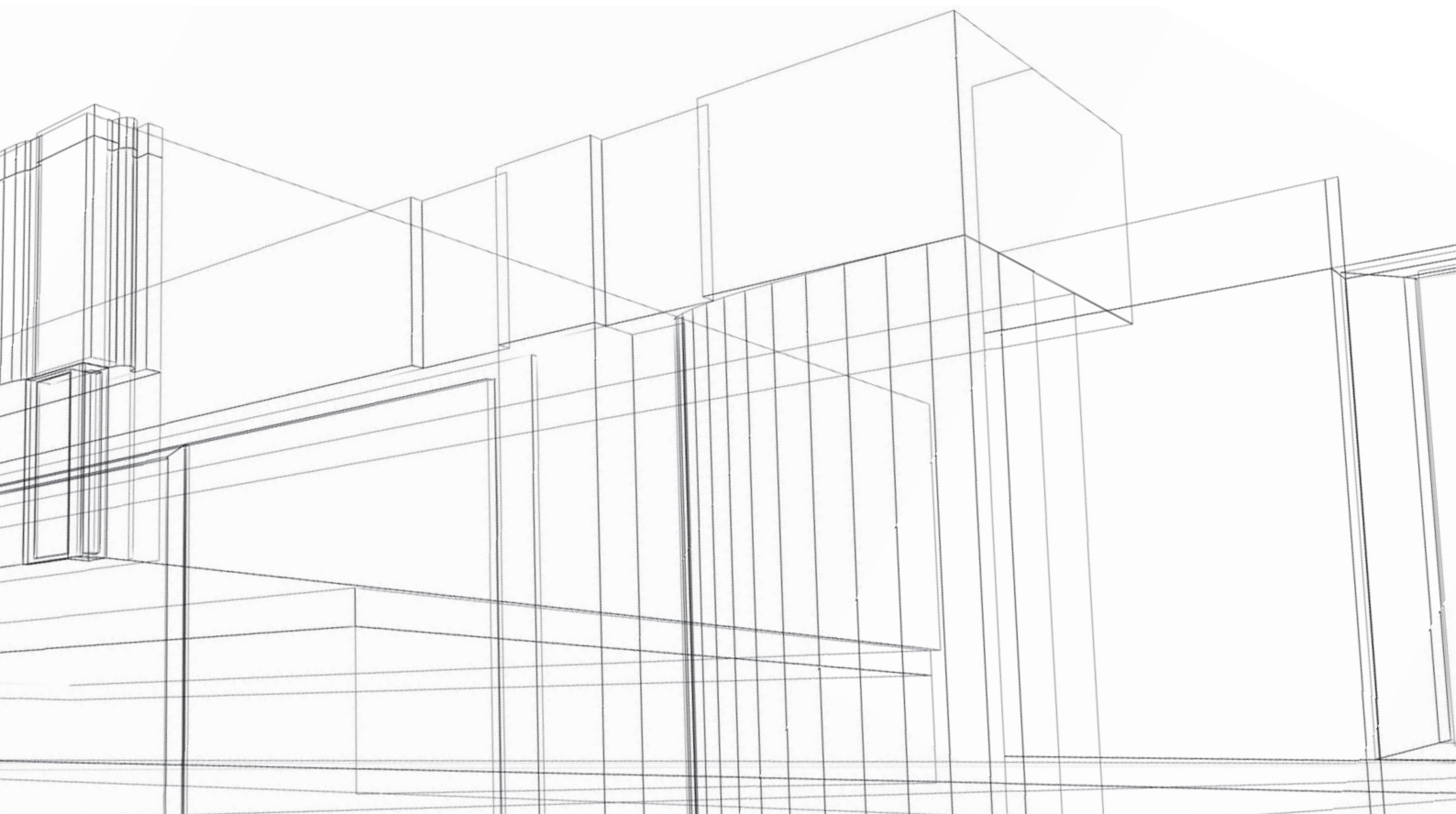
Dear Shareholders,

The profit attributable to the owners of the Company for 2016 was HK\$1,250 million, representing an increase of 52% as compared with 2015. The Board recommended a final dividend of HK\$0.55 per share. Together with the interim dividend of HK\$0.13 per share, the total dividend for 2016 is HK\$0.68 per share (2015: HK\$0.48 per share).

In 2016, the property sales increased to RMB18,683 million and toll revenue increased to RMB2,376 million, totalling RMB21,059 million, representing a significant increase of 52%.

With the implementation of an easing monetary policy and loosen of certain austerity measures in early 2016, the property market has recovered and the Group's property development business recorded a growth in 2016. In 2016, the property development business of the Group acquired fifteen new land parcels in the PRC and Hong Kong, with an aggregate floor area of approximately 2,700,000 sqm, including the first new land parcel purchased in Hong Kong with a construction floor area of approximately 34,000 sqm. In February 2017, the Group together with its joint venture partner have been awarded the tender for the Wong Chuk Hang Station Package One Property Development. The Group continues to capture opportunities for property development business in offshore markets, so as to explore new drivers for business growth.

The Group also adopted a new property business model and identified new stimulus of profit growth via the integration of different business segments under controllable risks. In 2016, the Group participated in development of ancient towns through cooperating with Weiguang Huitong Culture and Tourism Investment Co., Ltd.; and operated family education and entertainment centers (including programs originated from National Geographic) via working together with iP2 Entertainment, a company incorporated in the USA. The property financial business, which has been run progressively for the past three years, has made contributions to the Group's profit in 2016. The growth rate of such business is likely to be significant in the coming five years.



The toll road business continued to generate stable cash flow for the Group in 2016, with the receipt of cash distribution amounting to HK\$580 million. As Longcheng Expressway in Shanxi Province and Machao Expressway in Anhui Province that the Group acquired earlier became more mature, they achieved a breakeven position and became profit making respectively in 2016. It is expected that the toll road business will achieve better performance in the coming year.

For sustaining the development of the Group, the Group will continue to work closely with competent enterprises in toll road business, property development business and businesses in different segments in future, so as to seek for and seize opportunities for enhancing the Group's operational capacity and scale by strengthening the cooperative relationship. To this end, the Group is looking into any business opportunities arising from the implementation of China's "One Belt, One Road" initiative could be captured. The Group will consider putting into appropriate resources at suitable timing for operation in order to enjoy fruitful results.

The Group will continue proactively to review and optimise its financing resources. In addition to tapping the debt and perpetual securities market, from time to time, the Group would also look at the option of separately listing a business segment (e.g. the expressway operations, currently under active consideration). Should the Company decide to proceed with any such proposal, the Company will make an appropriate announcement.

It is expected that the year of 2017 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, 13 March 2017



CHIEF EXECUTIVE OFFICER'S REPORT



Ko Yuk Bing

Chief Executive Officer

Dear Shareholders,

RESULTS FOR 2016

For the year ended 31 December 2016, property sales and toll revenue of the Group (including joint venture projects) were RMB18,683 million and RMB2,376 million respectively, amounting to RMB21,059 million in total, representing a significant increase of 52% as compared with 2015. The operating profit after tax for the year of 2016 (excluding exchange and related differences) was HK\$1,518 million. Taking into account the exchange and related differences of HK\$144 million (2015: HK\$330 million) due to RMB depreciation, the profit for the year of 2016 was HK\$1,374 million, representing an increase of HK\$545 million or 66% as compared with 2015, with earnings per share of HK\$1.69.

PROPERTY DEVELOPMENT BUSINESS

Benefited from the easing of austerity measures for the property market, including lowering interest rate and cash reserve ratio, with strong market confidence in the first three quarters of 2016, the China's property market was flourishing. Despite the government has strengthened some austerity measures for the property market in the fourth quarter, the Group still achieved contracted sales and subscribed sales of RMB18,683 million, representing a significant increase of 60% compared to 2015. The average selling price was approximately RMB13,700 per sqm, representing a surge of approximately 25%. In 2016, the Group delivered 1,204,000 sqm of properties, which was equivalent to a revenue of RMB14,279 million.

In 2016, the Group acquired a total of fourteen land parcels in Shanghai, Suzhou, Tianjin, Jinan and Zhengzhou in Mainland China, with an aggregate floor area of approximately 2,660,000 sqm.

The Group believes that there is room for development of the Hong Kong property market which could also help to manage the exchange rate risks. In August 2016, in addition, it is the first time the Group acquired a land parcel in Hong Kong for residential development, with a construction floor area of approximately 34,000 sqm. In February 2017, the Group and its joint venture partner have been awarded the tender for the Wong Chuk Hang Station Package One Property Development with a total gross floor area of approximately 54,000 sqm. This is the first railway property development project on Hong Kong Island in almost 30 years.

The Group believes that cooperative development would enable the Group to invest in larger projects, share higher profit returns and achieve financial burden dispersion. Among the new land parcels acquired in 2016, ten of which (with an aggregate floor area of approximately 2,300,000 sqm) have been developed by the Group together with competent enterprises.

TOLL ROAD BUSINESS

The total traffic volume and toll revenue of the Group's existing toll road projects were 80 million vehicles and RMB2,376 million respectively in 2016, representing an increase of approximately 9% as compared with 2015. As Longcheng Expressway in Shanxi Province and Machao Expressway in Anhui Province acquired earlier by the Group became more mature, they achieved a breakeven position and became profit making respectively in 2016. In 2016, the toll revenue of these two expressways increased by 31% as compared with 2015.

In 2016, the Group continued to divest the remaining Class I/II highway projects and the optimization of investment portfolio strategies was almost completed. Also, the Group has been seeking for new expressway projects with reasonable returns.

FINANCE AND FUNDING

In the third quarter of 2016, the Group grasped the opportunities for bond issuance in offshore markets and issued two batches of bonds in an aggregate amount of USD950 million with an interest rate of 5% and 4.7% respectively for replacing its offshore debts bearing higher interest rates. The Group also had its first issue of a three-year domestic bond in the PRC, which amounted to RMB1.5 billion in total with an interest rate of 4.5% per annum, and in turn reducing the financing costs. In February 2017, the Group issued USD300 million senior guaranteed perpetual capital securities with a distribution rate of 7.95% per annum, which gives strong liquidity support to its business development.

For minimizing the impacts arising from depreciation of RMB on the Group, the Group entered into capped forward contracts in respect of US dollars bonds and parts of offshore debts. The exchange and related differences for 2016 decreased by approximately HK\$186 million as compared with 2015.

The Group has been consistently adhering to its prudent and stable financial policy, and developing and expanding different financing channels, so as to mitigate the impacts of fluctuation of the exchange rate on the Group, reduce financing costs and enhance its cash flow.

PROSPECT

In recent years, China's economy has been facing downward pressure but it still maintained a growth overall. The property industry is an important pillar of the economy. It is expected that the government will continue to maintain stability through its policies and implement specific austerity measures in different regions. The Group is optimistic about the outlook of China's property market. The Group will continue to adhere to its strategy for regional exploitation, adopt an operating strategy for striking a balance between profits and sales volume, develop market-oriented products through a well-developed managerial system, enhance the value-added services of property management, and improve products and services quality as well as brand recognition. Meanwhile, the Group will continue to work closely with its business partners to seek for better development opportunities. The Group believes that its market position and well-developed operation team have provided a solid foundation for the continuous expansion of its property business in the PRC. The Group will keep capturing new opportunities for developing the property business in Hong Kong.

The toll road business would provide the Group with steady cash flows. Leveraging on our experience over the past two decades, the Group's business will be run and grow in a stable trend.

ACKNOWLEDGEMENT

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

Ko Yuk Bing

Chief Executive Officer

Hong Kong, 13 March 2017

MAJOR AWARDS

ROAD KING INFRASTRUCTURE LIMITED

2016 Best 25 China Real Estate Listed Companies with Strongest Comprehensive Strengths

RK PROPERTIES HOLDINGS LIMITED

2016 Best 30 of China Real Estate Developers

2016 No. 1 of Best 10 of China Foreign Real Estate Developers

National May Day Brand Construction Award – Model Enterprise for Management 2016

RK PROPERTY SERVICE HOLDINGS LIMITED

2016 Top 100 Property Management Companies of China



PROPERTY BUSINESS

Shanghai	Top 10 Influential Famous Real Estate Project in Shanghai 2015 – RK Shanghai Style Phase I Shanghai Excellent Residential Development Awards – RK Shanghai Villa
Guangzhou	Comprehensive Strength Real Estate Project 2016 – RK Vista Panorama (Guangzhou)
Suzhou	Influential Real Estate Project in Suzhou 2016 – RK Phoenix City Suzhou “Gusu Cup” 2016 – Quality Construction Award – RK Phoenix City
Hebei Province	National Quality Construction Award 2016-2017 – RK International City (Hebei)

TOLL ROAD BUSINESS

Changyi Expressway	2015 Provincial Award for Excellence in Management and Operation of Expressway Outstanding Entity in National Transportation Culture Building 2015
Tangjin Expressway	World Standards Certification – Expressway Operation and Management



MANAGEMENT DISCUSSION AND ANALYSIS

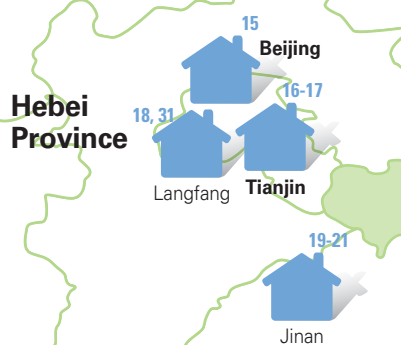
PROPERTY PROJECTS

 Yangtze River Delta Region

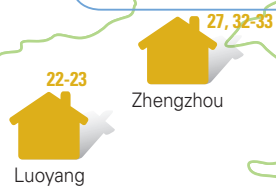
 Bohai Rim Region

 Other Major Regions

Bohai Rim Region



Shandong Province

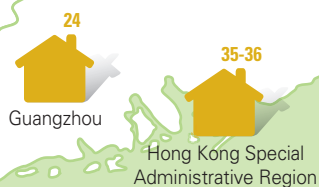


Henan Province

Hunan Province



Guangdong Province



Jiangsu Province



Yangtze River Delta Region

MAJOR PROJECTS INFORMATION

Properties for Sale

As at 31 December 2016

Yangtze River Delta Region

P1	RK Shanghai Villa							
	Floor area (sqm)	62,000	Nature	Residential	Stage of completion (note)	S/C	Land area (sqm)	136,000
	Approximate attributable interest	55%	Target completion	2017	Location	West of Báián Highway, North of Miaojing River, Waigang Town, Jiading District, Shanghai, the PRC		
	Shanghai Juncheng Real Estate Ltd.							
P2	RK Shanghai Manor							
	Floor area (sqm)	39,000	Nature	Residential	Stage of completion (note)	S/C	Land area (sqm)	133,000
	Approximate attributable interest	55%	Target completion	2017	Location	Lane 589, Hengrong Road, Waigang Town, Jiading District, Shanghai, the PRC		
	Shanghai Juncheng Real Estate Ltd.							
P3	RK Shanghai Style Phase II							
	Floor area (sqm)	84,000	Nature	Residential	Stage of completion (note)	S/C	Land area (sqm)	72,000
	Approximate attributable interest	90%	Target completion	2017	Location	East of Yutang Road and South of Báián Highway, Anting Town, Jiading District, Shanghai, the PRC		
	Shanghai Junda Real Estate Ltd.							
P4	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%	Target completion	2019	Location	East of Yutang Road and South of Changji Road, Anting Town, Jiading District, Shanghai, the PRC		
	Shanghai Junan Real Estate Ltd.							
P5	RK Sheshan Villa (formerly known as Xiaokunshan Project)							
	Floor area (sqm)	52,000	Nature	Residential	Stage of completion (note)	F	Land area (sqm)	37,000
	Approximate attributable interest	60%	Target completion	2017	Location	East of Hexi Road, West to Kungang River, South to Mianzhanggang River and North to Chongnan Road, Xiaokunshan Town, Songjiang District, Shanghai, the PRC		
	Shanghai Juntong Real Estate Co., Ltd.							
P6	RK Notting Hill							
	Floor area (sqm)	115,000	Nature	Residential	Stage of completion (note)	S/C	Land area (sqm)	98,000
	Approximate attributable interest	100%	Target completion	2018	Location	Chuqiao Road, Dingmao District, Zhenjiang, Jiangsu Province, the PRC		
	Zhenjiang RK Properties Developments Ltd.							

MAJOR PROJECTS INFORMATION

Properties for Sale

As at 31 December 2016

Yangtze River Delta Region


P7	RK City (Zhenjiang)							
	Floor area (sqm)	495,000	Nature	Residential	Stage of completion (note)	P/F	Land area (sqm)	257,000
	Approximate attributable interest	100%	Target completion	2020	Location	South of Yihou Road and West of Yandun Shan Road, Dagang Town, Zhenjiang, Jiangsu Province, the PRC		
	Zhenjiang RK Dagang Properties Developments Co., Ltd.							
P8	RK City (Changzhou)							
	Floor area (sqm)	512,000	Nature	Residential	Stage of completion (note)	P/F/S/C	Land area (sqm)	280,000
	Approximate attributable interest	100%	Target completion	2020	Location	East of Huoju Bei Road and North of Guangdian Xi Road, Gaoxin Zone, Hutang Town, Wujin District, Changzhou, Jiangsu Province, the PRC		
	Changzhou RK Properties Developments Ltd.							
P9	RK Urban Home Court							
	Floor area (sqm)	130,000	Nature	Residential	Stage of completion (note)	S/C	Land area (sqm)	95,000
	Approximate attributable interest	100%	Target completion	2017	Location	West of Dongxi Lin Road and North of Hualin Road, Zhonglou District, Changzhou, Jiangsu Province, the PRC		
	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%	Target completion	2020	Location	North of Qingtan Xi Road and West of Chechang Road, Zhonglou District, Changzhou, Jiangsu Province, the PRC		
	Changzhou RK Hongyuan Properties Developments Ltd.							
P11	RK City Signature							
	Floor area (sqm)	230,000	Nature	Residential	Stage of completion (note)	P/F/S/C	Land area (sqm)	110,000
	Approximate attributable interest	100%	Target completion	2019	Location	East of Longjiang Road, North of Zijing Xi Road, Zhonglou District, Changzhou, Jiangsu Province, the PRC		
	Changzhou RK Hongrun Properties Developments Ltd.							
P12	RK The Providence							
	Floor area (sqm)	145,000	Nature	Residential	Stage of completion (note)	F/S/C	Land area (sqm)	88,000
	Approximate attributable interest	100%	Target completion	2019	Location	Southwest of the junction of Zhongnan Xi Road and Lixi Road, Binhu District, Wuxi, Jiangsu Province, the PRC		
	Wuxi RK Liyuan Properties Limited							

MAJOR PROJECTS INFORMATION

Properties for Sale


As at 31 December 2016

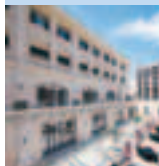
Yangtze River Delta Region


P13	RK Phoenix City							
	Floor area (sqm)	255,000	Nature	Residential	Stage of completion (note)	P/F/S/C	Land area (sqm)	843,000
	Approximate attributable interest	100%	Target completion	2019	Location	Junction of Zhongxin Da Road East and Xieyu Road South, Suzhou Industrial Park, Suzhou, Jiangsu Province, the PRC		
	Suzhou Junyu Properties Ltd.							


P14	RK Yanjiang Riverside (formerly known as Yangchenghu Project)							
	Floor area (sqm)	60,000	Nature	Residential	Stage of completion (note)	P/F	Land area (sqm)	58,000
	Approximate attributable interest	58.82%	Target completion	2017	Location	Junction of Xiangzhou Road and Shunxian Road, Yangchenghu Town, Xiangcheng District, Suzhou, Jiangsu Province, the PRC		
	Suzhou Juncheng Properties Developments Co., Ltd.							

Bohai Rim Region

	P15 RK World City							
	Floor area (sqm)	80,000	Nature	Residential and commercial	Stage of completion (note)	F/C	Land area (sqm)	108,000
	Approximate attributable interest	100%	Target completion	2019	Location	West to Heying Road, East to Heying Xi Road, North to Changhuai Road Southern Line and South to Changhuai Road, Nanshao Town, Changping District, Beijing, the PRC		
	Beijing RK Junyu Properties Developments Ltd.							

P16	RK Sunny Town							
	Floor area (sqm)	448,000	Nature	Residential	Stage of completion (note)	P/F/S/C	Land area (sqm)	811,000
	Approximate attributable interest	94.74%	Target completion	2020	Location	Junction of Lushan Road and Helan Road, Hedong District, Tianjin, the PRC		
	Tianjin Sunco Xindi Property Co., Ltd.							

P17	RK Emerald Courtyard (formerly known as Beichen Project)							
	Floor area (sqm)	266,000	Nature	Residential	Stage of completion (note)	P	Land area (sqm)	125,000
	Approximate attributable interest	50%	Target completion	2020	Location	Junction of Xianyong Road and Zhixin Road, Beicang Town, Beichen District, Tianjin, the PRC		
	Tianjin Junde Properties Developments Co., Ltd.							


P18	RK Grandtown							
	Floor area (sqm)	512,000	Nature	Residential	Stage of completion (note)	P/F/S/C	Land area (sqm)	495,000
	Approximate attributable interest	100%	Target completion	2020	Location	East of Shouchuang Da Street, South of Xinkai Da Street, West of Lidaxian and South to North of Dafubei Road, Xiadian Town, Dachang Hui Autonomous County, Langfang, Hebei Province, the PRC		
	Dachang Hui Autonomous County Zhongji Shouye Properties Developments Co., Ltd.							

MAJOR PROJECTS INFORMATION


Properties for Sale

As at 31 December 2016


Bohai Rim Region

P19	RK City (Jinan) Phase II (formerly known as Land Parcels in Licheng District)							
	Floor area (sqm)	125,000	Nature	Residential	Stage of completion (note)	F	Land area (sqm)	34,000
	Approximate attributable interest	100%	Target completion	2018	Location	South of Beiyuan Da Street and West of Erhuan East Road, Licheng District, Jinan, Shandong Province, the PRC		
	Jinan RK Juncheng Properties Developments Co., Ltd.							

P20	RK City (Jinan) Phase III (formerly known as Land Parcels in Licheng District)							
	Floor area (sqm)	101,000	Nature	Commercial	Stage of completion (note)	M	Land area (sqm)	17,000
	Approximate attributable interest	100%	Target completion	2020	Location	South of Beiyuan Da Street and West of Erhuan East Road, Licheng District, Jinan, Shandong Province, the PRC		
	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%	Target completion	2019	Location	North of University Road, West of Ziwei Road (No. 3), University Technology Zone, Changqing District, Jinan, Shangdong Province, the PRC		
	Shandong Yudi Properties Developments Co., Ltd.							

Other Major Regions

P22	RK Royal City (Luoyang)							
	Floor area (sqm)	302,000	Nature	Residential	Stage of completion (note)	P/F/S/C	Land area (sqm)	147,000
	Approximate attributable interest	100%	Target completion	2020	Location	Huaxia Road, Gaoxin District, Luoyang, Henan Province, the PRC		
	Luoyang RK Properties Developments Ltd.							

P23	RK Leader of Life (Luoyang)							
	Floor area (sqm)	53,000	Nature	Residential	Stage of completion (note)	P/F	Land area (sqm)	54,000
	Approximate attributable interest	100%	Target completion	2019	Location	Southwest of the junction of Yanhuang Road and Tianzhong Road, Gaoxin District, Luoyang, Henan Province, the PRC		
	Luoyang RK Hongjun Properties Developments Co., Ltd.							

P24	RK Vista Panorama (Guangzhou)							
	Floor area (sqm)	224,000	Nature	Residential	Stage of completion (note)	P/F	Land area (sqm)	90,000
	Approximate attributable interest	51 %	Target completion	2019	Location	Baohua Road, Huadu District, Guangzhou, Guangdong Province, the PRC		
	Guangzhou Junhong Properties Developments Co., Ltd.							

MAJOR PROJECTS INFORMATION

Investment Properties


As at 31 December 2016


	P25RK Grand Metropolis							
	Floor area (sqm)	120,000	Nature	Commercial	Stage of completion (note)	C	Land area (sqm)	67,000
	Approximate attributable interest	100%	Target completion	Not applicable	Location	No. 33, Huayuan Street, Wujin District, Changzhou, Jiangsu Province, the PRC		
	Changzhou Greatmind Properties Developments Ltd.							
	P13RK Phoenix City							
	Floor area (sqm)	22,000	Nature	Commercial	Stage of completion (note)	C	Land area (sqm)	17,000
	Approximate attributable interest	100%	Target completion	Not applicable	Location	Junction of Zhongxin Da Road East and Xieyu Road South, Suzhou Industrial Park, Suzhou, Jiangsu Province, the PRC		
	Suzhou Junyu Properties Ltd.							
	P26Wujiang Project							
	Floor area (sqm)	37,000	Nature	Commercial	Stage of completion (note)	C	Land area (sqm)	24,000
	Approximate attributable interest	100%	Target completion	Not applicable	Location	No. 180, Renmin Road, Wujiang District, Suzhou, Jiangsu Province, the PRC		
	Suzhou Junhong Properties Developments Co., Ltd.							
	P16RK 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	Junction of Longshan Road and Tianshan Bei Road, Hedong District, Tianjin, the PRC		
	Tianjin Sunco Xindi Property Co., Ltd.							
	P27RK 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	Junction of Shangding Road and Nongye Dong Road, Zhengdong New District, Zhengzhou, Henan Province, the PRC		
	Zhengzhou Keshu Real Estate Co., Ltd.							


MAJOR PROJECTS INFORMATION

New projects acquired after the date of 2016 interim report


Yangtze River Delta Region

P28	Xiaokunshan BC Project							
	Floor area (sqm)	177,000	Nature	Residential and commercial	Stage of completion (note)	M	Land area (sqm)	122,000
	Approximate attributable interest	60%	Target completion	2020	Location	East to Kungang Road, West to Hexi Street, South to Mianzhanggang and North to Wennan Road, Xiaokunshan Town, Songjiang District, Shanghai, the PRC		
	Shanghai Junzhu Real Estate Ltd.							


P29	Chengtie Xincheng Project							
	Floor area (sqm)	190,000	Nature	Residential	Stage of completion (note)	M	Land area (sqm)	95,000
	Approximate attributable interest	51%	Target completion	2020	Location	West of Anyang Road and North of Huhong Road, Huguan Town, Gaoxin District, Suzhou, Jiangsu Province, the PRC		
	Suzhou Zhongjiao RK Properties Co., Ltd.							

P30	Ningbo Jiangbei Project							
	Floor area (sqm)	98,000	Nature	Residential and commercial	Stage of completion (note)	P/F/S	Land area (sqm)	27,000
	Approximate attributable interest	100%	Target completion	2019	Location	No. 32, Zhengda Lane, Jiangbei District, Ningbo, Zhejiang Province, the PRC		
	Ningbo Yonghong Property Co., Ltd.							

Bohai Rim Region

P31	Guan Project							
	Floor area (sqm)	110,000	Nature	Residential and commercial	Stage of completion (note)	S/C	Land area (sqm)	200,000
	Approximate attributable interest	45%	Target completion	2017	Location	West of Neinanchen Village and East of Daguang Highway, Hot Spring Park, Guan County, Langfang, Hebei Province, the PRC		
	Hebei Kexin Agriculture Development Co., Ltd.							

Other Major Regions

P32	RK International City (Zhengzhou)							
	Floor area (sqm)	465,000	Nature	Residential	Stage of completion (note)	P/F	Land area (sqm)	162,000
	Approximate attributable interest	60%	Target completion	2020	Location	Northeast of the junction of Shangduda Road and Renwen Road, Zhengdong New Distrct, Zhengzhou, Henan Province, the PRC		
	Zhengzhou Longgang Real Estate Ltd.							

MAJOR PROJECTS INFORMATION

New projects acquired after the date of 2016 interim report

P33	Zhengzhou Zhongmou B Project							
	Floor area (sqm)	878,000	Nature	Residential and commercial	Stage of completion (note)	P	Land area (sqm)	314,000
	Approximate attributable interest	60%	Target completion	2024	Location	East to Zhongxing Road, West to Guihua Road, South to Dongfeng Road, North to Wenbo Road, Xiaopan Zhuang, Zhongmou County, Zhengzhou, Henan Province, the PRC		
	Zhengzhou Hua Shou Hong Tian Real Estate Co., Ltd.							
P34	Guzhen Yongzhou Project							
	Floor area (sqm)	102,000	Nature	Residential	Stage of completion (note)	F	Land area (sqm)	196,000
	Approximate attributable interest	48.45%	Target completion	2018	Location	Xiao Shui Zhi Pan, Heping Yangnan Road, Lingling District, Yongzhou, Hunan Province, the PRC		
	Yongzhou Weiguang Huitong Guzhen Culture and Tourism Development Ltd.							
P35	Yuen Long Project							
	Floor area (sqm)	34,000	Nature	Residential	Stage of completion (note)	P	Land area (sqm)	28,000
	Approximate attributable interest	100%	Target completion	2020	Location	Lot No. 1066 in Demarcation District No. 103, Au Tau, Yuen Long, New Territories, Hong Kong		
	Power Truth Development Limited							
P36	Wong Chuk Hang Project							
	Floor area (sqm)	54,000	Nature	Residential	Stage of completion (note)	M	Land area (sqm)	11,000
	Approximate attributable interest	50%	Target completion	2022	Location	Site A of Aberdeen Inland Lot No. 467, Hong Kong		
	Ease Harvest Investments Limited							

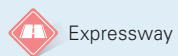
Notes:

"M" denotes "Master planning"
 "S" denotes "Superstructure"

"P" denotes "Planning and design"
 "C" denotes "Completed"

"F" denotes "Foundation"

TOLL ROAD PROJECTS



Expressway



Hebei
Province

Shanxi
Province

Anhui
Province






Hunan
Province

MAJOR PROJECTS INFORMATION

Toll Road Business

As at 31 December 2016

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	43.17%
	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		

BUSINESS REVIEW

For the year ended 31 December 2016, property sales and toll revenue of the Group (including joint venture projects) were RMB18,683 million and RMB2,376 million respectively, amounting to RMB21,059 million in total, representing a significant increase of 52% as compared with 2015. The operating profit after tax for the year of 2016 (excluding exchange and related differences) was HK\$1,518 million. Taking into account the exchange and related differences of HK\$144 million (2015: HK\$330 million) due to RMB depreciation, the profit for the year of 2016 was HK\$1,374 million, representing an increase of HK\$545 million or 66% as compared with 2015, with earnings per share of HK\$1.69.

PROPERTY BUSINESS

In 2016, for improving the property market sentiment, the central and local governments of the PRC implemented various policies such as reducing interest rates and deposit reserve ratio and loosening austerity measures for the property market in the first three quarters. As a result, the property market has become more robust, especially the market in tier 1 and tier 2 cities which recorded growth to various extent in different districts in both transaction volume and selling prices. Despite the strengthening of austerity measures of the property market in the fourth quarter by the government, the Group achieved remarkable results by adhering to its operating strategies of deeper exploitation and balancing turnover and profitability. In 2016, the Group's property sales (including joint venture projects) increased to RMB18,683 million, including the contracted sales of RMB17,613 million and outstanding subscribed sales of RMB1,070 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 2016:

Regions (Notes)	Sales		Delivery	
	Amount RMB'million	Area sqm	Amount RMB'million	Area sqm
Yangtze River Delta	10,102	737,000	9,682	692,000
Bohai Rim	7,494	489,000	3,620	402,000
Other regions	1,087	133,000	977	110,000
Total – 2016	18,683	1,359,000	14,279	1,204,000
Total – 2015	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 2016, with the team's support, the Group adhered to its strategies of deeper exploitation and balancing turnover and profitability as in the past. In the meantime, the Group continued to improve product quality and enhance project management, as well as acquiring suitable land reserves at reasonable prices. The Group recorded property sales (including joint venture projects) of RMB18,683 million in 2016, with an average selling price of approximately RMB13,700 per sqm, representing increases of approximately 60% and 25% respectively, as compared with 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Set out below is an analysis of the performance of the Group's property business for 2016 and 2015:

	For the year ended 31 December	
	2016 HK\$'million	2015 HK\$'million
Revenue	16,842	12,510
Gross profit	4,222	2,883
Selling and operating expenses	(1,035)	(813)
Profit for the year	1,132	823

In 2016, 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 2016 was 1,204,000 sqm, with an average price of approximately RMB11,900 per sqm. Operating profit after taxation of the property business was HK\$1,255 million. Taking into account the exchange and related differences of HK\$123 million due to RMB depreciation, the profit for the year was HK\$1,132 million.

Land Reserve

For land reserve replenishment, the Group acquired fifteen pieces of land in the PRC and Hong Kong for residential and commercial development purpose, through listing-for-sale and acquisition in 2016, with an aggregate floor area of about 2,700,000 sqm. Among which, ten pieces of new land 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:

Province/Municipalities	Attributable Interest	Land Area sqm	Floor Area sqm	Total Consideration RMB'million
Yangtze River Delta region				
Shanghai	60%	159,000	229,000	5,050
Jiangsu Province	51%-100%	177,000	287,000	4,484
Zhejiang Province	100%	27,000	98,000	554
Bohai Rim region				
Tianjin	50%	125,000	266,000	2,060
Hebei Province	45%	200,000	110,000	400
Shandong Province	100%	51,000	226,000	496
Other major regions				
Henan Province	60%	476,000	1,343,000	1,045
Hunan Province	48.45%	196,000	102,000	95
Hong Kong Special Administrative Region	100%	28,000	34,000	868

MANAGEMENT DISCUSSION AND ANALYSIS

In February 2017, the Group and its joint venture partner have been awarded the tender of phase I of the residential plot next to Wong Chuk Hang Station with a total gross floor area of approximately 54,000 sqm. This is the first railway property development project on Hong Kong Island in almost 30 years.

The Group's land reserve includes properties under planning and construction, properties held for sale and properties held for investment. As at 31 December 2016, the Group's land reserve was approximately 7,000,000 sqm and was mainly located in the following regions:

Provinces/Municipalities	Number of projects units	Area sqm
Yangtze River Delta region		
Shanghai	6	494,000
Jiangsu Province	12	2,528,000
Zhejiang Province	1	98,000
Bohai Rim region		
Beijing	1	80,000
Tianjin	2	732,000
Hebei Province	2	622,000
Shandong Province	3	355,000
Other major regions		
Henan Province	5	1,723,000
Hunan Province	1	102,000
Guangdong Province	1	224,000
Hong Kong Special Administrative Region	1	34,000

In 2016, the Group's new construction area was 1,977,000 sqm while the area of completed projects was 1,289,000 sqm. New construction area and the area of completed projects in 2017 are expected to be 2,437,000 sqm and 1,310,000 sqm, respectively.

OVERVIEW OF MAJOR PROJECTS

Yangtze River Delta Region***RK Shanghai Villa, Shanghai***


Located at 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 2016, sales of RK Shanghai Villa was RMB663 million, with an average selling price of approximately RMB30,300 per sqm. In 2016, the value and area of properties delivered were RMB303 million and 15,000 sqm, respectively. It is expected that a total area of 30,100 sqm will be delivered in 2017, of which 18,400 sqm had already been pre-sold as of 31 December 2016.


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. With a site area of 133,000 sqm and a floor area of 133,000 sqm, the project is developed in three phases. The project is a low-density residential project with a focus on villas.

In 2016, sales of RK Shanghai Manor was RMB890 million, with an average selling price of villas of approximately RMB22,800 per sqm. In 2016, the value and area of properties delivered were RMB1,386 million and 66,000 sqm, respectively. It is expected that a total area of 18,000 sqm will be delivered in 2017, of which 5,100 sqm had already been pre-sold as of 31 December 2016.


RK Shanghai Style Phase I, 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 logistic 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 caters for the first-time home buyers. The project is developed in two phases.

In 2016, sales of RK Shanghai Style Phase I was RMB136 million, with an average selling price of approximately RMB23,100 per sqm. In 2016, the value and area of properties delivered were RMB858 million and 45,000 sqm, respectively.


RK Shanghai Style Phase II, 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 developed in two phases.

In 2016, sales of RK Shanghai Style Phase II was RMB1,600 million, with an average selling price of approximately RMB24,700 per sqm. In 2016, the value and area of properties delivered were RMB1,193 million and 52,000 sqm, respectively. It is expected that a total area of 54,700 sqm will be delivered in 2017, of which 13,000 sqm had already been pre-sold as of 31 December 2016.



RK Sheshan Villa (formerly known as Xiaokunshan Project), Shanghai

RK Sheshan Villa is located at the centre of Xiaokunshan Town in Songjiang District, Shanghai, adjacent to the Songjiang Science & Technology Zone and the centre of Songjiang Xincheng. With a site area of 37,000 sqm and a floor area of 56,000 sqm, the project is planned to be developed as a residential community with a focus on apartments and villas at affordable price. It is expected to be launched in the first half of 2017.



RK City, Changzhou

RK City is located at Hutang Town, a town centre of Wujin District surrounded by 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 2016, sales of RK City was RMB1,301 million, with an average selling price of approximately RMB7,600 per sqm. In 2016, the value and area of properties delivered were RMB483 million and 54,000 sqm, respectively. It is expected that a total area of 128,800 sqm will be delivered in 2017, of which 113,500 sqm had already been pre-sold as of 31 December 2016.



RK Urban Home Court, Changzhou

RK Urban Home Court is located in the area where the commercial centre crosses with the logistics cluster in 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, which is developed in two phases.

In 2016, sales of RK Urban Home Court was RMB483 million. In 2016, the value and area of properties delivered were RMB253 million and 42,000 sqm, respectively. It is expected that a total area of 83,200 sqm will be delivered in 2017, of which 43,200 sqm had already been pre-sold as of 31 December 2016.

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 construction and sales of phase 1 is expected to commence in early 2017 and the second half of 2017, respectively.



路劲·城市印象
— 一座城市的分量 —

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 developed in three phases.

In 2016, sales of RK City Signature was RMB364 million, with an average selling price of approximately RMB10,000 per sqm. The value and area of properties delivered were RMB340 million and 34,400 sqm, respectively. It is expected that a total area of 11,300 sqm will be delivered in 2017, of which 1,200 sqm had already been pre-sold as of 31 December 2016.



RK Royal City, Changzhou

Located at 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 neighborhood” with a clubhouse consisting of a swimming pool and tennis courts. The project also includes 14,000 sqm of shops and one kindergarten.

In 2016, sales of RK Royal City was RMB104 million with the value and area of properties delivered of RMB502 million and 81,400 sqm, respectively. It is expected that a total area of 16,000 sqm will be delivered in 2017, of which 5,300 sqm had already been pre-sold as of 31 December 2016.



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 2016, sales of RK The Providence was RMB329 million, with an average selling price of approximately RMB12,800 per sqm. In 2016, the value and area of properties delivered were RMB324 million and 27,000 sqm, respectively. It is expected that a total area of 21,900 sqm will be delivered in 2017, of which 3,500 sqm had already been pre-sold as of 31 December 2016.



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 2016, sales of RK Impression was RMB744 million, with an average selling price of approximately RMB11,000 per sqm. In 2016, the value and area of properties delivered were RMB848 million and 82,000 sqm, respectively. It is expected that a total area of 9,800 sqm will be delivered in 2017.



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 2016, sales of Phoenix City was mainly from Forest & Valley Villa, which recorded sales of RMB1,720 million, with an average selling price of approximately RMB27,100 per sqm. In 2016, the properties delivered were mainly from Forest & Valley Villa, with the value and area of properties delivered of RMB1,793 million and 117,000 sqm, respectively. It is expected that a total area of 40,500 sqm of Forest & Valley Villa will be delivered in 2017, of which 39,000 sqm had already been pre-sold as of 31 December 2016.



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HONGKONG TIMES

RK Hong Kong Times, Suzhou

RK Hong Kong Times is located in Gaoxin District, Suzhou mainly for residential development, with a site area of 46,000 sqm and a floor area of 85,000 sqm.

In 2016, sales of RK Hong Kong Times was RMB889 million, with an average selling price of approximately RMB21,400 per sqm. In 2016, the value and area of properties delivered were RMB1,128 million and 57,000 sqm, respectively. It is expected that a total area of 29,600 sqm will be delivered in 2017, of which 2,600 sqm had already been pre-sold as of 31 December 2016.



RK Yanjiang Riverside (formerly known as Yangchenghu Project), Suzhou

RK Yanjiang Riverside is located at Yangchenghu Town, Xiangcheng District, Suzhou, with a site area of 58,000 sqm and a floor area of 61,000 sqm. Yangchenghu Town is a famous tourist attraction in Yangtze River Delta region alongside comprehensive and first-class leisure facilities, which is suitable for the development of a high-end villa surrounded by lake scenery. The project is expected to be launched in the second half of 2017.

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 2016, sales of RK World City was RMB316 million, with an average selling price of approximately RMB24,000 per sqm for residential buildings. In 2016, the value and area of properties delivered were RMB84 million and 3,400 sqm, respectively.



RK Sunny Town, Tianjin

Located in 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, a 8,000-sqm clubhouse as well as one primary school and one kindergarten.

In 2016, sales of RK Sunny Town was RMB3,070 million, with an average selling price of approximately RMB21,600 per sqm. It is expected that a total area of 109,800 sqm will be delivered in 2017, which had already been pre-sold as of 31 December 2016.

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 92%, and its tenants include a number of renowned international restaurants and retail shops.

RK Emerald Courtyard (formerly known as Beichen Project), Tianjin

RK Emerald Courtyard is located in Beicang Town, Beichen District, Tianjin, with a site area of 125,000 sqm and a floor area of 276,000 sqm. Located at the west of the North Canel scenery belt and the east of Hebei University of Technology and residential area, the project is planned to be developed as an eco-friendly residential community with comprehensive facilities. The project is expected to be launched in the third quarter of 2017.



RK Grandtown, Langfang

RK Grandtown located in Dachang County, Langfang, lying to the east of Yanjiao and is adjacent to Tongzhou District, Beijing. The Group plans to develop it as a high-end residential community. 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.

In 2016, sales of RK Grandtown was RMB3,041 million, with an average selling price of approximately RMB14,100 per sqm. The value and area of properties delivered in 2016 were RMB2,168 million and 206,000 sqm, respectively. It is expected that a total area of 65,700 sqm will be delivered in 2017, of which 3,100 sqm had already been pre-sold as of 31 December 2016.



RK City Phase I, Jinan

RK City Phase I 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. The project mainly comprises high-rise residential buildings, coupled with a 3,200 sqm kindergarten.

In 2016, sales of RK City was RMB473 million, with an average selling price of approximately RMB9,300 per sqm. The value and area of properties delivered were RMB1,072 million and 145,500 sqm, respectively. It is expected that a total area of 4,900 sqm will be delivered in 2017, of which 500 sqm had already been pre-sold as of 31 December 2016.



RK City Phase II (formerly known as Land Parcels in Licheng District), Jinan

RK City Phase II is adjacent to the Group's RK City Phase I, with a site area and a floor area of 34,000 sqm and 127,000 sqm, respectively. The project located the intersection of Hunglou Commercial Circle, Beiyuan Commercial Circle and Quanfu Commercial Circle, equipped with comprehensive facilities and convenient access, which has strong development potential and is planned to be developed as a quality residential community in the town centre. The project had been launched in December 2016.

RK City Phase III (formerly known as Land Parcels in Licheng District), Jinan

RK City Phase III complements with RK City Phase I and II, with a site area of 17,000 sqm and a floor area of 102,000 sqm. The project is planned to be developed as a neighborhood commercial centre and is expected to be launched in the second half of 2018.

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 2016, sales of RK Royal City was RMB303 million, with the value and area of properties delivered of RMB240 million and 41,000 sqm, respectively. It is expected that a total area of 81,100 sqm will be delivered in 2017, of which 27,100 sqm had already been pre-sold as of 31 December 2016.

RK Leader of Life, 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 the second half of 2017.

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 2016, sales of RK J•o•Y Heights was RMB364 million, with average selling prices of approximately RMB11,400 per sqm for residential buildings. In 2016, the value and area of properties delivered were RMB571 million and 54,000 sqm, respectively. It is expected that a total area of 13,000 sqm will be delivered in 2017, of which 1,800 sqm had already been pre-sold as of 31 December 2016.

RK Vista Panorama, Guangzhou



Located at Baohua Road, the core centre of Huadu District, Guangzhou, RK Vista Panorama is adjacent to the developing Metro line 9 and surrounded by Huaguoshan Park, Canton Tower Park, Huadu Stadium and first-class education centres in Guangdong. With a site area of 90,000 sqm and a floor area of 225,000 sqm, the project is planned to be developed as a high-end residential community in three phases and will be launched in the first quarter of 2017.

Investment Property

RK Grand Metropolis, Changzhou



RK Grand Metropolis is located in Wujin District, Changzhou, and 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, consists of a commercial complex, commercial street and an office building. Its tenants included major chain business, cinema and fitness centre.

New Projects**Acquired after the date of 2016 interim report:****Yangtze River Delta Region*****Xiaokunshan BC Project, Shanghai***

In August 2016, the Group acquired two pieces of adjoining land in Xiaokunshan Town, Songjiang District, Shanghai, for residential and commercial development through listing-for-sale, together with our long-term business partner. The project is adjacent to RK Sheshan Villa, which acquired by the Group in March 2016. With a site area of 122,000 sqm and a floor area of 203,000 sqm, the project is expected to be launched in the second half of 2017.

Chengtie Xincheng Project, Suzhou

In December 2016, the Group acquired a land parcel in Chengtie Xincheng, Gaoxin District, Suzhou, through listing-for-sale mainly for residential development. The Group will develop the project with a well-established PRC partner. With a site area of 95,000 sqm and a floor area of 190,000 sqm, the project is expected to be launched in the second half of 2019.

Ningbo Jiangbei Project, Ningbo

In November 2016, the Group, through equity acquisition, acquired a commercial complex which comprises a shopping mall, apartment and offices, with a site area and a floor area of 27,000 sqm and 98,000 sqm, respectively.

Bohai Rim Region***Guan Project, Langfang***

In December 2016, the Group, through equity acquisition, acquired the Jianguo Hot Spring Resort & Hotel, Meiquanyuanshu project and other land reserves in the Hot Spring Business and Leisure Industrial Park in Niutuo Town, Guan County, Langfang, Hebei Province, together with our long-term business partner. The project has a site area of 200,000 sqm, including the hotel with a site area of 84,000 and a floor area 71,000 sqm, which has already been opened to public. In addition, the existing residential area of the project of approximately 39,000 sqm, is expected to be launched in the first half of 2017.

Other Major Regions***Zhengzhou Zhongmou B Project, Zhengzhou***

In November 2016, the Group acquired a residential project in Xiaopanzhuang, Zhongmou County, Zhengzhou, through capital injection. With a floor area of 878,000 sqm and a site area of 314,000 sqm, the project is expected to be launched in the second half of 2017.

Yuen Long Project, Hong Kong Special Administrative Region

In August 2016, the Group acquired a land parcel in Au Tau, Yuen Long, New Territories through public tender for residential development. With a site area of 28,000 sqm and a gross floor area of 34,000 sqm, the project is planned to be developed as a high quality low density community comprises 13-floor apartments and semi-detached villas. The project is expected to be launched in the second half of 2018.

Wong Chuk Hang Project, Hong Kong Special Administrative Region

In February 2017, the Group acquired phase I of the residential plot next to Wong Chuk Hang Station through public tender with the joint venture partner. This is the first railway property development project on Hong Kong Island in almost 30 years. With a site area of 11,000 sqm and a gross floor area of 54,000 sqm, the project is expected to be launched in the second half of 2020.

TOLL ROAD BUSINESS

In 2016, driving by domestic demand, the China's economy maintained rapid growth steadily. The GDP growth reached 6.7%. The PRC national average disposal income (excluding the pricing effect) was sustained at reasonable level as expected, with an increment of 6.3% as compared with last year. With continuous and stable growth in the China's economy, the household income has been improving and demand on transportation has also been increasing, laying a sound foundation for boosting the revenue of the Group's toll roads business in the next couple of years.

In 2016, as the Group has divested the Anhui Heye project at a reasonable price, the optimization of the investment portfolio was almost achieved. In the long run, the Group continues to explore and invest in expressway projects with reasonable returns so as to form a solid base for the Group's mid-to-long-term development.

Financial Review

In 2016, the Group received cash distribution of HK\$580 million from the toll road joint ventures, including the repayment of shareholders' loans. The Group's share of operating profits of toll road joint ventures (net of income tax and withholding tax) increased from HK\$250 million in 2015 to HK\$383 million in 2016, mainly due to the stable growth in the traffic volume of Changyi Expressway and Baojin Expressway. In addition, the expressways acquired earlier, namely Longcheng Expressway and Machao Expressway, became mature and recorded increases in both traffic volume and toll revenue, achieved a breakeven position and became profit making respectively in 2016.

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

	2016 RMB'million	2015 RMB'million	Increase (Decrease) %
Share of toll revenue (net of business and related taxes)			
Expressways	1,013	849	19
Highways	23	19	21
Share of expenses (excluding amortisation and taxation)			
Expressways	293	305	(4)
Highways	14	12	17

MANAGEMENT DISCUSSION AND ANALYSIS

The traffic volume and toll revenue of the existing toll road projects for 2016 are as follows:

Project	2016 Average Daily Traffic Vehicles	Increase (Decrease) %	2016 Toll Revenue RMB'million	Increase (Decrease) %
Expressways				
Baojin Expressway	56,000	6	688	8
Tangjin Expressway	46,000	4	530	(4)
Changyi Expressway	65,000	9	649	11
Longcheng Expressway	17,000	31	274	37
Machao Expressway	18,000	37	190	24
	202,000	10	2,331	10
Highways	17,000	(6)	45	(2)
	219,000	9	2,376	9

The total traffic volume and toll revenue of the Group's toll road projects reached 80 million vehicles and RMB2,376 million, respectively in 2016. Toll revenue from expressway projects accounted for 98% in the entire toll road portfolio in 2016, which was further increased as compared with 97% in 2015.

Review of Expressway Projects

Baojin Expressway



In 2016, the traffic volume and toll revenue of Baojin Expressway increased by 6% and 8%, respectively, mainly attributable to the facts that the regional economy showing signs of recovery which increased the toll revenue from some lorries using expressways and that a section of the National Highway G112 was under construction so that some vehicles had to use Baojin Expressway instead, leading to an increase in traffic volume.

Due to the further implementation of the Coordinated Development of Beijing, Tianjin and Hebei, a national policy, and the moderate growth in regional economy, it is expected that toll revenue of the project will achieve growth correspondingly.

Tangjin Expressway



The traffic volume and toll revenue of Tangjin Expressway for the year increased by 4% and decreased by 4%, respectively, as compared with last year. The decrease in toll revenue was mainly due to some positive factors such as the overhaul work of Yanhai Expressway in 2015 and the Tianjin explosion incident which resulted in the implementation of traffic diversion measure on Yanhai Expressway etc.. Yet, the traffic diversion was cancelled in 2016 and traffic volume and revenue were changed.

The toll revenue of the project is also expected to benefit from the Coordinated Development of Beijing, Tianjin and Hebei and continues to grow in the foreseeable future.

Changyi Expressway



The traffic volume and toll income were increased by 9% and 11%, respectively in 2016. It was mainly driven by mature development of the regional highway network and rapid development of the regional economy.

In 2017, it is expected that the continuous development of Changsha and its surrounding regions and the synergistic effect of the highway network will become the driving force of revenue growth.



Longcheng Expressway

The traffic volume and toll income of Longcheng Expressway were increased by 31% and 37%, respectively in 2016. It was mainly due to the division policy for urban roads and highways adopted in Jinzhong, the closure of the eastern, southern, and western sections of the outer-ring road of Yuci City for repair and the restrictions of access of medium to heavy trucks, which led to the increases in freight traffic and revenue of the project.

With the gradual increase in the demand on the coal industry, the economy of Shanxi Province has been recovering. Moreover, the active development of surrounding areas of the project and the development of the road network in Jinzhong City will give great contribution to the project's revenue. On the other hand, the western and northern extension lines which connect with Longcheng Expressway were under planning for construction. The commencement of operation of such extension lines will improve the overall traffic network in Taiyuan City, including Longcheng Expressway, which will bring direct benefit to the project in future.



Machao Expressway

The traffic volume and toll income of Machao Expressway were increased by 37% and 24%, respectively in 2016. It was mainly attributable to the rapid growth of the project and the continuous and rapid development trend in the Yangtze River Delta Region's economy, which led to increases in traffic volume and toll income.

It is expected that the connecting network of Machao Expressway will be upgraded gradually, driving a significant increase in future revenue of the project.

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 2016 and 2015.

	2016 HK\$'million	2015 HK\$'million
Revenue	16,842	12,510
Gross profit	4,222	2,883
Other income (loss), net	132	(42)
Selling and operating expenses	(1,131)	(887)
Share of results of joint ventures and an associate	394	261
Finance costs	(372)	(233)
Profit before taxation	3,245	1,982
Income tax expenses	(1,871)	(1,154)
Profit after taxation	1,374	828
Non-controlling interests	(124)	(8)
Profit attributable to owners of the Company	1,250	820

Revenue and Gross Profit

The details of revenue and gross profit for 2016 and 2015 are included in the sub-section headed "Financial Review" under "Property Business".

Other Income (Loss), Net

The net other income (loss) mainly comprises exchange losses, gains from change in fair value of investment properties and interest income. The net other loss for 2015 was mainly caused by the exchange losses arising from the depreciation of RMB. For minimizing the impacts arisen from depreciation of RMB on the Group, the Group has entered into the capped forward contracts for our US dollar denominated borrowings during the year. As a result, the exchange and related differences for 2016 were decreased by approximately HK\$186 million as compared with last year.

Selling and Operating Expenses

Selling and operating expenses increased mainly due to the surge of property sales in 2016 which resulted in the corresponding increase in sales commission and promotional expenses.

Share of Results of Joint Ventures and an Associate

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".

Finance Costs

The increase in finance costs was mainly due to the issuance of the two offshore USD guaranteed senior notes with an aggregate amount of USD950 million by the Group during the year and the early redemption of the USD350 million guaranteed senior notes due in 2017, which resulted in additional redemption costs and related finance costs.

Income Tax Expenses

Income tax expenses mainly comprise profit tax, land appreciation tax and deferred tax. The increase in income tax expenses was mainly attributable to the increase in profits of properties delivered in 2016 as compared with last year.

Consolidated Statement of Financial Position

The table below summarised major items of the consolidated statement of financial position of the Group as at 31 December 2016 and 2015.

	2016 HK\$'million	2015 HK\$'million
Non-current assets		
– Investments in joint ventures and an associate (including shareholders' loans)	6,549	6,705
– Investment properties	2,468	2,193
– Other non-current assets	335	90
	9,352	8,988
Current assets		
– Inventory of properties (including prepayment for land leases)	27,386	25,728
– Bank balances and cash (including pledged bank deposits)	8,215	3,314
– Loans to joint ventures	2,036	179
– Other current assets	3,411	1,847
	41,048	31,068
Current liabilities		
– Creditors and accrued charges	(6,784)	(5,496)
– Loans from a joint venture and an associate	(718)	(280)
– Deposits from pre-sale of properties	(8,747)	(4,548)
– Bank and other borrowings – due within one year	(5,847)	(6,224)
– Other current liabilities	(1,614)	(1,539)
	(23,710)	(18,087)
Non-current liabilities	(12,457)	(7,993)
Total equity	14,233	13,976

Investments in Joint Ventures and an Associate (including Shareholders' Loans)

It mainly represents our interests in the joint ventures relating to our toll road and property business, including shareholders' loans to the joint ventures. The increase in balance was mainly attributable to the payment of investment costs for the acquisition of new joint venture property projects or land premiums prepaid for those new projects, but were partially offset by the consolidation of the Shanghai and Langfang joint venture projects, after the Group acquired the equity interest of the joint venture partners during the year.

Investment Properties

This comprises carrying value of the investment properties, details of which are set out in note 16 of the consolidated financial statements. The increase in balance was mainly attributable to the acquisition of Wujiang project in Suzhou during the year. As of 31 December 2016, the total floor area of the investment properties of the Group was around 222,000 sqm.

Inventory of Properties (including Prepayment for Land Leases)

The increase in inventory balance was mainly caused by the partial prepayment of land premiums of the new projects, as well as acceleration of the construction progress during the year in order to cope with the sales and delivery plan in the coming year.

Bank Balances and Cash (including Pledged Bank Deposits)

The increase in the bank balances was mainly attributable to the increase in proceeds from pre-sale of properties, but were partially offset by the premiums paid for the acquisition of new projects.

Other Current Assets

Other current assets increased mainly due to the increase in land deposits paid and other deposits paid for investments as compared with last year, together with the increase in fair value of the new capped forward contracts.

Deposits from Pre-sale of Properties

The increase in deposits from pre-sale of properties was mainly due to the increase in both average selling price and area of the pre-sale properties as compared with last year. As at 31 December 2016, the total area of properties (including joint-venture projects) pre-sold but yet to be delivered was about 690,000 sqm.

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

Bank and other borrowings and non-current liabilities mainly represented offshore guaranteed senior notes, syndicated loans, domestic bonds and project development loans of the Group.

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

	At 31 December	
	2016	2015
	HK\$'million	HK\$'million
Repayable:		
On demand or within one year	5,847	6,224
After one year but within two years	1,515	5,954
After two years but within five years	9,935	940
More than five years	280	332
Total Loans	17,577	13,450

MANAGEMENT DISCUSSION AND ANALYSIS

Source of Loans			Nature of Debts		
	2016	2015		2016	2015
Short term loans	33%	46%	Unsecured loans	61%	73%
Long term loans	67%	54%	Secured loans	39%	27%
	100%	100%		100%	100%

Currency Profile of Loans			Interest Rates Basis		
	2016	2015		2016	2015
HKD	4%	1%	Floating rate	42%	60%
RMB	42%	47%	Fixed rate	58%	40%
USD	54%	52%		100%	100%
	100%	100%			

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

- (a) USD450 million 5% guaranteed senior notes due in 2019;
- (b) RMB1,500 million 4.5% domestic bonds due in 2019; and
- (c) USD500 million 4.7% guaranteed senior notes due in 2021.

In February 2017, the Group issued USD300 million senior guaranteed perpetual capital securities with a distribution rate of 7.95% per annum, which gave strong liquidity support to its business development in Hong Kong.

At 31 December 2016, the gross gearing ratio and the net gearing ratio of the Group were 123% and 66%, respectively. Gross gearing ratio represents the total interest bearing borrowings (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 (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 10.85 times (2015: 10.93 times).

The Group will continue proactively to review and optimise its financing resources. In addition to tapping the debt and perpetual securities market, from time to time, the Group would also look at the option of separately listing a business segment (e.g. the expressway operations, currently under active consideration). Should the Company decide to proceed with any such proposal, the Company will make an appropriate announcement.

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 2016 and 2015.

	2016 HK\$'million	2015 HK\$'million
Payment for land leases	(4,498)	(2,568)
Net cash from operating activities, other than payment for land leases	8,716	4,098
Net cash (used in) from investing activities, other than payment for land leases	(907)	909
Net cash from (used in) financing activities	1,504	(2,549)
Effect of change in exchange rates	(175)	(90)
Cash and cash equivalents at 1 January	2,651	2,851
Cash and cash equivalents at 31 December	7,291	2,651

Payment for Land Leases

Since 2015, the numbers of projects of the Group developed with business partners has increased. The payment in 2015 was mainly represented the land premiums of the joint venture projects in Langfang and Guangzhou together with the joint venture partners; while the payment in 2016 was mainly represented the land premiums of new joint venture projects in Shanghai, Suzhou and Tianjin. The remaining payment in 2016 mainly represented the land premiums of the land parcels acquired by the Group in Hong Kong and Jinan.

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

In 2016, the increase in net cash from operating activities was mainly caused by the increase in cash proceeds from the pre-sale and sale of properties.

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

During the year, the net cash used in investing activities was mainly represented the investment in the new asset management business, as well as the acquisition of an investment property in Suzhou and the increase in restricted cash balance due to the increase in property sales; but offset by the loans repayment received from the Guangzhou joint venture and the cash distributed or dividends received from the joint venture infrastructure projects.

Net Cash from (used in) Financing Activities

The increase in net cash from financing activities in 2016 was mainly caused by the issuance of the two offshore USD guaranteed senior notes with an aggregate amount of USD950 million by the Group for refinancing the existing offshore borrowings with higher interest rates, as well as the issuance of the first tranche domestic bonds with an aggregate amount of RMB1,500 million with a term of three years in the PRC, resulting in an increase in the Group's cash flow.

Liquidity and Financial Resources

As at 31 December 2016, the equity attributable to owners of the Company was HK\$13,292 million (2015: HK\$13,155 million). Net asset per share attributable to owners of the Company was HK\$17.96 (2015: HK\$17.78).

As at 31 December 2016, the Group's total assets were HK\$50,400 million (2015: HK\$40,056 million) and bank balances and cash were HK\$8,049 million (2015: HK\$3,072 million), of which 83% was denominated in Renminbi and the remaining 17% was mainly denominated in US dollar or HK dollar.

The Group continues to adopt prudent financing and treasury policies. The Group's entire financing and treasury activities are managed and controlled centrally. The Group's related policies are implemented after taking collective and extensive consideration on liquidity risk, finance cost and exchange rate risk.

Charges on Assets

As at 31 December 2016, bank balances of HK\$166 million (2015: HK\$242 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\$5,099 million (2015: HK\$3,446 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 dollar but the cash flow is mainly generated from projects whose earnings are denominated in Renminbi. As a result, the Group is exposed to the foreign exchange risk on the fluctuation of Renminbi and US dollar. Since the reform of foreign exchange in August 2015, depreciation of RMB has been gradually intensified and fluctuation of exchange rate has become larger as compared with the past. For minimizing the impacts arisen from depreciation of RMB on the Group, the Group had entered into the capped forward contracts in respect of our US dollar guaranteed senior notes and US dollar denominated borrowings during the year, as a result, exchange and related differences for 2016 were decreased by approximately HK\$186 million as compared with last year.

The Group's exposure to interest rate risk is mainly from fluctuation in interest rates relating to its borrowings denominated in Renminbi and US dollar. Although the monetary policies implemented by the PRC and the US governments continue to have a major impact on the Group's results and operation, 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 operation of the Group.

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

Contingent Liabilities

As at 31 December 2016, the Group had provided guarantees of HK\$6,640 million (2015: HK\$4,650 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\$773 million (2015: HK\$845 million) to banks in connection with the banking facilities granted to the joint venture of the Group as at 31 December 2016.

Employees

Excluding the staff of joint ventures, the Group had 2,982 employees as at 31 December 2016. Expenditure on staff (excluding Directors' emoluments and share-based payment) amounted to HK\$658 million (2015: HK\$578 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

In recent years, China's economy has been facing downward pressure but it still maintained a growth overall. The property industry is an important pillar of the economy. It is expected that the government will continue to maintain stability through its policies and implement specific austerity measures in different regions. The Group is optimistic about the outlook of China's property market. The Group will continue to adhere to its strategy for regional exploitation, adopt an operating strategy for striking a balance between profits and sales volume, develop market-oriented products through a well-developed managerial system, enhance the value-added services of property management, and improve products and services quality as well as brand recognition. Meanwhile, the Group will continue to work closely with its business partners to seek for better development opportunities. The Group believes that its market position and well-developed operation team have provided a solid foundation for the continuous expansion of the property business in the PRC. The Group will keep capturing new opportunities for developing the property business in Hong Kong.

The toll road business would provide the Group with steady cash flows. Leveraging on our experience over the past two decades, the Group's business will be run and grow in a stable trend.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zen Wei Pao, William
(aged 69, 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. Zen Wei Peu, Derek
(aged 64)



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. Ko Yuk Bing
(aged 61, 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 27 years of experience in business development and operation in the PRC. He is the spouse of Ms. Chuk Wing Suet, Josephine.

Mr. Fong Shiu Leung, Keter
(aged 54, 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.

NON-EXECUTIVE DIRECTORS

Mr. Lam Wai Hon, Patrick

(aged 54)



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 also an Executive Director of FSE Engineering Holdings Limited (HK stock code: 331). 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 54)



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 a 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 44)



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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lau Sai Yung

(aged 69)

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, an Honorary Fellow of The Chinese University of Hong Kong and an Affiliated Fellow cum Overseer 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 was a Non-executive Director of Xinjiang Tianshan Wool Textile Co., Ltd., currently known as Dezhan Healthcare Company Limited, (Shenzhen stock code: SZ000813) until his retirement by rotation as a Non-executive in October 2016. 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 75)

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 66)



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 35 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 67)



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 49)



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.

SENIOR MANAGEMENT

Mr. Chan Kam Hung

(aged 58)

Mr. Chan is the Chief Executive Officer of the newly established Investment and Asset Management Division of the Group. He was an Executive Director of the Company from July 2002 until his retirement as an Executive Director in May 2016. 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. Yu Kam Fat, James

(aged 61)

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 37 years of experience in civil engineering and project management.

Ms. Chuk Wing Suet, Josephine

(aged 45)

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 23 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 42)

Mr. Zen, joined the Group in 2006, is the Chief Financial Officer of the Investment and Asset Management Division. Prior to that, Mr. Zen was the regional Director of the Group for the property development projects in Guangzhou, Shijiazhuang, Zhengzhou and Luoyang and the Chief Financial Officer of the Property Division. He holds a Bachelor of Commerce degree in Accounting, a Bachelor of Science degree in Computer Science and a Master of Business Administration degree. He is a member of both the Hong Kong Institute of Certified Public Accountants and the New Zealand Institute of Chartered Accountants. Mr. Zen has 21 years of experience in finance, accounting, business investment and development in the United States, Hong Kong and the PRC. He is the son of Mr. Zen Wei Pao, William and the nephew of Mr. Zen Wei Peu, Derek.



DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang Nan

(aged 44)



Mr. Zhang, joined the Group in 2007, is the regional Director 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 21 years of experience in property development and management in the PRC involving more than 30 property projects in the PRC including residential and commercial office buildings.

Ms. Diao Lu, Amy

(aged 42)



Ms. Diao, joined the Group in 2007, is the regional Director of the property development projects in Beijing (including surrounding areas) 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.

Mr. Tsui Wai Tim

(aged 54)



Mr. Tsui, joined the Group in 2016, is the Deputy Chief Operating Officer of the Property Division. He is responsible for the construction and property management operation of the Group. Mr. Tsui is a chartered and registered professional engineer and a fellow of The Hong Kong Institution of Engineers, the Institution of Civil Engineers, the Hong Kong Institute of Construction Managers and the Hong Kong Institution of Highways and Transportation and a member of the Hong Kong Institute of Real Estate Administrators. Mr. Tsui is the Vice President and Council Member of the Hong Kong Construction Association, a member of the Pneumoconiosis Compensation Fund Board, a Council Member of the Hong Kong Institution of Highways and Transportation and the Immediate Past Chairman of the Building Division of The Hong Kong Institution of Engineers. Mr. Tsui has over 30 years of experience in construction industry in Hong Kong and overseas. Prior to joining the Group, he held a senior management position in a major construction group in Hong Kong.

Mr. Yeh Wai Kwan, Wilson

(aged 55)



Mr. Yeh, joined the Group in 2016, is the regional Director of the property development projects in Guangzhou, Shijiazhuang, Zhengzhou, Luoyang and Shenzhen. Mr. Yeh holds a Bachelor of Law degree (Hons), a Master of Business Administration degree and a Master of Engineering. He is a fellow of The Hong Kong Institution of Engineers and a Chartered Engineer in the United Kingdom. Mr. Yeh has over 32 years of experience in construction and real estate industries in the PRC, Hong Kong and the United Kingdom. Prior to joining the Group, he held senior management positions in various international companies and listed companies in Hong Kong.


DIRECTORS AND SENIOR MANAGEMENT

Mr. Ho Ting Fung, Albert
(aged 63)



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 37 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 47)



Mr. Zhao, joined the Group in 2011, is the deputy regional Director 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 25 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 49)



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 12 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. Lee Tak Fai, Kennedy
(aged 51)



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 25 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. Luk Ting Nai, Daniel

(aged 46)



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 17 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. Ng Fun Hung

(aged 44)



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 20 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. Fu Qi


(aged 41)



Mr. Fu, joined the Group in 2014, is the Associate Director of the Property Division responsible for the Group's Sales Department. Prior to that, Mr. Fu held important sales positions in other real estate enterprises including COFCO Property (Group) Co., Ltd., Yanlord Land Group Limited and Greenland Holding Group Company Limited. Altogether, he has 18 years of experience in property sales management in the PRC. Mr. Fu holds a Bachelor of Civil Engineering degree from Tsinghua University and a Master of Business Administration degree from Fudan University and is a Registered Real Estate Valuer and a Registered Real Estate Agent in the PRC.

Mr. Li Jian Jun

(aged 49)



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 17 years of experience in toll road operation in the PRC. Prior to joining the Group, he has over 7 years of experience in financial and accounting management both in the PRC and overseas.

DIRECTORS' REPORT

The Directors of the Company present herewith the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Group, including the joint ventures and an associate, are the investment in, development, operation and management of property projects and toll roads in the PRC. Details of the Group's principal subsidiaries, joint ventures and an associate are set out in notes 44, 18 and 17 to the consolidated financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 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-8 and F-9 respectively.

An interim dividend of HK\$0.13 per share amounting to HK\$96 million was paid to the shareholders of the Company in September 2016.

The Directors of the Company recommend the payment of a final dividend of HK\$0.55 per share to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 26 May 2017 amounting to approximately HK\$407 million subject to the approval of the shareholders of the Company at the forthcoming annual general meeting (the "AGM"). It is expected that the final dividend will be paid on or before Friday, 16 June 2017, 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 Monday, 15 May 2017 to Thursday, 18 May 2017, 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 Friday, 12 May 2017 for registration.

To qualify for the proposed final dividend

The register of members of the Company will also be closed from Thursday, 25 May 2017 to Friday, 26 May 2017, 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, 24 May 2017 for registration.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2016 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 40, pages 60 to 72, pages F-8 to F-95 and page F-96 respectively. Description of the principal risks and uncertainties facing the Group can be found throughout this annual 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-11 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 of the Company. 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 of the Company as at 31 December 2016 were approximately HK\$1,991,234,000.

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 15 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 16 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".

SENIOR NOTES, DOMESTIC BONDS AND SENIOR PERPETUAL CAPITAL SECURITIES

RKI Overseas Finance 2016 (A) Limited, a wholly-owned subsidiary of the Company, issued US\$450 million 5% guaranteed senior notes due 2019 in August 2016. The net proceeds of the issue of the notes were used for refinancing the existing indebtedness of the Group.

RKI Overseas Finance 2016 (B) Limited, a wholly-owned subsidiary of the Company, issued US\$500 million 4.7% guaranteed senior notes due 2021 in September 2016. The net proceeds of the issue of the notes were used for refinancing the existing indebtedness of the Group.

Beijing RK Junyu Properties Developments Ltd., a wholly-owned subsidiary of the Company, issued RMB1.5 billion 4.5% first tranche domestic bonds due 2019 in September 2016. The net proceeds of the issue of the bonds were used for replenishment of its working capital.

In addition, RKP Overseas Finance 2016 (A) Limited, a wholly-owned subsidiary of the Company, issued US\$300 million 7.95% senior guaranteed perpetual capital securities in February 2017. The net proceeds of the issue of the securities were used for general corporate purposes.

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 34 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page F-96 of this annual 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 of the Company during the year and up to the date of this annual report are:

Executive Directors:

Zen Wei Pao, William (*Chairman*)

Zen Wei Peu, Derek

Ko Yuk Bing (*Deputy Chairman, Managing Director and Chief Executive Officer*)

Fong Shiu Leung, Keter (*Finance Director*)

Chan Kam Hung (retired as an Executive Director on 19 May 2016)

Xu Ruxin (resigned on 1 July 2016)

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



DIRECTORS' REPORT

Pursuant to Bye-law 87 of the Company's Bye-laws (the "Bye-laws"), Messrs. Zen Wei Pao, William, Zen Wei Peu, Derek, Lau Sai Yung and Lam Wai Hon, Patrick will retire from office by rotation at the forthcoming AGM. Mr. Lam Wai Hon, Patrick has informed the Company that he will not offer himself for re-election at the AGM. Messrs. Zen Wei Pao, William, Zen Wei Peu, Derek and Lau Sai Yung, being eligible, will offer themselves for re-election at the forthcoming AGM.

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

DIRECTORS' INTERESTS IN 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 of the Company 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 Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"):

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

DISCLOSURE OF INTERESTS

Directors' Interests and Short Positions

As at 31 December 2016, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 Peu, Derek	Personal	1	14,497,000	–	1.96
		2	1,500,000	–	0.20
Ko Yuk Bing	Personal	1 & 3	2,100,000	–	0.28
Fong Shiu Leung, Keter	Personal	1	100,000	–	0.01
		2	1,200,000	–	0.16
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:

- Long position in the shares of the Company (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
- Long position in the underlying shares of the Company pursuant to unlisted equity derivatives (including physically settled, cash settled and other equity derivatives). Share options granted to the Directors of the Company are included in this category, the particulars of which are set out in (II) below.
- Included in the balance is 960,000 shares of the Company held by Ms. Chuk Wing Suet, Josephine, the spouse of Mr. Ko Yuk Bing.
- The percentage was calculated based on 739,936,566 shares of the Company in issue as at 31 December 2016.

(II) Underlying Shares – Share Options

The share option scheme was adopted by the Company on 8 May 2013. Particulars of the share option scheme are set out in note 26 to the consolidated financial statements.

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

Name	Notes	Number of share options				Balance at 31.12.2016
		Balance at 01.01.2016	Granted during the year	Exercised during the year	Lapsed during the year	
Directors						
Zen Wei Peu, Derek	1	1,500,000	–	–	–	1,500,000
Chan Kam Hung	1&2	1,400,000	–	–	–	1,400,000
Fong Shiu Leung, Keter	1	1,200,000	–	–	–	1,200,000
Xu Ruxin	1&3	800,000	–	–	–	800,000
Lam Wai Hon, Patrick	1	50,000	–	–	–	50,000
Lau Sai Yung	1	150,000	–	–	–	150,000
Chow Ming Kuen, Joseph	1	150,000	–	–	–	150,000
Tse Chee On, Raymond	1	100,000	–	–	–	100,000
Total		5,350,000	–	–	–	5,350,000
Others						
Employees	1	5,050,000	–	–	(200,000)	4,850,000
Total		5,050,000	–	–	(200,000)	4,850,000
Grand Total		10,400,000	–	–	(200,000)	10,200,000

Notes:

1. 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.
2. Mr. Chan Kam Hung retired as an Executive Director of the Company with effect from the conclusion of the annual general meeting of the Company held on 19 May 2016.
3. Mr. Xu Ruxin resigned as an Executive Director of the Company with effect from 1 July 2016. The Board approved to extend the exercisable period of his share options for six months from the date of his resignation. The extension of the exercisable period to Mr. Xu expired on 1 January 2017.

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.

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 scheme as mentioned earlier, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company 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 2016, the interests or short positions of every person, other than the Directors of the Company, in the shares and underlying shares of the Company 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 Holdings Limited (Note 2)	Interest in controlled corporation	306,034,428	–	41.36
Wai Kee (Zens) Holding Limited (Note 3)	Interest in controlled corporation	306,034,428	–	41.36
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	237,116,428	–	32.05
Wai Kee China Investments Company Limited (Note 5)	Interest in controlled corporation	237,116,428	–	32.05
ZWP Investments Limited (Note 6)	Beneficial owner	237,116,428	–	32.05
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 of the Company (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
2. Wai Kee Holdings Limited is deemed to be interested in the shares of the Company 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, Build King Management Limited and Build King Civil Engineering Limited, which beneficially held 3,000,000 shares of the Company.
3. Wai Kee (Zens) Holding Limited is a direct wholly-owned subsidiary of Wai Kee Holdings Limited. 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 of the Company 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 of the Company through its approximately 61.11% interests in Shenzhen Investment Limited.
9. Shenzhen Investment Limited is deemed to be interested in the shares of the Company 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 of the Company in issue as at 31 December 2016.

Save as disclosed above, no other person (other than the Directors of the Company) had an interest or a short position in the shares and underlying shares of the Company 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

During the year, Road King Infrastructure Finance (2012) Limited, a wholly-owned subsidiary of the Company, early redeemed all outstanding notes in the principal amount of US\$350 million 9.875% guaranteed senior notes due 2017 (the "2017 Notes") on 22 September 2016 at the redemption price equal to 102.46875% of the outstanding principal amount of the 2017 Notes plus accrued and unpaid interest.

In addition, RKI Finance (2013) Limited, a wholly-owned subsidiary of the Company, redeemed all outstanding notes in the principal amount of RMB2,200 million 6% guaranteed senior notes due 2016 (the "2016 Notes") upon their maturity on 5 December 2016 at the redemption price equal to 100% of the outstanding principal amount of the 2016 Notes plus accrued and unpaid interest.

Subsequent to the redemptions, the 2017 Notes and 2016 Notes were delisted from the Stock Exchange respectively.

Save as disclosed above, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Group's listed securities during the year ended 31 December 2016.

DONATIONS

During the year, donations made by the Group were HK\$1,313,000.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is available to the Company and within the knowledge of the Directors of the Company, 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 of the Company and eligible employees, details of the scheme 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 Group issued US\$450 million 5% guaranteed senior notes due 2019 and US\$500 million 4.7% guaranteed senior notes due 2021 in August and September 2016 respectively. The Company is obliged to make an offer to repurchase US\$450 million 5% guaranteed senior notes due 2019 and US\$500 million 4.7% guaranteed senior notes due 2021 (the "Notes") then outstanding at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest, 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.

Perpetual Capital Securities

Subsequent to the reporting year and up to the date of this report, the Group also issued US\$300 million 7.95% senior guaranteed perpetual capital securities in February 2017. The Company may redeem all, but not some only, of the securities at 101% of the principal amount (together with any distribution accrued to the date fixed for redemption, including any deferred distribution and any additional distribution payable on it) in the occurrence of a change of control triggering event and a decline in the rating of the securities.

Loan Facility

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 Holdings Limited 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 of the Company.

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 Holdings Limited 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 of the Company.

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 Holdings Limited 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 of the Company.

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 of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published interim report:

Name of Directors	Details of changes
Mr. Zen Wei Pao, William	His annual basic salary will be revised from HK\$6,837,000 to HK\$7,042,200 with effect from 1 April 2017. He entered into a service contract commencing from 1 April 2017 to 31 March 2020 with the Company. He is entitled to receive under his service contract an annual salary of HK\$7,042,200 plus bonus which is subject to the performance of the Company and the individual.
Mr. Zen Wei Peu, Derek	His annual basic salary will be revised from HK\$4,324,200 to HK\$4,454,400 with effect from 1 April 2017. He entered into a service contract commencing from 1 April 2017 to 31 March 2020 with the Company. He is entitled to receive under his service contract an annual salary of HK\$4,454,400 and an annual bonus will be determined on a discretionary basis.
Mr. Ko Yuk Bing	His annual basic salary will be revised from HK\$5,843,400 to HK\$6,019,200 with effect from 1 April 2017. He entered into a service contract commencing from 1 April 2017 to 31 March 2020 with the Company. He is entitled to receive under his service contract an annual salary of HK\$6,019,200 plus monthly housing allowance, and bonus which is subject to the performance of the Company and the individual.
Mr. Fong Shiu Leung, Keter	His annual basic salary will be revised from HK\$3,408,000 to HK\$3,600,000 with effect from 1 April 2017. He entered into a service contract commencing from 1 April 2017 to 31 March 2020 with the Company. He is entitled to receive under his service contract an annual salary of HK\$3,600,000 plus bonus which is subject to the performance of the Company and the individual.
Mr. Lau Sai Yung	He retired by rotation as a Non-executive Director of Xinjiang Tianshan Wool Textile Co., Ltd., currently known as Dezhan Healthcare Company Limited, in October 2016.

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

AUDITOR

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

On behalf of the Board
Zen Wei Pao, William
Chairman

Hong Kong, 13 March 2017

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 2016, 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.

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 twelve Directors including four 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
Zen Wei Peu, Derek	Mou Yong	Chow Ming Kuen, Joseph
Ko Yuk Bing (<i>Deputy Chairman, Managing Director and Chief Executive Officer</i>)	Dong Fang	Tse Chee On, Raymond
Fong Shiu Leung, Keter (<i>Finance Director</i>)		Wong Wai Ho
		Zhang Yongliang

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

Save as disclosed above, during the year, the Company has complied with Rules 3.10(1), 3.10(2) and 3.10A 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 and the number of Independent non-executive Directors representing at least one-third of the Board.

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

Appointment and Re-election

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

Non-executive Directors

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

Independence of Independent Non-executive Directors

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

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 existing business in toll road and property development of the Group. The management of the Group is therefore 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 2016 and up to the date of this report, the Board reviewed the Company's compliance with the Code for the years ended 31 December 2015 and 2016 together with six months ended 30 June 2016, and the Company's disclosures in the Corporate Governance Reports for the years ended 31 December 2015 and 2016.

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 19 May 2016 are set out below:

Name of Directors	Meetings attended/held				Annual General Meeting held on 19 May 2016
	Board	Audit Committee	Nomination Committee	Remuneration Committee	
Executive Directors					
Zen Wei Pao, William	5/5	–	2/2	5/5	1/1
Zen Wei Peu, Derek	5/5	–	–	–	1/1
Ko Yuk Bing	5/5	–	–	–	1/1
Fong Shiu Leung, Keter	5/5	–	–	–	1/1
Chan Kam Hung (retired on 19 May 2016)	3/3	–	–	–	1/1
Xu Ruxin (resigned on 1 July 2016)	3/3	–	–	–	1/1
Non-executive Directors					
Lam Wai Hon, Patrick	5/5	3/3	–	–	1/1
Mou Yong	1/5	–	–	–	0/1
Dong Fang	4/5	–	–	–	0/1
Independent Non-executive Directors					
Lau Sai Yung	5/5	3/3	2/2	4/5	1/1
Chow Ming Kuen, Joseph	4/5	3/3	2/2	5/5	1/1
Tse Chee On, Raymond	5/5	–	–	5/5	1/1
Wong Wai Ho	5/5	2/3	2/2	–	1/1
Zhang Yongliang	5/5	–	–	–	1/1

Note:

"–": Not Applicable

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

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.

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 2016 to 31 December 2016 are summarised as follows:

Name of Directors	Type of continuous professional development
Executive Directors	
Zen Wei Pao, William	A,B,C
Zen Wei Peu, Derek	B,C
Ko Yuk Bing	B,C
Fong Shiu Leung, Keter	B,C
Non-executive Directors	
Lam Wai Hon, Patrick	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.

Directors' and Officers' Liability Insurance and Indemnity

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

Chairman and Chief Executive Officer

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

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

The role of the Chairman is to oversee the functioning of the Board and ensure the establishment of strategic direction of the Group. He is also responsible for leading new business endeavors 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 of the existing business in toll road and property development of the Group.

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 no additions to the Board.

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 Committee, to oversee particular aspects of the Company's affairs, and to Property Business Management Committee led by the Chief Executive Officer to deal with the day-to-day operations of property development business of the Group. 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.

Summary of Work Done

The following is a summary of major work performed by the Audit Committee during the year ended 31 December 2016 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 2015 and 2016, and the interim results of the Group for the six months ended 30 June 2016;
- 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 2016;
- Review of adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting and internal audit functions;
- 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 2016 and 2017 annual general meetings;
- Review of the effectiveness of the internal audit function of the Company;
- Approval of the 2017 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;
- Meetings with the external auditor, in the absence of Executive Directors and Management; and
- Review of Risk Management Report and Policy.

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.

Summary of Work Done

The following is a summary of the work performed by the Nomination Committee during the year ended 31 December 2016 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; and
- Determination the rotation of the Directors at the annual general meetings.

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 2016 and up to the date of this report:

- Review and approval of the Company's remuneration policy for 2016 and 2017;
- 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 staff;
- Approval of salary adjustment of senior staff; and
- Approval of remuneration for newly recruited senior staff.

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 2016 are set out in note 11 to the consolidated financial statements of this annual report. The emoluments paid to other senior management during the year ended 31 December 2016 were within the following bands:

	Number of Senior Management
Up to HK\$2,000,000	3
HK\$2,000,001 to HK\$3,000,000	5
HK\$3,000,001 to HK\$4,000,000	3
HK\$4,000,001 to HK\$5,000,000	2
HK\$5,000,001 to HK\$6,000,000	2
HK\$6,000,001 to HK\$7,000,000	1

Property Business Management Committee

Composition

The Property Business Management Committee currently comprises eight members, including three Executive Directors, namely Messrs. Ko Yuk Bing (Chairman of the Property Business Management Committee), Zen Wei Peu, Derek and Fong Shiu Leung, Keter and five members of senior management, namely Ms. Chuk Wing Suet, Josephine, Mr. Zhang Nan, Ms. Diao Lu, Amy, Mr. Tsui Wai Tim and Mr. Yeh Wai Kwan, Wilson.

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, five functional sub-committees, namely Market, Product and Design, Engineering, Construction and Property Service, were subsequently established to provide professional recommendations and solutions to the Property Business Management Committee for major matters as well as to execute and make decisions in areas delegated by the Property Business Management Committee.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code. All the Directors have confirmed, following specific enquiry that they have complied with the Model Code throughout the year ended 31 December 2016.

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 2016 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 2016 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	5,384,000
Total	10,564,000

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 to F-7.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and maintaining sound and effective risk management and internal control systems (including reviewing their effectiveness) to safeguard shareholders' investment and the Company's assets. The Group has established and developed the risk management system, which is defined by the Risk Management Policy comprising the roles and responsibilities of the Audit Committee, approach and methodology in establishing the risk assessment mechanism with references to international standards and best market practices. A Risk Management Taskforce (the "RMTF") has been set up to oversee the risk management program and assesses the program processes and makes decisions on risk management issues.

The Company has adopted the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO") 2013 framework. The management allocates resources for the internal control and risk management systems compatible with the COSO to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve business objectives. The risk assessment comprises five core stages including risk identification, risk assessment and prioritization, risk response, risk monitoring and risk reporting.

The Audit Committee, which was delegated by the Board, assisted by the RMTF has reviewed and evaluated the effectiveness of the Group's risk management system for the year ended 31 December 2016. The Audit Committee considered the risk management system of the Company and its subsidiaries was effective and adequate.

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

The Audit Committee, which was delegated by the Board, has reviewed and evaluated, via the internal audit team, the effectiveness of the Group's internal control system put in place by management covering all material controls, including financial, operational and compliance controls as well as risk management functions of the Company and its subsidiaries for the year ended 31 December 2016. 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 COSO 2013 framework in order to provide reasonable assurance of the effectiveness of the system. The team reports directly to the Audit Committee and has free access to review all aspects of the Group's activities and controlling system. The team summarises audit findings and control weaknesses and reports to the Audit Committee on a quarterly basis.

SHAREHOLDERS' RIGHTS

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

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

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

COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

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 2016 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)" 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. In 2016, China Real Estate Chamber of Commerce and Elite Habitat Development Foundation awarded the Group "ELITE Public Welfare Pioneer".

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In accordance with Appendix 27 – Environmental, Social and Governance Reporting Guide to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Company presents this Environmental, Social and Governance (the “ESG”) Report for the year ended 31 December 2016 (the “Reporting Period”).

This report serves to provide details of the Company’s ESG policies and initiatives of its property development and investment business in China, which is the major operating segment of the Company.

The Board of Directors has the overall responsibility for the Company’s ESG strategy and reporting in achieving green operations for sustainable development. The Management is responsible for monitoring and managing ESG-related risks and the effectiveness of the ESG management systems. In order to determine the ESG reporting scopes, the Company has engaged and discussed with various management personnel and other internal key stakeholders to identify and assess relevant ESG issues to the Company. The summary of material ESG issues, which are covered in this report, are listed below:

ESG aspects as set out in ESG Guide			Material ESG issues for the Company
A. Environmental	A1	<i>Emissions</i>	<ul style="list-style-type: none"> • Air Emissions and Water Discharge
	A2	<i>Use of Resources</i>	<ul style="list-style-type: none"> • Waste Management • Energy Conservation
	A3	<i>The Environment and Natural Resources</i>	<ul style="list-style-type: none"> • Water Conservation • Environmental Protection
B. Social	B1	<i>Employment</i>	<ul style="list-style-type: none"> • Recruitment and Promotion • Working Hours • Remuneration • Equal Opportunity
	B2	<i>Health and Safety</i>	<ul style="list-style-type: none"> • Workplace Health and Safety
	B3	<i>Development and Training</i>	<ul style="list-style-type: none"> • Staff Training
	B4	<i>Labour Standards</i>	<ul style="list-style-type: none"> • Anti Child and Forced Labour
	B5	<i>Supply Chain Management</i>	<ul style="list-style-type: none"> • Supplier/Contractor Management
	B6	<i>Product Responsibility</i>	<ul style="list-style-type: none"> • Product and Service Responsibility • Marketing Ethics
	B7	<i>Anti-corruption</i>	<ul style="list-style-type: none"> • Data Privacy • Anti-corruption and Money Laundering
	B8	<i>Community Investment</i>	<ul style="list-style-type: none"> • Whistle-blowing Mechanism • Social Responsibility

A) ENVIRONMENT

A1 Emissions

As a prominent property developer in the PRC having more than 30 property development projects in more than 10 cities with a total gross floor area of approximately 7 million square metre, the Company strives to minimise the environmental impact of emissions and waste from its outsourced construction activities. The Company strictly comply with all environmental-related regulations and make effort to meet and exceed the general expectation where possible. During the Reporting Period, there were no non-compliance cases against environmental laws and regulations noted.

Air Emissions and Water Discharge

The most significant air emission generated from the Company's business activities is the dust resulted from construction work carried out by its contractors. Meanwhile, water discharge containing chemicals, debris and other contaminants may be produced. Although the Company does not have direct control over these issues as the Company has contracted out the construction work, as a responsible property developer, the Company takes a monitoring role in managing contractors' environmental practices. Environmental friendly construction requirements have been set and stated in the legally binding agreement for contractors to follow. Regular reviews are performed by the Company to ensure contractors' compliance with the environmental requirements and identify areas to be improved. Contractors are required to make enhancements accordingly based on the result of such review.

Waste Management

The Company has established procedures for waste management and incorporated the principles of "reduce", "reuse", "recycle" and "replace" into the operational procedures in workplace. As a significant part of the waste are generated by the contractors during construction activities which the Company has no direct control, the Company requires contractors to follow its waste management policy and executes proper waste management initiatives.

A2 Use of Resources

The Company aims to improve the efficiency of the use of resources in business operations. The Company has established practical and specific resources consumption objectives, implemented various initiatives in the operations and driven behavioural changes of employees and business partners. The Company believes that promoting environmental protection/enhancing the environmental awareness could bring mutual benefit to the community and the Company, by reducing operating cost and creating long-term value to stakeholders of the Company.

Energy Conservation

Energy consumption is the major source of greenhouse gas emissions of the Company. It also contributes a significant part of the operating costs. Therefore, the Company strives to cut down on energy consumption from both environmental and financial perspectives. Energy conservation is mainly done through improving equipment's energy efficiency, promoting staff awareness and monitoring of consumption data. Meanwhile, the contractors of the Company are required to follow its energy conservation initiatives as a holistic approach to reduce energy use.

Water Conservation

As a major part of water consumption is indirectly consumed by the Company's contractors in property development, to preserve the precious water resource, the Company has required its contractors to establish certain controls mainly for recycling and reducing water consumption.

A3 The Environment and Natural Resources

Environmental Protection

The Company takes into account the impact on the environment when making investment decisions and deciding future development plan, to demonstrate its responsibility on environmental protection and conservation of the nature. The Company also strictly monitors the environmental risk related to its construction sites by performing environmental assessments and implementing preventive measures to control the risks. If significant environmental risks are identified, respective mitigating measures would be developed to address the root causes or lessen the impacts.

During the Reporting Period, one of the Company's projects under construction was accredited by the relevant authority for their endeavours in environmental protection. RK City in Changzhou, Jiangsu Province has been granted with the "Civilised Construction Site" award in Wujin District (武進區文明工地獎項).

B) SOCIAL

B1 Employment

Recruitment and Promotion

The Company values people and aims at attracting talents who share the mission and value of the Company. The recruitment processes are designed to attract the best available people and ensure effective procedures are in place to assess the candidates' suitability. Career paths are clear in Road King and comprehensive development opportunities are offered to staff for their career development. The career development programmes help to enhance staff's critical skills and experience, meanwhile expanding their exposures to different functions, thereby supporting the promotion schemes adopted by the Company. Such integrated approach is considered beneficial to the development of both the staff and the Company itself.

Working Hours

The Company advocates the idea of work-life balance and ensures staff will not work in long hours. The working hours are set in accordance with the guidelines issued by the local labour authorities. The Company also offers flexible working hours for positions with special requirements on working hours.

Remuneration

The Company offers remuneration packages to its staff in accordance with their duties and in line with market practice and salary levels. Individual employee remunerations are determined according to their performance and contribution. The Company also offers other employee benefits including provident fund, insurance, medical cover, training programmes and share option in order to attract, retain and incentivise the staff.

Equal Opportunity

The Company is committed to providing a non-discriminating workplace which is free of intimidation and harassment. The Company also provides equal opportunities in all aspects of employment regardless of sex, race, ethnic origin, religion, marital status or disabilities.

All of the Company's employment practices, including compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity and anti-discrimination, are conducted in compliance with the local labour laws. During the Reporting Period, there were no cases of non-compliance against employment-related laws and regulations noted.

B2 Health and Safety

Workplace Health and Safety

The Company understands that the health and safety are very important for employees and therefore, the Company makes every effort to build and maintain a working environment which is free of workplace health and safety accidents.

The Company's operations do not possess any high risk areas related to occupational health and safety to its staff, except for the construction sites during project development stage where contractors' staff are working. Therefore, the Company takes initiatives in monitoring the health and safety measures implemented by the contractors so as to ascertain effective controls are in place to mitigate health and safety risk at construction sites. Contractors' performance in this regard is taken into account during contractor selection process.

The Company is committed to complying with all occupational safety related laws to protect the employees. During the Reporting Period, there were no cases of non-compliance with occupational safety related laws and regulations noted.

B3 Development and Training

Staff Training

The Company provides continuous training and development program for employees. The Company regularly identifies and assesses the training needs of different departments and positions so as to design appropriate and practical training program for employees.

To improve productivity, job specific training is provided to staff to improve their skills and abilities in fulfilling the requirements of their current positions. The Company provides such training to offer updates on the latest practices and knowledge of the market in order to maintain a competitive work force. Furthermore, on-job training including coaching by supervisors on particular job-related skills, job rotation and job shadowing are offered to help staff practice and familiar with the job duties.

The Company also values the feedbacks from employees so the Company establishes a systematic approach to collect and analyse the feedbacks of training programmes for enhancement.

B4 Labour Standards

Anti Child and Forced Labour

The Company is committed to forbidding unlawful employment, exploitation of child labour in the workplace and use of forced labour. The Company ensures the employment practices are in compliance with the national and local laws and regulations. No teenagers under the age of 15 will be employed in accordance with relevant laws and regulations. All forms of forced labour are prohibited. All employees must provide their personal identity documents to prove their age and identity and sign the employment contracts voluntarily.

During the Reporting Period, there were no cases of non-compliance with local child and forced labour related laws and regulations noted.

B5 Supply Chain Management

Supplier/Contractor Management

Supplier and contractor management is a crucial component of the Company's quality control. The Company implements strict supplier and contractor selection process to ensure they deliver high quality work which forms the foundation of quality services and products offered. The Company also maintains a close relationship with the suppliers and contractors to guarantee a stable supply chain.

In addition to the quality aspect, sustainable development has been incorporated into the supply chain management. During the supplier and contractor selection, corporate social responsibility is one of the key performance indicators so that the Company can evaluate and monitor how the suppliers and/or contractors deal with ethical issues, human rights, product responsibility and environmental impact. The Company requires suppliers and contractors to follow the Company's policy regarding corporate social responsibility when carrying out their contractual duties.

B6 Product Responsibility

Product and Service Responsibility

The Company is committed to provide the customers with quality products and services. The Company aims at building good corporate reputation by delivering high quality property projects which bring a comfortable living environment and satisfaction to its customers, thereby developing customer loyalty. In light of that, the Company have established a set of quality standard and regularly reviewed to maintain an awareness and conformance to national and local laws and voluntary codes.

Marketing Ethics

Integrity is the core values of the Company and all information on its advertisements are reviewed before publication to ensure no untrue or misleading information are included in the advertisements of the Company, and no illegitimate marketing and selling methods should be adopted.

Data Privacy

The Company respects the privacy of its customers and maintains the highest level of accuracy, security and confidentiality. To this end, the Company has applied the six common data protection principles including collection purpose and means, accuracy and retention, use, security, openness and data access and correction in the business operations for the purpose of preventing the Company from inappropriate collection, holding, processing or use of the customer data.

During the Reporting Period, there was no non-compliance cases with property selling and marketing, as well as data privacy related laws and regulations noted.

B7 Anti-corruption

Anti-corruption and Money Laundering

The Company believes that integrity and honesty are of paramount importance to gain the trust and respect from stakeholders of the Company. Therefore, the Company strictly prohibits all falsifying documents or business records and any soliciting or accepting of advantages to or from clients, suppliers and business partners. Code of conduct has been stipulated in the staff handbook to communicate with staff the proper business practices and prohibited acts.

Whistle-blowing Mechanism

To facilitate identification of suspected cases of corruption, money laundering and other misconducts, the Company has established reporting channel to encourage its staff to take the initiative in reporting irregularities to the management for further investigation. Independent management personnel of the involved functions will be assigned to follow-up on the reported cases to ensure impartiality.

During the Reporting Period, there were no cases of non-compliance with anti-corruption and money laundering related laws and regulations noted.

B8 Community Investment

Social Responsibility

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

The Company has been making donations to the charitable organisations and is well accredited by charities. For instance, the Company has received various recognition from the Community Chest of Hong Kong.

Furthermore, the Company has long been supportive to tertiary education, which is evidenced by its multiple scholarship programmes, student interaction activities and sponsorship to academic events offered to local and overseas universities over the years. Since 2009, the Company has been launching the “Peking University China Finance 40 Forum Road King Scholarship Programme” (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 with the 21st Century Media (21世紀傳媒) and the National School of Development of Peking University (北京大學國家發展研究院). This scholarship programme aims at nurturing talents to contribute to the development of society. It is also supported by the China Finance Academic Think Tank – China Finance 40 Forum (中國金融學術智庫－中國金融四十人論壇), which provided training support to the programme.

In addition, the Company since 2013 has joined hands with China Real Estate Chamber of Commerce (全聯房地產商會) and Elite Habitat Development Foundation (精瑞人居發展基金會) to launch the “ELITE Child Plan” (精瑞成長計劃), which targets to improve the living and growth environment for those staying in orphanage schools in the ethnic community of the western regions. In recognition of the Company’s efforts, China Real Estate Chamber of Commerce and Elite Habitat Development Foundation have awarded the title of “ELITE Public Welfare Pioneer” (精瑞公益先鋒企業) to the Group.

As a reputable property developer in China, the Company commits to fulfilling its corporate social responsibility continuously by devoting resources and participating in social welfare activities.

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

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

PROPERTY BUSINESS MANAGEMENT COMMITTEE

Ko Yuk Bing (*Chairman*)
Zen Wei Peu, Derek
Fong Shiu Leung, Keter
Chuk Wing Suet, Josephine
Zhang Nan
Diao Lu, Amy
Tsui Wai Tim
Yeh Wai Kwan, Wilson

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

Hong Kong

China CITIC Bank International Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
The Hongkong and Shanghai Banking Corporation Limited

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, SECURITIES AND BONDS LISTING

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

- US\$450 million 5% guaranteed senior notes due 2019 (Stock Code: 5695)
- US\$500 million 4.7% guaranteed senior notes due 2021 (Stock Code: 4309)

The following securities are listed on the Singapore Exchange Securities Trading Limited

- US\$300 million 7.95% senior guaranteed perpetual capital securities

The following bonds are listed on the Shanghai Stock Exchange

- RMB1.5 billion 4.5% first tranche domestic bonds due 2019

INVESTOR RELATIONS

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WEBSITES

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

INDEPENDENT AUDITOR'S REPORT



To the Shareholders of Road King Infrastructure Limited

(incorporated in Bermuda with limited liability)

OPINION

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-8 to F-95, which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the key audit matter

Revenue recognised from sale of completed properties held for sale

We identified revenue recognised from sale of completed properties held for sale as a key audit matter as it is significant to the consolidated statement of profit or loss and management judgment is involved in determining the appropriate point to recognise sale of completed properties held for sale.

The Group's revenue from sale of completed properties held for sale for the year ended 31 December 2016 amounted to approximately HK\$16,451 million, which is disclosed in Note 5 to the consolidated financial statements, representing 98% of the Group's total revenue. As disclosed in Note 3 to the consolidated financial statements, revenue from sale of completed properties held for sale 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 and purchase agreements.

Our procedures in relation to revenue recognised from sale of completed properties held for sale included:

- Testing the Group's internal control over the revenue recognition of sale of completed properties held for sale;
- Inspecting, on a sample basis, the terms set out in the sales and purchase agreements to understand the criteria for the delivery of properties to the purchasers through which the significant risks and rewards of the properties have been passed to the purchasers; and
- Testing whether the criteria for the delivery of properties have been fulfilled by checking, on a sample basis, to the terms of the sales and purchase agreements, the relevant completion certificate for construction work, the delivery notice sent to the purchasers and the settlement status of the consideration.

Valuation of inventory of properties

We identified the valuation of inventory of properties, which includes properties under development for sale (the "PUD") and completed properties held for sale (the "PFS") (collectively referred to as the "Properties") as a key audit matter as it is significant to the consolidated financial statements and significant judgments are involved in the determination of the net realisable value (the "NRV") of the Properties.

Our procedures in relation to valuation of inventory of properties included:

- Evaluating the reasonableness of the estimated future cost to completion of the PUD, on a sample basis, by comparing it to the actual development cost of similar completed properties of the Group and comparing the adjustments made by the management to current market data;

INDEPENDENT AUDITOR'S REPORT

Key audit matter

Valuation of inventory of properties – continued

The Group's PUD of approximately HK\$20,826 million and PFS of approximately HK\$5,458 million are situated in the PRC as at 31 December 2016 as disclosed in Note 21 to the consolidated financial statements. As set out in Note 4 to the consolidated financial statements, the management of the Group determined the NRV of the Properties with reference to the estimated market prices of the Properties, which takes into account a number of factors including the current market price of properties of a comparable standard and location. The management of the Group also needs to estimate the construction costs to be incurred to complete the development of the PUD.

Amortisation of toll road operation rights of the infrastructure joint ventures ("JVs")

We identified amortisation of toll road operation rights of the JVs as a key audit matter because the amortisation involves a significant degree of judgement by the management of the Group.

As disclosed in Note 10 to the consolidated financial statements, the amortisation of toll road operation rights for the year ended 31 December 2016 amounted to approximately HK\$256 million.

As set out in Note 4 to the consolidated financial statements, amortisation of toll road operation rights of the JVs 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. Estimation of total traffic volume over the remaining concession period is reviewed by the management at the end of each reporting period taking into consideration of the actual traffic volume in the recent periods, the current and future development of the transportation network and government policies of the region, market competition, growth rate of vehicle sales and forecast economic growth of the PRC, etc.

How our audit addressed the key audit matter

- Assessing management's estimation of the NRV of the Properties, on a sample basis, by comparing the estimated selling prices of the Properties to the recent market prices achieved in the same project or by comparable properties, based on our knowledge of the Group's business and the PRC real estate industry; and
- Challenging the assumptions and judgments applied by management in estimating future cost to completion of PUD by comparing the budgeted construction costs, on a sample basis, to the signed contracts with subcontractors, and actual development cost of similar completed properties of the Group and comparing the adjustments made by the management, on a sample basis, to current market data.

Our procedures in relation to the amortisation of toll road operation rights of the JVs included:

- Assessing the reasonableness of management's estimation of future traffic volume and determination of the amortisation by making reference to the latest traffic report, if any, prepared by the independent traffic consultant or by comparing the past assumptions made by the management in prior years and the actual outcome, in particular the appropriateness of key assumptions, including the growth rate applied on the projected traffic flow in the remaining concession period, the economic development and the change of the transportation network of the region as well as government policies related to the toll expressways and highways operation in the PRC; and
- Checking the accuracy of significant data inputs, including historical pattern of actual traffic volume, underpinning the calculation of amortisation of concession intangible assets used by the management of the Group, on a sample basis, by agreeing the historic number of traffic used in the calculation to the actual traffic volume in the monthly traffic flow report prepared by the management of the JVs.



INDEPENDENT AUDITOR'S REPORT

Key audit matter

Amortisation of toll road operation rights of the infrastructure joint ventures ("JVs") – continued

In calculating the amortisation, management exercised a significant degree of judgement in considering the changes of the estimation on total traffic volume based on the factors above which may affect both the carrying value of the concession intangible assets of the JVs and the amortisation charges for the remaining concession period. Under the equity method of accounting, it may consequentially cause material adjustment on the share of results of the JVs and interests in the JVs stated in the consolidated financial statements.

Valuation of derivative financial instruments

We identified valuation of derivative financial instruments as a key audit matter because the valuation involves a significant degree of complexity over the fair value measurement.

As at 31 December 2016, the derivative financial assets amounted to approximately HK\$397 million and details of the instruments are disclosed in Note 32 to the consolidated financial statements. The Group entered into derivative financial instrument contracts to manage its exposure to foreign currency risk derived from borrowings denominated in United States dollars. The derivative financial instrument contracts necessitate a sophisticated system to record and track each contract and the Group needs to reconcile the fair value of each derivative contract with the valuation statements provided by the relevant banks at the end of each reporting period.

How our audit addressed the key audit matter

Our procedures in relation to the valuation of derivative instruments included:

- Obtaining an understanding of the key terms of the Group's derivative financial contracts as disclosed in Note 32 to the consolidated financial statements to check the reasonableness of the fair values of derivative instruments provided by the relevant banks; and
- Involving our valuation experts to check the appropriateness of the fair values of derivative instruments provided by relevant banks by re-performing the valuation on a sample basis.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Lam Chi Hong.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

13 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	NOTES	2016 HK\$'000	2015 HK\$'000
Revenue	5	16,841,585	12,509,646
Cost of sales		(12,619,518)	(9,626,650)
Gross profit		4,222,067	2,882,996
Interest income		150,114	86,557
Other income		48,200	43,708
Other gains and losses	7	(66,268)	(171,987)
Selling expenses		(520,553)	(367,459)
Administrative expenses		(610,547)	(518,964)
Share of result of an associate		(1,689)	–
Share of results of joint ventures	8	395,553	261,018
Finance costs	9	(371,585)	(233,346)
Profit before taxation	10	3,245,292	1,982,523
Income tax expenses	12	(1,871,696)	(1,154,213)
Profit for the year		1,373,596	828,310
Profit attributable to:			
Owners of the Company		1,250,075	820,005
Non-controlling interests		123,521	8,305
		1,373,596	828,310
Earnings per share	14		
– Basic		HK\$1.69	HK\$1.11
– Diluted		HK\$1.69	HK\$1.11

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 HK\$'000	2015 HK\$'000
Profit for the year	1,373,596	828,310
Other comprehensive expense		
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation to presentation currency	(821,133)	(547,096)
Total comprehensive income for the year	552,463	281,214
Total comprehensive income (expense) attributable to:		
Owners of the Company	491,604	305,405
Non-controlling interests	60,859	(24,191)
	552,463	281,214

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	NOTES	2016 HK\$'000	2015 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	42,531	33,503
Investment properties	16	2,468,194	2,193,098
Interest in an associate	17	799,192	–
Interests in joint ventures	18	4,564,980	5,108,141
Deferred tax assets	29	29,968	56,229
Amounts due from joint ventures	19	1,185,114	1,596,933
Loan receivables	20	261,959	–
		9,351,938	8,987,904
Current assets			
Inventory of properties	21	26,283,708	25,247,436
Prepayment for land leases	22	1,102,355	480,201
Amounts due from joint ventures	19	2,035,678	179,366
Loan receivables	20	200,634	–
Debtors, deposits and prepayments	23	2,231,787	1,455,019
Prepaid income tax		582,387	392,726
Other financial assets	32	396,918	–
Pledged bank deposits	24	165,909	241,932
Bank balances and cash	24	8,048,817	3,071,723
		41,048,193	31,068,403
Total assets		50,400,131	40,056,307
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	25	73,994	73,994
Reserves		13,217,837	13,081,403
		13,291,831	13,155,397
Non-controlling interests			
		940,797	820,470
Total equity		14,232,628	13,975,867
Non-current liabilities			
Bank and other borrowings – due after one year	27	11,729,547	7,226,144
Loans from non-controlling interests of subsidiaries	28	77,904	180,000
Deferred tax liabilities	29	649,305	586,532
		12,456,756	7,992,676
Current liabilities			
Creditors and accrued charges	30	6,784,521	5,495,510
Amounts due to a joint venture and an associate	31	717,659	280,488
Deposits from pre-sale of properties		8,747,284	4,548,201
Income tax payable		1,409,744	895,891
Bank and other borrowings – due within one year	27	5,847,427	6,224,230
Loans from non-controlling interests of subsidiaries	28	204,112	374,741
Other financial liabilities	32	–	268,703
		23,710,747	18,087,764
Total equity and liabilities		50,400,131	40,056,307

The consolidated financial statements on pages F-8 to F-95 were approved and authorised for issue by the Board of Directors on 13 March 2017 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 2016

	Attributable to owners of the Company									Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Foreign currency translation reserve HK\$'000	Special reserve HK\$'000 (Note a)	Share option reserve HK\$'000	Statutory reserve HK\$'000 (Note b)	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
Balance at 1 January 2015	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/lapse 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
Profit for the year	-	-	-	-	-	-	1,250,075	1,250,075	123,521	1,373,596
Exchange differences arising on translation to presentation currency	-	-	(758,471)	-	-	-	-	(758,471)	(62,662)	(821,133)
Total comprehensive (expense) income for the year	-	-	(758,471)	-	-	-	1,250,075	491,604	60,859	552,463
Sub-total	73,994	3,152,986	909,333	1,260,000	6,336	1,239,514	7,004,838	13,647,001	881,329	14,528,330
Acquisition of subsidiaries (note 37)	-	-	-	-	-	-	-	-	59,468	59,468
Cancellation/lapse of share options	-	-	-	-	(122)	-	122	-	-	-
Dividends	-	-	-	-	-	-	(355,170)	(355,170)	-	(355,170)
Appropriation	-	-	-	-	-	289,121	(289,121)	-	-	-
Balance at 31 December 2016	73,994	3,152,986	909,333	1,260,000	6,214	1,528,635	6,360,669	13,291,831	940,797	14,232,628

Notes:

- (a) Special reserve was arisen on group reorganisation and represents the difference between the nominal amount of the share capital issued by the Company and the aggregate of the nominal amount of the issued share capital of a subsidiary, which was acquired by the Company pursuant to the then group reorganisation.
- (b) The statutory reserve of the Group represents the reserve required by relevant laws of the People's Republic of China ("PRC") applicable to the Company's PRC subsidiaries.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	NOTES	2016 HK\$'000	2015 HK\$'000
Operating activities			
Profit before taxation		3,245,292	1,982,523
Adjustments for:			
Depreciation of property, plant and equipment		14,305	12,596
Fair value gains on transfer of completed properties held for sale to investment properties		–	(62,735)
Change in fair value of investment properties		(77,617)	(92,936)
Change in fair value of other financial assets and liabilities		(429,357)	128,273
Interest income		(150,114)	(86,557)
Finance costs		371,585	233,346
Gain on disposal of interest in a joint venture		–	(2,145)
Share of results of joint ventures		(395,553)	(261,018)
Share of result of an associate		1,689	–
Gains on disposal of property, plant and equipment, net		(397)	(206)
Operating cash flows before movements in working capital		2,579,833	1,851,141
Increase in debtors, deposits and prepayments		(1,070,347)	(70,849)
Decrease (increase) in completed properties held for sale		1,162,438	(131,236)
Decrease in properties under development for sale		4,859,240	4,600,675
Increase (decrease) in creditors and accrued charges		191,161	(131,360)
Increase (decrease) in deposits from pre-sale of properties		2,199,834	(880,300)
Payment for land leases		(2,343,475)	(542,049)
Cash generated from operations		7,578,684	4,696,022
Income tax paid		(1,205,461)	(1,139,281)
Net cash generated from operating activities		6,373,223	3,556,741

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	NOTES	2016 HK\$'000	2015 HK\$'000
Investing activities			
Cash distributions/dividends received from joint ventures		534,392	473,259
Acquisition of an investment property		(286,303)	–
Additions to investment properties		(70,615)	–
Capital contribution to an associate		(117,646)	–
Decrease in pledged bank deposits		88,976	70,183
Interest received		158,630	53,539
Proceeds on disposal of property, plant and equipment		487	585
Proceeds on disposal of investment properties		11,231	152,787
Net proceeds on disposal of interest in a joint venture		70,281	32,341
Net cash outflow from acquisition of subsidiaries	37	(53,063)	–
Additions of loan receivables		(384,966)	–
Repayment of loan receivables		13,489	–
Purchases of property, plant and equipment		(14,723)	(7,828)
Net (payment) receipts from other financial liabilities		(218,514)	26,746
Advances to joint ventures		(2,884,427)	(1,256,575)
Repayment from joint ventures		876,680	93,513
(Increase) decrease in restricted bank balances		(365,396)	424,675
Acquisition of joint ventures		(420,751)	(1,024,040)
Capital contributions to joint ventures		–	(156,428)
Net cash used in investing activities		(3,062,238)	(1,117,243)
Financing activities			
New borrowings raised		14,976,250	3,282,119
Repayment of borrowings		(11,707,248)	(4,027,648)
Repayment of loans from non-controlling interests of subsidiaries		(329,035)	(125,762)
Issue of ordinary shares		–	71,264
Dividends paid		(355,170)	(429,163)
Interest paid		(1,081,168)	(1,320,018)
Net cash from (used in) financing activities		1,503,629	(2,549,208)
Net increase (decrease) in cash and cash equivalents		4,814,614	(109,710)
Cash and cash equivalents at beginning of the year		2,651,312	2,851,433
Effect of foreign exchange rate changes		(175,144)	(90,411)
Cash and cash equivalents at end of the year, represented by bank balances and cash	33	7,290,782	2,651,312



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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, an associate and joint ventures are detailed in notes 44, 17 and 18 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 AMENDMENTS TO 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 HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 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 disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

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

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ³
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers ¹
Amendments to HKAS 7	Disclosure Initiative ⁴
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ⁴

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

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2019.

⁴ Effective for annual periods beginning on or after 1 January 2017.

Except as described below, the Directors anticipate that the application of the other new and amendments to HKFRSs will have no material impact on the consolidated financial statements of the Group.

HKFRS 9 “Financial Instruments”

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

HKFRS 9 “Financial Instruments” (Continued)

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 “Financial Instruments: Recognition and Measurement”. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group’s financial assets measured at amortised cost. Other than that, the Directors anticipate that the application of the HKFRS 9 will have no material impact on the results and the financial position of the Group.

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.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the Directors do not anticipate that the application of HKFRS 15 will have a significant impact on the amount recognised in the Group’s consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

HKFRS 16 “Leases”

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases”, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in note 38, total operating lease commitments of the Group in respect of office premises as at 31 December 2016 amounted to HK\$35,302,000, the Directors do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group’s result, but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position in future as right-of-use assets and lease liabilities.

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.

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 2016

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets and financial liabilities at the respective fair value, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

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 2016

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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.

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.

Interests in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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 associates and joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates and 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 associates and 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 associates and joint ventures based on the predetermined profit sharing ratio.

When the Group's share of losses of an associate or a joint venture equals or exceeds its interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), 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 the associate or joint venture.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Interests in associates and joint ventures *(Continued)*

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or 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 an associate or 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 an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 2016

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Retirement benefit costs

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

Taxation

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

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

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

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

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Taxation *(Continued)*

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

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

Financial instruments

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

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

Financial assets

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

Loans and receivables

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

Impairment loss on financial assets

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

Objective evidence of impairment could include:

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment loss on financial assets *(Continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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, amounts due to a joint venture and an associate and loans from non-controlling interests of subsidiaries) are subsequently measured at amortised cost using the effective interest method.

Financial guarantee contracts

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

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

Derivative financial instruments

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(Continued)*

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

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.

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. Estimation of total traffic volume over the remaining concession period is reviewed by the management at the end of each reporting period taking into consideration of the actual traffic volume in the recent periods, the current and future development of the transportation network and government policies of the region, market competition, growth rate of vehicle sales and forecast economic growth of the PRC, etc. 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 2016 was HK\$3,341,836,000 (2015: HK\$3,628,714,000).

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 those 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 2016 was HK\$3,341,836,000 (2015: HK\$3,628,714,000).

Net realisable values of inventory of properties

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 and construction costs to be incurred to complete the development based on existing asset structure and construction material price lists. 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 2016 was HK\$20,826,040,000 (2015: HK\$18,789,743,000).

In addition, management exercises its judgment in making allowance for inventory of completed properties with reference to the existing market environment, the sales performance in previous years and estimated net realisable value of the properties, i.e. the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. A specific allowance for completed properties held for sale is made if the estimated net realisable value of the property is lower than its carrying amount. If the actual net realisable values of the completed properties held for sale are less than expected as a result of change in market condition, material provision for impairment losses may result. The carrying amount of the completed properties held for sale at 31 December 2016 was HK\$5,457,668,000 (2015: HK\$6,457,693,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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 36(c) and 16 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

5. REVENUE

	2016 HK\$'000	2015 HK\$'000
Revenue of the Group		
Sale of completed properties held for sale	16,450,805	12,205,731
Gross rental income from properties	77,373	66,911
Property management income	313,407	237,004
	16,841,585	12,509,646
Group's share of toll revenue of infrastructure joint ventures	1,238,543	1,090,009
Revenue of the Group and Group's share of toll revenue of infrastructure joint ventures	18,080,128	13,599,655

6. 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:

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

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For the year ended 31 December 2016

6. 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:

	2016			2015		
	Property development and investment HK\$'000	Toll road HK\$'000	Total HK\$'000	Property development and investment HK\$'000	Toll road HK\$'000	Total HK\$'000
Segment revenue	16,841,585	–	16,841,585	12,509,646	–	12,509,646
Segment profit	1,132,118	333,122	1,465,240	822,582	211,696	1,034,278
Segment assets (including interests in joint ventures and an associate)	40,076,979	3,563,906	43,640,885	33,245,218	4,094,399	37,339,617
Segment liabilities	(34,440,653)	(47,033)	(34,487,686)	(24,431,923)	(32,175)	(24,464,098)

(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 result of an associate, 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, change in fair value of other financial assets and liabilities, net exchange losses, 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, interest in an associate, interests in joint ventures, inventory of properties, prepayment for land leases, amounts due from joint ventures, loan receivables, debtors, deposits and prepayments, prepaid income tax, other financial assets, pledged bank deposits, bank balances and cash and deferred tax assets which are directly attributable to the relevant reportable segment.

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For the year ended 31 December 2016

6. SEGMENT INFORMATION (CONTINUED)

(a) Measurement (Continued)

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

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

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

	2016 HK\$'000	2015 HK\$'000
Total segment profit	1,465,240	1,034,278
Unallocated items:		
Interest income	4,498	585
Corporate income	71,703	5,577
Corporate expenses	(110,080)	(183,301)
Finance costs	(57,765)	(24,988)
Income tax expenses	–	(320)
Share of losses of joint ventures	–	(3,521)
Consolidated profit for the year	1,373,596	828,310
Total segment assets	43,640,885	37,339,617
Unallocated assets:		
Property, plant and equipment	79	322
Interests in joint ventures	–	4,528
Deposits and prepayments	2,361	207,602
Other financial assets	66,286	–
Bank balances and cash	6,690,520	2,504,238
Consolidated total assets	50,400,131	40,056,307
Total segment liabilities	(34,487,686)	(24,464,098)
Unallocated liabilities:		
Accrued charges	(135,059)	(109,972)
Bank and other borrowings	(1,544,758)	(1,237,667)
Other financial liabilities	–	(268,703)
Consolidated total liabilities	(36,167,503)	(26,080,440)

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6. SEGMENT INFORMATION (CONTINUED)

(c) Other segment information

	2016				2015			
	Property development and investment HK\$'000	Toll road HK\$'000	Unallocated HK\$'000	Consolidated Total HK\$'000	Property development and investment HK\$'000	Toll road HK\$'000	Unallocated HK\$'000	Consolidated Total HK\$'000
Amounts included in the measure of segment profit or segment assets:								
Interest income	134,928	10,688	4,498	150,114	71,015	14,957	585	86,557
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	77,617	-	-	77,617	92,936	-	-	92,936
Depreciation	(13,855)	(249)	(201)	(14,305)	(11,648)	(289)	(659)	(12,596)
Finance costs	(310,736)	(3,084)	(57,765)	(371,585)	(204,966)	(3,392)	(24,988)	(233,346)
Income tax expenses	(1,846,170)	(25,526)	-	(1,871,696)	(1,125,589)	(28,304)	(320)	(1,154,213)
Share of result of an associate	(1,689)	-	-	(1,689)	-	-	-	-
Share of results of joint ventures	(13,117)	408,670	-	395,553	(13,401)	277,940	(3,521)	261,018
Interest in an associate	799,192	-	-	799,192	-	-	-	-
Interests in joint ventures	1,223,144	3,341,836	-	4,564,980	1,474,899	3,628,714	4,528	5,108,141
Additions to non-current assets during the year	1,973,471	165,743	-	2,139,214	1,188,206	53	37	1,188,296

(d) 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.

(e) 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.

(f) 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.

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For the year ended 31 December 2016

7. OTHER GAINS AND LOSSES

	2016 HK\$'000	2015 HK\$'000
Net exchange losses	(573,639)	(201,736)
Change in fair value of other financial assets and liabilities	429,357	(128,273)
	(144,282)	(330,009)
Gain on disposal of interest in a joint venture	–	2,145
Gains on disposal of property, plant and equipment	397	206
Fair value gains on transfer of completed properties held for sale to investment properties	–	62,735
Change in fair value of investment properties	77,617	92,936
	(66,268)	(171,987)

8. SHARE OF RESULTS OF JOINT VENTURES

	2016 HK\$'000	2015 HK\$'000
Share of profits of infrastructure joint ventures	408,670	277,940
Share of losses of other joint ventures	(13,117)	(16,922)
	395,553	261,018

9. FINANCE COSTS

	2016 HK\$'000	2015 HK\$'000
Interest on borrowings	1,136,178	1,291,873
Premium paid for early redemption of senior notes	77,552	–
Other finance costs	97,261	124,149
	1,310,991	1,416,022
Less: Capitalised in properties under development for sale	(939,406)	(1,182,676)
	371,585	233,346

Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 7.23% (2015: 7.68%) per annum to expenditure on qualifying assets.

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10. PROFIT BEFORE TAXATION

	2016 HK\$'000	2015 HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	15,004	13,992
Less: Capitalised in properties under development for sale	(699)	(1,396)
	14,305	12,596
Share of amortisation of toll road operation rights (included in share of results of joint ventures)	256,385	237,094
Minimum lease payments paid under operating lease rentals in respect of land and buildings	19,161	18,599
Salaries and other benefits	587,397	503,697
Provident fund scheme contributions, net of forfeited contributions of HK\$287,000 (2015: HK\$47,000)	70,797	74,159
Less: Capitalised in properties under development for sale	(136,223)	(135,313)
Total staff costs (excluding Directors' emoluments)	521,971	442,543
Audit fee	3,980	3,980
Cost of inventory of properties recognised as an expense	12,327,100	9,440,691
and after crediting:		
Bank interest income	35,564	28,855

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11. 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	2016 Total HK\$'000
Executive Directors						
Zen Wei Pao, William		–	6,837	16,519	684	24,040
Zen Wei Peu, Derek		–	4,324	2,993	18	7,335
Ko Yuk Bing	(a)	–	7,270	13,376	584	21,230
Chan Kam Hung	(b)	–	1,569	1,778	157	3,504
Fong Shiu Leung, Keter		–	3,408	4,513	341	8,262
Xu Ruxin	(c)	–	1,300	–	80	1,380
Non-executive Directors						
Lam Wai Hon, Patrick		419	–	–	–	419
Mou Yong		309	–	–	–	309
Dong Fang		309	–	–	–	309
Independent Non-executive Directors						
Lau Sai Yung		549	–	–	–	549
Chow Ming Kuen, Joseph		539	–	–	–	539
Tse Chee On, Raymond		369	–	–	–	369
Wong Wai Ho		459	–	–	–	459
Zhang Yongliang		309	–	–	–	309
		3,262	24,708	39,179	1,864	69,013

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11. 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	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	(d)	16	–	–	–	16
Dong Fang	(d)	16	–	–	–	16
Lu Hua	(e)	256	–	–	–	256
Gao Shengyuan	(e)	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	(f)	244	–	–	–	244
		2,851	27,813	18,443	2,168	51,275

Notes:

- (a) Mr. Ko Yuk Bing's emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.
- (b) Mr. Chan Kam Hung retired as an Executive Director of the Company on 19 May 2016.
- (c) Mr. Xu Ruxin resigned as an Executive Director of the Company on 1 July 2016.
- (d) Mr. Mou Yong and Mr. Dong Fang were appointed as Non-executive Directors of the Company on 11 December 2015.
- (e) Mr. Lu Hua and Mr. Gao Shengyuan resigned as Non-executive Directors of the Company on 11 December 2015.
- (f) Mr. Zhang Yongliang was appointed as an Independent Non-executive Director of the Company on 16 February 2015.

The performance related bonus is based on the individual performance of the Executive Directors.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

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For the year ended 31 December 2016

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

Directors' emoluments (continued)

In addition to the above Directors' emoluments, the details of share options held by individual Directors at 31 December 2016 and 31 December 2015 are shown in the Directors' report.

Details of the emoluments of the five highest paid individuals of the Group included 4 (2015: 5) individuals who are Executive Directors of the Company throughout the year and their emoluments are included above. For the remaining one highest paid individual in 2016, he has resigned as an Executive Director on 19 May 2016 and was re-designated as a staff of the Group and his salaries and allowances, performance related bonus and retirement benefit contributions for the year ended 31 December 2016 were HK\$4,111,000, HK\$4,682,000 and HK\$411,000, respectively.

12. INCOME TAX EXPENSES

	2016 HK\$'000	2015 HK\$'000
Current tax:		
PRC enterprise income tax ("EIT")	859,766	678,074
PRC land appreciation tax ("LAT")	791,185	382,124
PRC withholding tax	63,820	127,485
	1,714,771	1,187,683
Deferred tax (note 29)	156,925	(33,470)
	1,871,696	1,154,213

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.

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12. INCOME TAX EXPENSES (CONTINUED)

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

	2016 HK\$'000	2015 HK\$'000
Profit before taxation	3,245,292	1,982,523
Tax at the applicable income tax rate of 25% (2015: 25%) (note)	811,323	495,631
LAT provision	791,185	382,124
Tax effect of LAT	(197,796)	(95,531)
Tax effect of expenses not deductible for tax purpose	364,021	358,018
Tax effect of income not taxable for tax purpose	(2,171)	(14,035)
Tax effect of share of results of joint ventures	(98,888)	(65,255)
Tax effect of share of result of an associate	422	–
Tax effect of tax losses not recognised	27,411	10,764
Tax effect of utilisation of tax losses previously not recognised	(9,394)	(19,922)
Deferred tax on undistributed earnings of PRC subsidiaries and joint ventures	99,738	(14,290)
PRC withholding tax	63,820	127,485
Effect of different tax rates of subsidiaries operating in other jurisdictions	708	–
Others	21,317	(10,776)
Income tax for the year	1,871,696	1,154,213

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.

13. DIVIDENDS PAID

	2016 HK\$'000	2015 HK\$'000
2015 final dividend paid of HK\$0.35 (2015: 2014 final dividend of HK\$0.45) per share	258,978	332,971
2016 interim dividend paid of HK\$0.13 (2015: 2015 interim dividend of HK\$0.13) per share	96,192	96,192
	355,170	429,163

Subsequent to the end of the reporting period, a final dividend in respect of 2016 of HK\$0.55 per share amounting to a total of approximately HK\$407 million has been proposed by the Board on 13 March 2017. 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 740,186,566 shares in issue as at 13 March 2017.

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14. 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:

	2016 HK\$'000	2015 HK\$'000
Earnings for the purposes of basic and diluted earnings per share attributable to owners of the Company	1,250,075	820,005
	2016 Number of shares '000	2015 Number of shares '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	739,937	736,706
Effect of dilutive potential ordinary shares:		
Share options	–	123
Weighted average number of ordinary shares for the purpose of diluted earnings per share	739,937	736,829

The calculation of diluted earnings per share for the year ended 31 December 2016 did not assume the exercise of the Company's share options as the exercise prices of the share options were higher than the average market price of the Company's shares for the year.

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15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost					
At 1 January 2015	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
Additions	–	9,198	4,193	1,332	14,723
Acquisition of subsidiaries	–	–	655	9,346	10,001
Disposals	–	–	(2,164)	(1,082)	(3,246)
Exchange adjustments	(54)	(1,904)	(2,979)	(2,156)	(7,093)
At 31 December 2016	766	37,020	47,504	42,044	127,334
Depreciation					
At 1 January 2015	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
Charge for the year	–	2,688	5,975	6,341	15,004
Eliminated on disposals	–	–	(2,145)	(1,011)	(3,156)
Exchange adjustments	(54)	(1,755)	(2,852)	(1,830)	(6,491)
At 31 December 2016	766	21,777	36,177	26,083	84,803
Carrying values					
At 31 December 2016	–	15,243	11,327	15,961	42,531
At 31 December 2015	–	8,882	12,600	12,021	33,503

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.

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16. INVESTMENT PROPERTIES

	2016 HK\$'000	2015 HK\$'000
Completed properties, at fair value		
At 1 January	2,193,098	2,243,909
Addition during the year	70,615	–
Acquisition of an investment property	286,303	–
Transfer from completed properties held for sale (note)	291	38,239
Disposal during the year	(11,231)	(152,787)
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	77,617	92,936
Exchange difference arising on translation to presentation currency	(148,499)	(91,934)
At 31 December	2,468,194	2,193,098
Unrealised gain on property revaluation included in profit or loss (included in other gains and losses)	76,464	149,310

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

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

The fair values of completed investment properties at the date of transfer, 31 December 2016 and 31 December 2015 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.

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16. 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	Sensitivity
	31 December 2016 HK\$'000	31 December 2015 HK\$'000				
Completed properties – Commercial properties and shopping mall	2,162,299	2,162,984	Level 3	Income capitalisation of the net income and made provisions for reversionary income potential	1. Term yield 2016: 5%-6.5% 2015: 5%-6.5% 2. Reversionary yield 2016: 6%-7% 2015: 6%-7% 3. Market monthly rental rate (RMB/sqm) 2016: RMB69-RMB173 2015: RMB93-RMB167	The higher the term yield, the lower the fair value The higher the reversionary yield, the lower the fair value The higher the market monthly rental rate, the higher the fair value
Completed properties – Commercial properties and shopping mall	305,895	30,114	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
	2,468,194	2,193,098				

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16. INVESTMENT PROPERTIES (CONTINUED)

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

	2016 HK\$'000	2015 HK\$'000
At 1 January	2,162,984	2,063,322
Transfer from completed properties held for sale	71	36,280
Addition during the year	70,615	–
Disposal during the year	(1,214)	(1,319)
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	76,291	86,677
Exchange difference arising on translation to presentation currency	(146,448)	(84,711)
At 31 December	2,162,299	2,162,984

17. INTEREST IN AN ASSOCIATE

	2016 HK\$'000	2015 HK\$'000
Cost of unlisted investment	804,553	–
Share of post-acquisition losses	(1,689)	–
Exchange adjustments	(3,672)	–
	799,192	–

Details of the Group's associate at 31 December 2016 were as follows:

Name of entity	Place of incorporation/ registration	Proportion of equity interest of the Group	Proportion of voting right of the Group	Principal activity
鄭州華首宏田置業有限公司 ("鄭州華首")	PRC	60%	60%	Development and sale of properties

On 9 November 2016, the Group entered into a capital injection agreement with 鄭州華首 and the two existing shareholders of 鄭州華首 pursuant to which the Group has paid the consideration for the acquisition of 60% equity interest in 鄭州華首 through capital contribution of HK\$88,235,000 and HK\$29,411,000 to 鄭州華首 in December 2016 as the registered capital and capital reserve of 鄭州華首 respectively and the Group is required to settle the remaining consideration through further capital contribution of HK\$686,907,000 to 鄭州華首 as capital reserve before 31 December 2017. Upon the completion of capital contribution by the Group in December 2016, the Group has obtained 60% equity interest in 鄭州華首. Under a shareholders' agreement, the Group has the power to appoint 3 out of 5 directors of 鄭州華首 and all the relevant activities including the operating and financing decisions need to be approved by the Group and either one of the other two shareholders. Therefore, the Directors considered that the Group can only exercise significant influence over 鄭州華首.

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17. INTEREST IN AN ASSOCIATE (CONTINUED)

Summarised financial information in respect of 鄭州華首 is set out below. The financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

	2016 HK\$'000	2015 HK\$'000
Current assets	1,897,520	—
Non-current assets	34	—
Current liabilities	(1,063,307)	—
Non-current liabilities	—	—

The revenue, loss and other comprehensive expense for the period from the date of acquisition to 31 December 2016 are insignificant to the Group.

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

	2016 HK\$'000	2015 HK\$'000
Net assets of an associate	834,247	—
Proportion of the Group's ownership interest	60%	—
Net assets shared by the Group	500,548	—
Premium on acquisition	298,644	—
Carrying amount of the Group's interest in an associate	799,192	—

18. INTERESTS IN JOINT VENTURES

	2016 HK\$'000	2015 HK\$'000
Interests in infrastructure joint ventures		
Cost of investments	4,782,431	4,950,224
Return of cost of investments (note a)	(3,154,530)	(3,263,799)
Share of post-acquisition profits, net of dividends received	1,118,207	1,059,404
Exchange adjustments	595,728	882,885
	3,341,836	3,628,714
Interests in other joint ventures		
Cost of investments	1,223,457	1,514,189
Share of post-acquisition profits, net of dividends received	47,035	42,210
Exchange adjustments	(47,348)	(76,972)
	1,223,144	1,479,427
	4,564,980	5,108,141

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18. INTERESTS IN JOINT VENTURES (CONTINUED)

Notes:

- (a) Pursuant to the joint venture agreements, the infrastructure joint ventures distribute the cash surplus to the Group and the other venturers based on the agreed net cash distribution. The actual amount of cash distribution varies from time to time and depends on the toll road performance, the amount of operating expenses and capital expenditure incurred by the joint ventures.
- (b) During the year ended 31 December 2016, the Group entered into a sale and purchase agreement to dispose of its 50% equity interest in Liuan Road Universe Pihe Bridge Development Co., Ltd. to the PRC joint venture partner at a cash consideration of RMB68,000,000 (equivalent to HK\$77,448,000). After deducting disposal cost of HK\$7,167,000, the net proceeds received by the Group was HK\$70,281,000 which approximate to the carrying amount of interest in joint venture and no disposal gain or loss was recognised in profit or loss.
- (c) 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 amounting to HK\$2,145,000 was recognised in the profit or loss.

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 2016 and 31 December 2015 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

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For the year ended 31 December 2016

18. 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 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
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 (Xiongxin 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

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For the year ended 31 December 2016

18. INTERESTS IN JOINT VENTURES (CONTINUED)

Infrastructure joint ventures (Continued)

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

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For the year ended 31 December 2016

18. 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
Jinzhong Longcheng Expressway Co., Ltd. 晉中龍城高速公路有限責任公司 ("Jinzhong Longcheng Expressway JV")	RMB1,467,000,000 (Note)	45%	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 ("Anhui Machao Expressway JV")	RMB575,000,000 (Note)	49%	Investment in and development, operation and management of Machao Expressway in Anhui, the PRC

* These joint ventures are collectively known as Hebei Baojin Expressway JV.

** These joint ventures are collectively known as Hebei Tangjin Expressway JV.

*** These joint ventures are collectively known as Hunan Changsha Expressway JV.

Note: Except for these infrastructure joint ventures, where the profit/cash sharing ratios are same as the proportion of the registered capital held by the Group over the duration of the 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. For the year ended 31 December 2016, the profit/cash sharing ratio entitled by the Group for Hebei Baojin Expressway JV and Hunan Changsha Expressway JV were 40% and 50% respectively. In respect of Hebei Tangjin Expressway JV, the profit/cash ratio entitled has been increased from 30% since February 2016 to 45% for the remaining months of 2016.

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

Summarised financial information of material infrastructure joint ventures

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

18. INTERESTS IN JOINT VENTURES (CONTINUED)

Infrastructure joint ventures (Continued)

Summarised financial information of material infrastructure joint ventures (Continued)

At 31 December 2016

	Hebei Baojin Expressway JV HK\$'000	Hebei Tangjin Expressway JV HK\$'000	Hunan Changsha Expressway JV HK\$'000	Jinzhong Longcheng Expressway JV HK\$'000	Anhui Machao Expressway JV HK\$'000	Total HK\$'000
Non-current assets						
Property and equipment	105,725	115,059	39,452	10,156	133,931	404,323
Concession intangible assets	2,082,220	1,075,102	1,192,286	4,777,834	2,816,204	11,943,646
	2,187,945	1,190,161	1,231,738	4,787,990	2,950,135	12,347,969
Current assets (note a)						
Time deposit	–	–	45,558	–	–	45,558
Bank balances and cash	240,923	359,971	109,215	161,587	65,761	937,457
Others	14,241	16,905	48,129	46,093	1,701	127,069
	255,164	376,876	202,902	207,680	67,462	1,110,084
Current liabilities						
Loans from joint venture partners	–	–	46,332	176,538	–	222,870
Bank borrowings	–	–	46,332	45,558	18,793	110,683
Others	101,507	100,776	77,904	184,873	76,639	541,699
	101,507	100,776	170,568	406,969	95,432	875,252
Non-current liabilities						
Loans from a joint venture partner	–	–	92,631	–	–	92,631
Bank borrowings	–	–	92,631	3,097,950	1,889,521	5,080,102
Deferred taxation	260,464	35,138	147,773	105,624	–	548,999
	260,464	35,138	333,035	3,203,574	1,889,521	5,721,732
Net assets of joint ventures (note b)	2,081,138	1,431,123	931,037	1,385,127	1,032,644	6,861,069
Proportion of the Group's interest	40%	45%	43.17%	45%	49%	N/A
Net assets shared by the Group	832,455	644,005	401,929	623,307	505,995	3,007,691
Additional investment cost paid by the Group, net amortisation (note 23(b))	–	–	–	–	164,428	164,428
Other adjustments (note c)	49,889	(10,353)	12,535	–	–	52,071
Carrying amount of the Group's interests in joint ventures	882,344	633,652	414,464	623,307	670,423	3,224,190

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For the year ended 31 December 2016

18. INTERESTS IN JOINT VENTURES (CONTINUED)

Infrastructure joint ventures (Continued)

Summarised financial information of material infrastructure joint ventures (Continued)

For the year ended 31 December 2016

	Hebei Baojin Expressway JV HK\$'000	Hebei Tangjin Expressway JV HK\$'000	Hunan Changsha Expressway JV HK\$'000	Jinzhong Longcheng Expressway JV HK\$'000	Anhui Machao Expressway JV HK\$'000	Total HK\$'000
Toll revenue (net of business tax or value-added tax)	794,770	612,174	749,776	316,630	220,233	2,693,583
Construction revenue	17,868	–	–	28,629	13,083	59,580
Total revenue	812,638	612,174	749,776	345,259	233,316	2,753,163
Construction costs	(17,868)	–	–	(28,629)	(13,083)	(59,580)
Other income	6,264	2,559	3,363	1,265	1,324	14,775
Toll operation expenses	(104,325)	(80,183)	(88,762)	(52,677)	(18,269)	(344,216)
Administrative expenses	(27,039)	(32,066)	(29,992)	(11,710)	(9,353)	(110,160)
Depreciation and amortisation charges	(143,481)	(181,796)	(191,797)	(59,786)	(52,206)	(629,066)
Finance costs	–	–	(17,470)	(166,204)	(104,866)	(288,540)
Income tax expenses	(127,420)	(81,496)	(107,819)	(5,768)	–	(322,503)
Profit for the year	398,769	239,192	317,299	21,750	36,863	1,013,873
Other comprehensive expenses	(174,146)	(121,810)	(83,963)	(97,887)	(72,276)	(550,082)
Total comprehensive income (expenses)	224,623	117,382	233,336	(76,137)	(35,413)	463,791

Notes:

(a) Analysis of current assets of joint ventures

	Hebei Baojin Expressway JV HK\$'000	Hebei Tangjin Expressway JV HK\$'000	Hunan Changsha Expressway JV HK\$'000	Jinzhong Longcheng Expressway JV HK\$'000	Anhui Machao Expressway JV HK\$'000	Total HK\$'000
Current assets (including return of cost of investments to joint venture partners)	2,127,345	1,478,247	2,271,858	207,680	67,462	6,152,592
Less: return of cost of investments to joint venture partners	(1,872,181)	(1,101,371)	(2,068,956)	–	–	(5,042,508)
Current assets (less: return of cost of investments to joint venture partners) as reported above	255,164	376,876	202,902	207,680	67,462	1,110,084

(b) Analysis of net assets of joint ventures

	Hebei Baojin Expressway JV HK\$'000	Hebei Tangjin Expressway JV HK\$'000	Hunan Changsha Expressway JV HK\$'000	Jinzhong Longcheng Expressway JV HK\$'000	Anhui Machao Expressway JV HK\$'000	Total HK\$'000
Net assets (including return of cost of investments to joint venture partners)	3,953,319	2,532,494	2,999,993	1,385,127	1,032,644	11,903,577
Less: return of cost of investments to joint venture partners	(1,872,181)	(1,101,371)	(2,068,956)	–	–	(5,042,508)
Net assets (less: return of cost of investments to joint venture partners) as reported above	2,081,138	1,431,123	931,037	1,385,127	1,032,644	6,861,069

- (c) Other adjustments represented the difference of the Group's share of the net assets of the individual joint ventures based on their relevant profit sharing ratio during the respective operating periods and the Group's equity interests in the joint ventures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

18. INTERESTS IN JOINT VENTURES (CONTINUED)

Infrastructure joint ventures (Continued)

Summarised financial information of material infrastructure joint ventures (Continued)

At 31 December 2015

	Hebei Baojin Expressway JV HK\$'000	Hebei Tangjin Expressway JV HK\$'000	Hunan Changsha Expressway JV HK\$'000	Jinzhong Longcheng Expressway JV HK\$'000	Anhui Machao Expressway JV HK\$'000	Total HK\$'000
Non-current assets						
Property and equipment	134,033	145,725	43,544	11,400	162,130	496,832
Concession intangible assets	2,331,878	1,304,765	1,467,304	5,145,119	3,036,306	13,285,372
	2,465,911	1,450,490	1,510,848	5,156,519	3,198,436	13,782,204
Current assets (note a)						
Time deposit	–	–	48,780	–	–	48,780
Bank balances and cash	247,414	296,002	82,208	130,584	48,366	804,574
Others	15,640	86,787	49,845	46,124	11,713	210,109
	263,054	382,789	180,833	176,708	60,079	1,063,463
Current liabilities						
Loans from joint venture partners	–	–	49,610	189,024	–	238,634
Bank borrowings	–	–	49,610	24,390	16,220	90,220
Others	102,954	121,282	76,995	185,488	100,458	587,177
	102,954	121,282	176,215	398,902	116,678	916,031
Non-current liabilities						
Loans from a joint venture partner	–	–	148,793	–	–	148,793
Bank borrowings	–	–	148,792	3,365,854	2,073,780	5,588,426
Deferred taxation	266,549	36,098	166,872	107,207	–	576,726
	266,549	36,098	464,457	3,473,061	2,073,780	6,313,945
Net assets of joint ventures (note b)	2,359,462	1,675,899	1,051,009	1,461,264	1,068,057	7,615,691
Proportion of the Group's interest	40%	45%	43.17%	45%	49%	N/A
Net assets shared by the Group	943,785	754,155	453,720	657,569	523,348	3,332,577
Other adjustments (note c)	52,906	(37,606)	4,609	–	–	19,909
Carrying amount of the Group's interests in joint ventures	996,691	716,549	458,329	657,569	523,348	3,352,486

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

18. INTERESTS IN JOINT VENTURES (CONTINUED)

Infrastructure joint ventures (Continued)

Summarised financial information of material infrastructure joint ventures (Continued)

For the year ended 31 December 2015

	Hebei Baojin Expressway JV HK\$'000	Hebei Tangjin Expressway JV HK\$'000	Hunan Changsha Expressway JV HK\$'000	Jinzhong Longcheng Expressway JV HK\$'000	Anhui Machao Expressway JV HK\$'000	Total HK\$'000
Toll revenue (net of business tax or value-added tax)	772,250	668,414	709,610	242,024	186,899	2,579,197
Construction revenue	47,407	98,372	–	49,854	30,110	225,743
Total revenue	819,657	766,786	709,610	291,878	217,009	2,804,940
Construction costs	(47,407)	(98,372)	–	(49,854)	(30,110)	(225,743)
Other income	5,972	4,313	4,340	3,555	4,574	22,754
Toll operation expenses	(131,679)	(86,832)	(99,061)	(48,585)	(10,150)	(376,307)
Administrative expenses	(27,527)	(31,990)	(31,222)	(10,628)	(8,336)	(109,703)
Depreciation and amortisation charges	(141,976)	(149,248)	(204,331)	(45,757)	(34,669)	(575,981)
Finance costs	–	–	(27,608)	(218,356)	(128,821)	(374,785)
Income tax expenses	(121,556)	(101,769)	(88,575)	(29,923)	–	(341,823)
Profit (loss) for the year	355,484	302,888	263,153	(107,670)	9,497	823,352
Other comprehensive expenses	(106,229)	(78,540)	(52,147)	(61,688)	(43,266)	(341,870)
Total comprehensive income (expenses)	249,255	224,348	211,006	(169,358)	(33,769)	481,482

Notes:

(a) Analysis of current assets of joint ventures

	Hebei Baojin Expressway JV HK\$'000	Hebei Tangjin Expressway JV HK\$'000	Hunan Changsha Expressway JV HK\$'000	Jinzhong Longcheng Expressway JV HK\$'000	Anhui Machao Expressway JV HK\$'000	Total HK\$'000
Current assets (including return of cost of investments to joint venture partners)	2,027,312	1,435,126	2,383,887	176,708	60,079	6,083,112
Less: return of cost of investments to joint venture partners	(1,764,258)	(1,052,337)	(2,203,054)	–	–	(5,019,649)
Current assets (less: return of cost of investments to joint venture partners) as reported above	263,054	382,789	180,833	176,708	60,079	1,063,463

(b) Analysis of net assets of joint ventures

	Hebei Baojin Expressway JV HK\$'000	Hebei Tangjin Expressway JV HK\$'000	Hunan Changsha Expressway JV HK\$'000	Jinzhong Longcheng Expressway JV HK\$'000	Anhui Machao Expressway JV HK\$'000	Total HK\$'000
Net assets (including return of cost of investments to joint venture partners)	4,123,720	2,728,236	3,254,063	1,461,264	1,068,057	12,635,340
Less: return of cost of investments to joint venture partners	(1,764,258)	(1,052,337)	(2,203,054)	–	–	(5,019,649)
Net assets (less: return of cost of investments to joint venture partners) as reported above	2,359,462	1,675,899	1,051,009	1,461,264	1,068,057	7,615,691

(c) Other adjustments represented the difference of the Group's share of the net assets of the individual joint ventures based on their relevant profit sharing ratio during the respective operating periods and the Group's equity interests in the joint ventures.

(d) Certain reclassifications have been made to realign with current year presentation of certain financial information of material infrastructure joint ventures.

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18. INTERESTS IN JOINT VENTURES (CONTINUED)

Infrastructure joint ventures (Continued)

Additional information – summarised financial information of material infrastructure joint ventures

At 31 December 2014

	Hebei Baojin Expressway JV HK\$'000	Hebei Tangjin Expressway JV HK\$'000	Hunan Changsha Expressway JV HK\$'000	Jinzhong Longcheng Expressway JV HK\$'000	Anhui Machao Expressway JV HK\$'000	Total HK\$'000
Non-current assets						
Property and equipment	162,505	146,355	41,474	12,389	177,751	540,474
Concession intangible assets	2,492,403	1,379,630	1,726,822	5,351,411	3,152,677	14,102,943
	2,654,908	1,525,985	1,768,296	5,363,800	3,330,428	14,643,417
Current assets (note a)						
Bank balances and cash	162,761	120,186	131,360	354,800	21,270	790,377
Amounts due from joint venture partners	–	154,862	–	–	–	154,862
Others	21,957	99,732	65,241	14,247	22,036	223,213
	184,718	374,780	196,601	369,047	43,306	1,168,452
Current liabilities						
Loans from joint venture partners	–	–	51,624	196,701	38,071	286,396
Bank borrowings	–	–	51,624	177,665	126,904	356,193
Others	94,222	72,958	85,932	284,492	216,058	753,662
	94,222	72,958	189,180	658,858	381,033	1,396,251
Non-current liabilities						
Loans from a joint venture partner	–	–	206,460	–	1,890,875	2,097,335
Bank borrowings	–	–	206,460	3,362,944	–	3,569,404
Deferred taxation	263,073	34,783	180,148	80,423	–	558,427
	263,073	34,783	593,068	3,443,367	1,890,875	6,225,166
Net assets of joint ventures (note b)	2,482,331	1,793,024	1,182,649	1,630,622	1,101,826	8,190,452
Proportion of the Group's interest	40%	45%	43.17%	45%	49%	N/A
Net assets shared by the Group	992,932	806,861	510,550	733,780	539,895	3,584,018
Other adjustments (note c)	54,523	(28,969)	930	–	–	26,484
Carrying amount of the Group's interests in joint ventures	1,047,455	777,892	511,480	733,780	539,895	3,610,502

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For the year ended 31 December 2016

18. INTERESTS IN JOINT VENTURES (CONTINUED)

Infrastructure joint ventures (Continued)

Additional information – summarised financial information of material infrastructure joint ventures (Continued)

For the year ended 31 December 2014

	Hebei Baojin Expressway JV HK\$'000	Hebei Tangjin Expressway JV HK\$'000	Hunan Changsha Expressway JV HK\$'000	Jinzhong Longcheng Expressway JV HK\$'000	Anhui Machao Expressway JV HK\$'000 (note d)	Total HK\$'000
Toll revenue (net of business tax or value-added tax)	706,207	598,413	652,852	207,386	89,710	2,254,568
Construction revenue	52,753	184,262	–	241,637	205,040	683,692
Total revenue	758,960	782,675	652,852	449,023	294,750	2,938,260
Construction costs	(52,753)	(184,262)	–	(241,637)	(205,040)	(683,692)
Other income	5,259	501	4,420	6,246	1,263	17,689
Toll operation expenses	(106,403)	(70,630)	(85,857)	(29,734)	(3,898)	(296,522)
Administrative expenses	(31,625)	(32,694)	(26,401)	(13,711)	(3,639)	(108,070)
Depreciation and amortisation charges	(126,586)	(129,213)	(188,901)	(45,362)	(18,114)	(508,176)
Finance costs	–	–	(40,075)	(239,294)	(89,503)	(368,872)
Income tax expenses	(110,503)	(94,881)	(83,720)	(31,197)	–	(320,301)
Profit (loss) for the year	336,349	271,496	232,318	(145,666)	(24,181)	670,316
Other comprehensive income	9,645	5,971	4,581	2,788	1,490	24,475
Total comprehensive income (expenses)	345,994	277,467	236,899	(142,878)	(22,691)	694,791

Notes:

(a) Analysis of current assets of joint ventures

	Hebei Baojin Expressway JV HK\$'000	Hebei Tangjin Expressway JV HK\$'000	Hunan Changsha Expressway JV HK\$'000	Jinzhong Longcheng Expressway JV HK\$'000	Anhui Machao Expressway JV HK\$'000	Total HK\$'000
Current assets (including return of cost of investments to joint venture partners)	1,893,951	1,365,091	2,134,362	369,047	43,306	5,805,757
Less: return of cost of investments to joint venture partners	(1,709,233)	(990,311)	(1,937,761)	–	–	(4,637,305)
Current assets (less: return of cost of investments to joint venture partners) as reported above	184,718	374,780	196,601	369,047	43,306	1,168,452

(b) Analysis of net assets of joint ventures

	Hebei Baojin Expressway JV HK\$'000	Hebei Tangjin Expressway JV HK\$'000	Hunan Changsha Expressway JV HK\$'000	Jinzhong Longcheng Expressway JV HK\$'000	Anhui Machao Expressway JV HK\$'000	Total HK\$'000
Net assets (including return of cost of investments to joint venture partners)	4,191,564	2,783,335	3,120,410	1,630,622	1,101,826	12,827,757
Less: return of cost of investments to joint venture partners	(1,709,233)	(990,311)	(1,937,761)	–	–	(4,637,305)
Net assets (less: return of cost of investments to joint venture partners) as reported above	2,482,331	1,793,024	1,182,649	1,630,622	1,101,826	8,190,452

(c) Other adjustments represented the difference of the Group's share of the net assets of the individual joint ventures based on their relevant profit sharing ratio during the respective operating periods and the Group's equity interests in the joint ventures.

(d) It represented the results for the period from 1 June 2014 (date of acquisition) to 31 December 2014.

(e) Certain reclassifications have been made to realign with current year presentation of certain financial information of material infrastructure joint ventures.

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For the year ended 31 December 2016

18. INTERESTS IN JOINT VENTURES (CONTINUED)

Property joint ventures

Particulars of the Group's interests in principal property joint ventures as at 31 December 2016 and 2015 are as follows:

Name of entity	Place of incorporation/ registration	Proportion of equity interest of the Group		Proportion of voting right of the Group		Principal activities
		2016	2015	2016	2015	
上海新弘企業管理有限公司 ("上海新弘")	PRC	100% (note a)	40%	100%	40%	Development and sale of properties
上海雋合置業有限公司 ("上海雋合")	PRC	100% (note b)	49%	100%	49%	Development and sale of properties
上海雋通置業有限公司 ("上海雋通")	PRC	60%	N/A	60% (note e)	N/A	Development and sale of properties
上海雋築置業有限公司 ("上海雋築")	PRC	60%	N/A	60% (note e)	N/A	Development and sale of properties
天津雋投企業管理有限公司 ("天津雋投")	PRC	50%	N/A	66.67% (note e)	N/A	Development and sale of properties
河北建投路勁城鎮化建設開發 有限公司 ("河北建投")	PRC	45% (note c)	N/A	40%	N/A	Development and sale of properties
廣州雋宏房地產開發有限公司 ("廣州雋宏")	PRC	51%	51%	66.67% (note e)	51%	Development and sale of properties
蘇州雋達房地產開發有限公司 ("蘇州雋達")	PRC	58.82%	N/A	66.67% (note e)	N/A	Development and sale of properties
Both Win Development Limited ("Both Win")	HK	60% (note d)	N/A	60%	N/A	Investment holding

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For the year ended 31 December 2016

18. INTERESTS IN JOINT VENTURES (CONTINUED)

Property joint ventures (Continued)

Notes:

- (a) At 31 December 2015, the Group has subscribed 560 million trust units out of total 1,400 million trust units issued by a fund trust scheme (the "Fund Trust Scheme") which was set up and managed by Beijing International Trust Co., Ltd and to finance the capital contribution to 上海新弘, which is engaged in the property development business in Hebei, the PRC. The other investors who held 840 million trust units withdrawn from the Fund Trust Scheme in September 2016 and the total investment of the Fund Trust Scheme reduced from RMB1,400 million to RMB560 million and the shareholding of the Group in 上海新弘 increased from 40% to 100% accordingly. Thereafter, 上海新弘 becomes a wholly-owned subsidiary of the Company. The fair value of 40% equity interest in 上海新弘 approximated to its carrying amount and no gain or loss from disposal of joint venture was recognised in 2016.
- (b) As detailed in note 37, the Group further acquired 51% equity interest in 上海雋合 in February 2016 and 上海雋合 became a wholly-owned subsidiary of the Company. The fair value of 51% equity interest in 上海雋合 approximated to its carrying amount and no gain or loss from disposal of joint venture was recognised during the year.
- (c) During the year ended 31 December 2016, the Group entered into a joint venture agreement to establish 河北建投 with two other PRC joint venture partners. On 26 December 2016, the Group entered into capital injection agreement with two other joint venture partners pursuant to which the joint venture partners agreed to make further capital contribution of RMB260 million to 河北建投 and the registered capital of 河北建投 will be increased from RMB200 million to RMB460 million. At 31 December 2016, the Group has already made a capital contribution of RMB117,000,000 (equivalent to HK\$134,725,000) and obtained 45% equity interest in 河北建投 and further contribution amounting to RMB90 million (equivalent to HK\$102,506,000) will be made by the Group in 2017. The Group considered they can exercise joint control over 河北建投 with other joint venture partners as all relevant activities require the unanimous consent of the directors.
- (d) Both Win is an investment holding company and its indirect wholly-owned subsidiary 深圳勝澤企業管理諮詢有限公司 is engaged in the property development business in Zhengzhou. In October 2016, the Group entered into sale and purchase agreements with an independent third party to acquire 60% equity interest in Both Win at a cash consideration of HK\$389,587,000, in which HK\$30,000,000 has been settled at 31 December 2016 and the remaining balance of HK\$359,587,000 was included in other payables. Although the Group has 60% voting rights in the board of directors of Both Win, the management of the Group considered they can only exercise joint control over Both Win with the other 40% joint venture partner as certain relevant activities including declaration of dividends, investment and financing decisions require the consent of both joint venture partners.
- (e) Although the Group has more than 50% voting rights for the companies, the board resolutions need the unanimous consent of the directors appointed by each joint venture partner and these companies are accounted for as joint ventures of the Group.

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18. INTERESTS IN JOINT VENTURES (CONTINUED)

Property joint ventures (Continued)

Summarised financial information of material property joint ventures

At 31 December 2016

	上海雋通 HK\$'000	上海雋築 HK\$'000	天津雋投* HK\$'000	河北建投* HK\$'000	廣州雋宏 HK\$'000	蘇州雋達* HK\$'000	Both Win* HK\$'000	Total HK\$'000
Current assets	1,091,438	4,859,155	2,452,865	846,258	2,910,986	1,108,695	659,510	13,928,907
Non-current assets	907	12	–	809,162	4,732	–	49	814,862
Current liabilities	(240,815)	(1,430,957)	(2,396,968)	(615,188)	(2,358,097)	(403,139)	(127,548)	(7,572,712)
Non-current liabilities	(784,169)	(3,359,909)	–	(747,265)	–	(609,339)	(466,970)	(5,967,652)
The above amounts of assets and liabilities include the following:								
Cash and cash equivalents (including pledged bank deposits)	68,718	18,608	6,474	227,130	29,070	36,455	247,890	634,345
Net assets of joint ventures	67,361	68,301	55,897	292,967	557,621	96,217	65,041	1,203,405
Proportion of the Group's interests	60%	60%	50%	45%	51%	58.82%	60%	N/A
Net assets shared by the Group	40,417	40,981	27,949	131,835	284,387	56,595	39,024	621,188
Premium on acquisition	–	–	–	–	–	–	350,563	350,563
Carrying amount of the Group's interests in joint ventures	40,417	40,981	27,949	131,835	284,387	56,595	389,587	971,751

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For the year ended 31 December 2016

18. INTERESTS IN JOINT VENTURES (CONTINUED)

Property joint ventures (Continued)

Summarised financial information of material property joint ventures (Continued)

For the year ended 31 December 2016

	上海雋通 HK\$'000	上海雋築 HK\$'000	天津雋投* HK\$'000	河北建投* HK\$'000	廣州雋宏 HK\$'000	蘇州雋達* HK\$'000	Both Win* HK\$'000	Total HK\$'000
Loss for the year	(1,023)	(38)	(1,101)	(3,315)	(11,520)	(624)	–	(17,621)
Other comprehensive income (expense) for the year	48	2	51	155	(19,973)	29	–	(19,688)
Total comprehensive expense for the year	(975)	(36)	(1,050)	(3,160)	(31,493)	(595)	–	(37,309)
The above loss for the year includes the following:								
Depreciation and amortisation	(24)	–	–	(3)	(36)	–	–	(63)
Interest income	101	73	154	138	134	122	–	722
Interest expense	–	–	–	(47)	–	–	–	(47)
Income tax credit	341	13	367	–	3,840	214	–	4,775

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For the year ended 31 December 2016

18. INTERESTS IN JOINT VENTURES (CONTINUED)

Property joint ventures (Continued)

Summarised financial information of material property joint ventures (Continued)

At 31 December 2015

	上海新弘 * 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
Net assets of joint ventures	806,231
Proportion of the Group's interests	40%
Net assets shared by the Group	322,492
Premium of acquisition	351,206
Carrying amount of the Group's interest in joint ventures	673,698

For the year ended 31 December 2015

	上海新弘 * HK\$'000
Loss for the year	(23,737)
Other comprehensive income for the year	666
Total comprehensive expense for the year	(23,071)
The above loss for the year includes the following:	
Depreciation and amortisation	(47)
Interest income	607
Interest expense	(472)
Income tax credit	7,912

* Being consolidated figures of the joint ventures and their subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

18. INTERESTS IN JOINT VENTURES (CONTINUED)

Property joint ventures (Continued)

Aggregate information of joint ventures that are not individually material

	2016 HK\$'000	2015 HK\$'000
The Group's share of loss	(51,071)	(35,384)
The Group's share of other comprehensive expense	(61,781)	(65,141)
The Group's share of total comprehensive expense	(112,852)	(100,525)

19. AMOUNTS DUE FROM JOINT VENTURES

The Group as lenders

	Notes	2016 HK\$'000	2015 HK\$'000
Amounts due from			
湖南長益高速公路有限公司	(a)	138,963	198,403
晉中龍城高速公路有限責任公司	(b)	79,727	85,366
上海雋合	(c)	–	499,908
深圳市盛世盈豐投資發展有限公司	(d)	149,123	44,390
廣州雋宏	(e)	56,168	948,232
鄭州龍港置業有限公司	(f)	170,843	–
天津雋德房地產開發有限公司	(g)	772,434	–
上海雋通	(h)	289,863	–
上海雋築	(i)	889,066	–
蘇州雋澄房地產開發有限公司	(j)	385,649	–
天津雋投	(k)	58,237	–
蘇州雋達房地產開發有限公司	(k)	6,771	–
河北建投	(k)	189,210	–
永清勁都房地產開發有限公司	(k)	11,731	–
永清勁恒房地產開發有限公司	(k)	23,007	–
		3,220,792	1,776,299
Less: amounts shown as current assets	(l)	(2,035,678)	(179,366)
Amounts shown as non-current assets		1,185,114	1,596,933

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

19. AMOUNTS DUE FROM JOINT VENTURES (CONTINUED)

Notes:

- (a) The loans are unsecured, carrying interest at People's Bank of China ("PBOC") prescribed interest rate plus a 10% (2015: 10%) margin per annum. The amount included in non-current assets amounting to HK\$92,631,000 (2015: HK\$148,793,000) is due in October 2019 and the remaining amount of HK\$46,332,000 (2015: HK\$49,610,000) included in current assets is due within one year from the end of each reporting period.
- (b) The amount is unsecured, interest-free and due within one year from the end of the reporting period.
- (c) The amount was unsecured, carrying interest at a fixed rate of 6.15% per annum and due in September 2017. During the year ended 31 December 2016, 上海雋合 became a wholly-owned subsidiary of the Company.
- (d) The amount is unsecured, carrying interest rate of 10% per annum for the first RMB30,000,000 (equivalent to HK\$34,169,000) being drawn. The remaining amount is carrying at an interest rate of 12% per annum. The whole amount is due in December 2017.
- (e) The amount is unsecured, carrying interest at a fixed rate of 11% per annum and due in November 2017.
- (f) The amount is unsecured, carrying interest at a fixed rate 10% per annum and is due in 2019.
- (g) The amount is unsecured and carrying interest at a fixed rate of 6.7% per annum. The amount included in non-current assets amounting to HK\$757,631,000 is due in 2019 and the remaining amount of HK\$14,803,000 included in current assets is repayable on demand.
- (h) The amount is unsecured and carrying interest at a fixed rate of 7% per annum. The amount included in non-current assets amounting to HK\$164,009,000 is due in 2018 and the remaining amount of HK\$125,854,000 included in current assets is repayable on demand.
- (i) The amount is unsecured, carrying interest a fixed rate of 7% per annum and are repayable on demand.
- (j) The amount is unsecured, carrying interest a fixed rate of 6.02% per annum and is due in December 2017.
- (k) The amounts are unsecured, interest-free and repayable on demand.
- (l) The Group expects to receive the current portion of amounts due from joint ventures within 12 months from the end of the reporting period based on the status of the property projects of property joint ventures and the performance of the infrastructure joint ventures.

20. LOAN RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Fixed-rate loan receivables, secured	442,092	—
Interest-free loan receivables, secured	20,501	—
Total loan receivables	462,593	—
Less: Amounts classified as current assets	(200,634)	—
Amount due over one year shown and classified as non-current assets	261,959	—

The loans receivable are all secured and denominated in RMB.

Certain equity interests of the companies or the properties owned by the borrowers to which the loans were granted by the Group have been used as security for the loan receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

20. LOAN RECEIVABLES (CONTINUED)

The exposure of the Group's loan receivables to interest rate risks and the contractual maturity dates are as follows:

	2016 HK\$'000	2015 HK\$'000
Within one year	200,634	–
In more than one year but not more than two years	113,895	–
In more than two years but not more than five years	148,064	–
	462,593	–

The range of interest rates on the Group's loan receivables are as follows:

	2016	2015
Fixed-rate loan receivables	8.4%-21%	–

21. INVENTORY OF PROPERTIES

	2016 HK\$'000	2015 HK\$'000
Completed properties held for sale	5,457,668	6,457,693
Properties under development for sale (note)	20,826,040	18,789,743
	26,283,708	25,247,436

Note: Included in the amount are properties under development for sale of HK\$15,264,035,000 (2015: HK\$13,184,506,000) 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 2016, the total consideration prepaid in full of HK\$1,102,355,000 (2015: HK\$480,201,000) 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".

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23. DEBTORS, DEPOSITS AND PREPAYMENTS

	2016 HK\$'000	2015 HK\$'000
Aged analysis of trade debtors, presented based on invoice dates (note a):		
Within 60 days	146,517	2,157
61 to 90 days	1,014	992
More than 90 days	6,532	7,547
	154,063	10,696
Deferred consideration on disposal of interests in joint ventures (note b)	–	176,555
Prepayment for land development cost (note c)	515,438	180,805
Deposits paid for acquisition of inventory of properties (note d)	452,107	280,487
Prepayment of business tax and other taxes	327,629	187,896
Other receivables, deposits and prepayments	782,550	618,580
	2,231,787	1,455,019

Notes:

- (a) The debtors are mainly arisen from sale of properties. Consideration in respect of properties sold is paid in accordance with the terms of the related sale and purchase agreements, normally within 60 days from the agreements. Consideration will be fully received prior to the delivery of the properties to the property purchasers.
- (b) During the year ended 31 December 2013, the Group entered into sale and purchase agreement to dispose of its 50% equity interest in Anhui Road Universe Hefei Highway Development Co., Ltd., and 60% equity interests in Anhui Road Universe Highway Yanjin Section Development Company Limited and Anhui Road Universe Highway Dayang Section Development Company Limited to the PRC joint venture partner ("Party A") at a total cash consideration of HK\$256,875,000. HK\$65,570,000 has been received by the Group in 2013, after netting off with the related costs of disposal amounted to HK\$9,430,000 and the remaining HK\$181,875,000 should be settled before March 2014 according to sale and purchase agreement. The maturity date of the deferred consideration has been extended pursuant to certain supplementary agreements. In March 2016, pursuant to the agreement entered into among the Group, Party A and the holding company of Party A ("Party B"), the outstanding balance of deferred consideration (before amortisation) of HK\$165,718,000 was fully settled by netting off with the outstanding costs for acquisition of 49% equity interest in Anhui Machao Expressway Co., Ltd. by the Group in 2014 whereas the vendor of such acquisition was Party B.
- (c) In January 2016, the Group entered into an agreement with certain independent third parties who own certain pieces of industrial land in Jinan, the PRC (the "Contracting Parties") pursuant to which the Group will pay not more than RMB500,000,000 (equivalent to HK\$569,476,000) to the Contracting Parties to settle the debts of Contracting Parties and for the severance payments and labour compensation of the Contracting Parties such that the land can be cleared up and change its use from industrial to residential purpose and put into public auction. At 31 December 2016, prepayment of land development cost of HK\$459,933,000 has been made. According to the agreement, if the Group cannot obtain the land through the public auction, the prepayment will be refunded and a daily interest of 0.03% on the prepaid amount will be received. Based on the progress of the project, the public auction is expected to be launched in mid 2017.
- The Group has also paid HK\$55,505,000 (2015: HK\$180,805,000) to certain independent third parties for the land development cost in the PRC. The amounts will be fully refunded if the land bidding is not successful and the land public auction is expected to be launched within one year.
- (d) The amount includes HK\$91,116,000 (2015: HK\$36,585,000) deposits paid by the Group to the local government of Zhengzhou for the participation in the real estate projects which target for the combination of property development and cultural tourism in Zhengzhou. The land use rights of the property projects will be obtained through the land public auction which are expected to be completed within one year.

The remaining balances mainly represent a tender deposit paid for public auction of land in Hong Kong and deposits for acquisition of property development projects in the PRC, which will be fully refunded if the Group cannot acquire the land/projects successfully.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

23. DEBTORS, DEPOSITS AND PREPAYMENTS (CONTINUED)

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.

24. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits of HK\$165,909,000 (2015: HK\$241,932,000) in total are pledged as securities in favour of banks for mortgage facilities granted to the buyers of properties developed by the Group and short-term facilities granted to the Group.

Included in bank balances and cash, bank balances amounting to HK\$1,358,297,000 (2015: HK\$567,485,000) 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\$758,035,000 (2015: HK\$420,411,000) according to the relevant requirements of the PRC local government and the cash received mainly from bank loans of HK\$600,262,000 (2015: HK\$147,074,000) for property development.

Bank balances carried interest at market rates which range from 0.01% to 2.5% (2015: 0.01% to 4.2%) 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:

	2016 HK\$'000	2015 HK\$'000
United States dollars	1,224,357	81,416
Hong Kong dollars	188,735	48,652

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25. SHARE CAPITAL

	2016 Number of shares	2015 Number of shares	2016 HK\$'000	2015 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	739,936,566	729,696,566	73,994	72,970
Issue of shares upon exercise of share options	–	10,240,000	–	1,024
At 31 December	739,936,566	739,936,566	73,994	73,994

The new shares issued during the year ended 31 December 2015 ranked pari passu with the existing shares in all respects.

No convertible preference shares are issued in both years.

26. SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Scheme”) on 8 May 2013. The purpose of the 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 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 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 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 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.

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For the year ended 31 December 2016

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 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 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 2016, the number of shares in respect of which options had been granted and remained outstanding under the Scheme were 10,200,000 (2015: 10,400,000), representing approximately 1.4% (2015: 1.4%) 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.

2016

Date of grant	Exercisable period	Exercise price HK\$	Balance at 1.1.2016	Reclassified during the year (note)	Exercised during the year	Cancelled/ lapsed during the year	Balance at 31.12.2016
Directors							
28 May 2013	29 May 2013 to 28 May 2018	7.13	5,350,000	(2,200,000)	-	-	3,150,000
Employees							
28 May 2013	29 May 2013 to 28 May 2018	7.13	5,050,000	2,200,000	-	(200,000)	7,050,000
			10,400,000	-	-	(200,000)	10,200,000
Weighted average exercise price			7.13	N/A	-	7.13	7.13

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26. SHARE OPTION SCHEME (CONTINUED)

2015

Date of grant	Exercisable period	Exercise price HK\$	Balance at 1.1.2015	Reclassified during the year	Exercised during the year	Cancelled/ lapsed 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

Note: 1,400,000 and 800,000 share options held by Mr. Chan Kam Hung and Mr. Xu Ruxin are reclassified from “Directors” category to “Employees” category since Mr. Chan Kam Hung retired as an Executive Director and Mr. Xu Ruxin resigned as an Executive Director of the Company on 19 May 2016 and 1 July 2016 respectively.

27. BANK AND OTHER BORROWINGS

	Notes	2016 HK\$'000	2015 HK\$'000
2012 Guaranteed senior notes	(a)	–	2,736,975
2013 Guaranteed senior notes	(b)	–	2,674,197
2016 August guaranteed senior notes	(c)	3,476,890	–
2016 September guaranteed senior notes	(d)	3,858,575	–
2016 Domestic bonds	(e)	1,708,428	–
Bank loans	(f)	8,390,143	8,039,202
Other loans	(g)	142,938	–
		17,576,974	13,450,374

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For the year ended 31 December 2016

27. BANK AND OTHER BORROWINGS (CONTINUED)

The maturity of the above loans is as follows:

	2016 HK\$'000	2015 HK\$'000
Unsecured borrowings repayable*:		
Within one year	2,524,203	3,530,444
More than one year but not exceeding two years	560,540	5,390,534
More than two years but not exceeding five years	7,335,465	558,190
	10,420,208	9,479,168
Secured borrowings repayable*:		
Within one year	3,063,224	2,306,286
More than one year but not exceeding two years	954,556	563,091
More than two years but not exceeding five years	2,599,373	382,012
More than five years	279,613	332,317
	6,896,766	3,583,706
Carrying amount of unsecured bank loan that is repayable within one year and contains a repayable on demand clause	260,000	387,500
Total borrowings	17,576,974	13,450,374
Less: Amounts classified as current liabilities	(5,847,427)	(6,224,230)
Amounts due over one year shown and classified as non-current liabilities	11,729,547	7,226,144

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

Notes:

- (a) The 2012 Guaranteed senior notes with a principal amount of 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, were early redeemed by the Group in September 2016.
- (b) The 2013 Guaranteed senior notes with an outstanding principal amount of RMB2,200,000,000 (2015: 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, matured in December 2016.

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27. BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (continued)

- (c) The 2016 August guaranteed senior notes with an outstanding principal amount of US\$450,000,000 (2015: Nil) are listed on the Stock Exchange and were issued in August 2016. The notes, bearing interest at a fixed rate of 5% per annum, will mature in August 2019.

The Group may at any time redeem the senior notes, in whole and not in part, at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest to the redemption date. At any time prior to 9 August 2019, the Group may redeem the senior notes using proceeds from certain equity offerings at a redemption price of 105% of the principal amount plus accrued and unpaid interest to the redemption date provided that at least 65% of the senior notes originally issued remain outstanding after each such redemption. The Group will be obliged to make an offer to repurchase all the senior notes then outstanding at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest to the date of repurchase upon the occurrence of a change of control and a rating decline as defined in the offering memorandum.

In the opinion of the Directors, the fair value of the early redemption option is insignificant at initial recognition and the end of the reporting period.

- (d) The 2016 September guaranteed senior notes with an outstanding principal amount of US\$500,000,000 (2015: Nil) are listed on the Stock Exchange and were issued in September 2016. The notes, bearing interest at a fixed rate of 4.7% per annum, will mature in September 2021.

The Group may at any time prior to 6 September 2019 redeem the senior notes, in whole and not in part, at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest to the redemption date. At any time on or after 6 September 2019, the Group may redeem the senior notes, in whole or in part, at a redemption price equal to 102.35% of the principal amount for the period beginning on 6 September 2019 to 31 December 2019 or 101.175% of the principal amount for the period from 1 January 2020 and thereafter and plus accrued and unpaid interest to the redemption date. In addition, at any time prior to 6 September 2019, the Group may redeem the senior notes using proceeds from certain equity offerings at a redemption price of 104.7% of the principal amount plus accrued and unpaid interest to the redemption date provided that at least 65% of the senior notes originally issued remain outstanding after each such redemption. The Group will be obliged to make an offer to repurchase all the senior notes then outstanding at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest to the date of repurchase upon the occurrence of a change of control and a rating decline as defined in the offering memorandum.

In the opinion of the Directors, the fair value of the early redemption option is insignificant at initial recognition and the end of the reporting period.

- (e) The Group has issued the first tranche of 2016 Domestic bonds with an outstanding principal amount of RMB1,500,000,000 in September 2016. The bonds are listed on The Shanghai Stock Exchange, bearing interest at a fixed rate of 4.5% per annum and have a term of five years with the Group's option to adjust the coupon rate after the end of the third year of issuance and the investors' entitlement to require the Group to repurchase the bonds at the principal amount.
- (f) Bank loans with carrying amount of HK\$4,691,755,000 (2015: HK\$3,583,707,000) bear a floating interest rate based on PBOC plus a specified margin, ranging from 4.28% to 7.48% (2015: 5.46% to 7.26%) per annum. Bank loans with carrying amount of HK\$1,043,850,000 (2015: Nil) bear interest at a fixed rate ranging from 5.46% to 10% (2015: Nil) per annum. Interest rates on the remaining bank loans, which carry at floating interest rates based on either Hong Kong Interbank Offered Rate ("HIBOR") or London Interbank Offered Rate ("LIBOR") plus a specified margin, range from 2.27% to 4.73% (2015: 3.5% to 4.73%) per annum.
- (g) Other loans with carrying amount of HK\$142,938,000 (2015: Nil) bear interest at a fixed rate ranged from 6.23% to 9% per annum and are borrowed from certain trust companies. They are secured by certain properties under development of the Group.

The effective interest rate of the Group's fixed rate borrowings and variable rate borrowings ranged from 4.97% to 10% (2015: 6.37% to 10.28%) per annum and 2.52% to 7.48% (2015: 5.12% to 7.26%) per annum, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27. BANK AND OTHER BORROWINGS (CONTINUED)

Details on the fair value disclosures of the guaranteed senior notes are set out in note 36(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:

	2016 HK\$'000	2015 HK\$'000
United States dollars	9,193,369	6,893,799
Hong Kong dollars	753,500	195,412

28. LOANS FROM NON-CONTROLLING INTERESTS OF SUBSIDIARIES

At the end of the reporting period, loans with carrying amount of HK\$204,112,000 (2015: HK\$374,741,000) are unsecured and carrying interest at a fixed rate of 5.22% to 5.7% (2015: 5.7% to 7.38%) per annum. The entire balance will be repayable within one year.

At the end of the reporting period, loans with carrying amount of HK\$77,904,000 (2015: HK\$180,000,000) are unsecured and carrying interest at a fixed rate of 5.7% (2015: 5.7% to 6.9%) per annum. Such amounts are repayable in March and July 2018 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 2015	(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
Charge (credit) for the year	50,900	–	99,738	24,609	(18,322)	156,925
Acquisition of subsidiaries	(26,011)	–	–	–	–	(26,011)
Exchange adjustments	2,369	(997)	(13,657)	(17,877)	(11,718)	(41,880)
At 31 December 2016	(44,065)	14,097	219,563	259,960	169,782	619,337

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

29. DEFERRED TAXATION (CONTINUED)

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

	2016 HK\$'000	2015 HK\$'000
Deferred tax assets	(29,968)	(56,229)
Deferred tax liabilities	649,305	586,532
	619,337	530,303

At 31 December 2016, the Group has estimated unused tax losses of HK\$387,868,000 (2015: HK\$424,834,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK\$176,260,000 (2015: HK\$285,292,000) of such losses. No deferred tax asset has been recognised in respect of the remaining losses of HK\$211,608,000 (2015: HK\$139,542,000) due to the unpredictability of future taxable profit streams. Included in unrecognised tax losses are losses of HK\$203,283,000 (2015: HK\$139,542,000) that will expire within five years from the end of the reporting period and the remaining tax losses will be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred tax has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK\$3,371,298,000 (2015: HK\$4,414,634,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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For the year ended 31 December 2016

30. CREDITORS AND ACCRUED CHARGES

	2016 HK\$'000	2015 HK\$'000
Aged analysis of creditors presented based on invoice date:		
Trade payables		
Within 60 days	362,882	116,469
61 to 90 days	44,738	51,780
More than 90 days	509,970	654,786
	917,590	823,035
Bills payables		
Within 60 days	16,175	48,943
61 to 90 days	–	34,268
More than 90 days	42,226	80,404
	58,401	163,615
Accrued construction costs	4,198,020	3,582,035
	5,174,011	4,568,685
Interest payable	174,385	92,661
Accrued taxes (other than EIT and LAT)	227,191	65,116
Consideration payable from acquisition of subsidiaries and joint ventures	395,159	–
Other payables	813,775	769,048
	6,784,521	5,495,510

31. AMOUNTS DUE TO A JOINT VENTURE AND AN ASSOCIATE

The amounts are unsecured, interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

32. OTHER FINANCIAL ASSETS/LIABILITIES

During the year ended 31 December 2016, the Group entered into 14 pieces of RMB/US\$ net-settled structured foreign currency forward contracts with banks in Hong Kong in order to manage the Group's currency risk.

The Group is required to transact with the bank at the end of the contract period for designated notional amount under the respective contracts. If the spot rate for conversion of US\$ for RMB as prevailing in the international foreign exchange market ("Spot Rate") on fixing date is (1) at or above the capped strike rate, the Group will buy US\$ notional amount at the varied strike rate, which is the Spot Rate on fixing date minus the spread between the capped strike rate and the strike rate; (2) below the capped strike rate and at or above the strike rate, the Group will buy US\$ notional amount at the strike rate, and; (3) below the strike rate, the Group will buy the US\$ notional amount at the strike rate.

Number of contracts	Notional amount	Contract date	Strike rate	Capped strike rate	Fixing date (Note)
2	US\$188,500,000	August 2016	6.6550	7.0000	27 June 2017
6	US\$450,000,000	August 2016	6.6400-6.6500	7.2000	7 August 2019
6	US\$500,000,000	September 2016	6.6770-6.6915	7.2000	4 September 2019
14					

Note: The contract maturity date is approximate to the fixing date.

The above contracts are measured at fair value at the end of the reporting period.

Other financial assets of HK\$396,918,000 represented the total fair value of the contracts outstanding at 31 December 2016.

The above derivative contracts were not effective for hedging purpose and the fair value gain amounting to HK\$396,918,000 in 2016 has been recognised in profit or loss.

Other financial liabilities at 31 December 2015 represented the fair value of one outstanding cross-currency interest rate swap contract of HK\$268,703,000. The Group paid United States dollars and received Renminbi on gross settlement basis at the date specified in the terms of contract. 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. This contract was unwinded in 2016 and fair value gain amounting to HK\$32,439,000 has been recognised in profit or loss.

Details on the fair value measurement of the derivative contracts are set out in note 36(c)(i).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

33. CASH AND CASH EQUIVALENTS

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

	2016 HK\$'000	2015 HK\$'000
Bank balances and cash	8,048,817	3,071,723
Less: restricted bank balances – proceeds from pre-sale of properties (note 24)	(758,035)	(420,411)
	7,290,782	2,651,312

34. RETIREMENT BENEFIT PLANS

For the operations in Hong Kong, the Group operates a Mandatory Provident Fund Scheme (the “MPF Scheme”) for all qualifying employees including Directors in Hong Kong. The assets of the MPF 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 MPF Scheme based on their monthly salary in accordance with government regulations. The MPF scheme contributions represent contributions payable to the fund by the Group at rates specified in the rules of the MPF Scheme. Where there are employees who leave the MPF 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.

35. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016 HK\$'000	2015 HK\$'000
Financial assets		
Loans and receivables at amortised cost (including cash and cash equivalents)	13,754,322	6,329,873
Derivative financial assets classified as held for trading	396,918	–
Financial liabilities		
Liabilities at amortised cost	25,361,170	19,781,113
Derivative financial liabilities classified as held for trading	–	268,703

(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 2016

36. 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. In 2016, the Group entered into a number of structured foreign currency forward contracts with banks to manage the Group's currency risk and the details were set out in note 32. 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	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
United States dollars	1,301,956	81,416	9,321,178	6,973,070
Hong Kong dollars	217,264	51,705	789,256	239,883

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 reasonably 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	
	2016 HK\$'000	2015 HK\$'000
United States dollars	400,961	344,583
Hong Kong dollars	28,600	9,409



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36. 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 HIBOR, LIBOR and PBOC prescribed interest rate on pledged bank deposits and bank and other borrowings respectively.

The Group's fair value interest rate risk relates primarily to amounts due from joint ventures, bank and other borrowings, loan receivables and loans from non-controlling interests of 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 reasonably 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 2016 would decrease/increase by HK\$10,284,000 (2015: HK\$6,431,000) after capitalisation of additional finance costs of HK\$26,447,000 (2015: HK\$33,765,000) in properties under development for sale.

The management considers the exposure to interest rate risk in relation to pledged bank deposits 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 pledged bank deposits.

36. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

(iii) Credit risk management

As at 31 December 2016, 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 40.

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 amounts due from joint ventures, loan receivables and deferred consideration on disposal of interests in joint ventures as mentioned in notes 19, 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 amounts due from joint ventures as disclosed in note 19, which are mainly engaged in toll road operation and property development in the PRC, 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 the loan receivables as disclosed in note 20, the debtors are mainly engaged in the property development business in the PRC. In order to manage the Group's credit risk exposure, sufficient assets have been pledged as security for the loan receivables and the Group closely monitor the financial position of the debtors and ensure the loan receivables are repaid in accordance with the agreed repayment schedule.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

36. 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 liabilities. 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 exchange rate 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.

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36. 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
2016								
Creditors and accrued charges	-	6,784,521	-	-	-	-	6,784,521	6,784,521
Amounts due to a joint venture and an associate	-	717,659	-	-	-	-	717,659	717,659
Bank and other borrowings								
– fixed rate	4.97	340,978	806,475	978,239	9,889,517	-	12,015,209	10,230,681
– variable rate	5.02	1,195,759	4,300,048	1,098,978	971,722	345,795	7,912,302	7,346,293
Loans from non-controlling interests of subsidiaries	5.68	8,013	211,207	79,482	-	-	298,702	282,016
Financial guarantee contracts	-	7,413,621	-	-	-	-	7,413,621	-
		16,460,551	5,317,730	2,156,699	10,861,239	345,795	35,142,014	25,361,170
2015								
Creditors and accrued charges	-	5,495,510	-	-	-	-	5,495,510	5,495,510
Amount due to a joint venture	-	280,488	-	-	-	-	280,488	280,488
Bank and other borrowings								
– fixed rate	7.95	217,247	2,901,662	2,984,824	-	-	6,103,733	5,411,172
– variable rate	5.59	1,563,331	2,490,448	3,335,728	1,058,887	422,689	8,871,083	8,039,202
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
Derivative financial instruments								
– 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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

36. FINANCIAL INSTRUMENTS (CONTINUED)

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

(iii) Liquidity risk management (Continued)

Liquidity and interest risk tables (Continued)

	Less than 6 months HK\$'000	6-12 months HK\$'000	1-2 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
At 31 December 2016	4,075	262,060	–	266,135	260,000
At 31 December 2015	9,000	396,461	–	405,461	387,500

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

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

(c) Fair value of financial instruments

Fair value measurements

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

At 31 December 2016, the other financial assets comprised foreign currency derivative contracts of HK\$396,918,000. At 31 December 2015, the other financial liabilities comprised cross-currency interest rate swap contracts of HK\$268,703,000. They 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 derivative 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 contracted exchange rate and the forward exchange rate.

The derivative contracts require gross settlement.

During the years ended 31 December 2016 and 2015, 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 2016

36. 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 (but fair value disclosures are required)

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 2016 and 2015, which are determined in accordance with generally accepted pricing models based on discounted cash flow, 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 2016		31 December 2015	
	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
2013 Guaranteed senior notes	–	–	2,674,197	2,656,098
2016 August guaranteed senior notes	3,476,890	3,517,107	–	–
2016 September guaranteed senior notes	3,858,575	3,724,179	–	–
2016 Domestic bonds	1,708,428	1,683,858	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

37. ACQUISITION OF SUBSIDIARIES

- (a) In November 2016, the Group entered into a share transfer agreement with 寧波市奧麗賽置業有限公司 (the “Vendor”) to acquire the entire equity interest in 寧波甬鴻置業有限公司 (“寧波甬鴻”) at a cash consideration of RMB115,000,000 (equivalent to HK\$130,979,000). 寧波甬鴻 holds an office building in Ningbo, the PRC. The consideration will be settled by installments and the progress payment will be made when the conditions stipulated in the share transfer agreement have been met. At 31 December 2016, RMB83,768,000 (equivalent to HK\$95,407,000) has been paid by the Group and the deferred consideration of RMB31,232,000 (equivalent to HK\$35,572,000) will be fully settled in 2017 and was included in other payables. The Group has obtained the relevant control of 寧波甬鴻 in December 2016 and the transaction was accounted for as acquisition of assets.
- (b) In September 2016, the other investors of the Fund Trust Scheme, which held 100% equity interest in 上海新弘, early redeemed 840 million trust units, equivalent to 60% of the total issued trust units. The total investment of the Fund Trust Scheme has been reduced from RMB1,400 million to RMB560 million and the Group’s equity interest in the Fund Trust Scheme increased from 40% to 100% accordingly. 上海新弘 was reclassified as a wholly-owned subsidiary of the Company and the transaction was accounted for as acquisition of assets.
- (c) In August 2016, the Group entered into sale and purchase agreement with two independent parties to acquire the entire equity interest in 成都鴻匯物業管理有限公司, which owns a piece of bare land for property development in Chengdu, the PRC. The consideration paid by the Group is RMB8,000,000 (equivalent to HK\$9,112,000) and the transaction was accounted for as acquisition of assets.
- (d) In February 2016, the Group and 中融國際信託有限公司, the joint venture partner of 上海雋合 entered into a share transfer agreement pursuant to which the Group agreed to acquire 51% equity interest in 上海雋合 at a cash consideration of RMB300,000,000 (equivalent to HK\$357,995,000). The property for sale held by 上海雋合 was under construction and not yet pre-sold at the date of acquisition. Immediately after the completion of the acquisition, 上海雋合 became a wholly-owned subsidiary of the Company and the transaction was accounted for as acquisition of assets.
- (e) In July 2015, the Group entered into an agreement with 成都市高家莊置業有限公司 pursuant to which 成都市高家莊置業有限公司 will transfer the titles of certain residential properties and carparks to a wholly-owned subsidiary of the Company at an agreed price per square meter. According to the supplementary agreements, the transfer of titles of the properties was substantially completed in November 2016 and the total consideration paid by the Group was HK\$140,660,000 (including HK\$59,100,000 of deposit paid in 2015 and further HK\$81,560,000 paid in 2016). The transaction was accounted for as acquisition of assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

37. ACQUISITION OF SUBSIDIARIES (CONTINUED)

The aggregate net assets of the acquired subsidiaries at the dates of acquisitions were as follows:

	HK\$'000
Property, plant and equipment	10,001
Deferred tax assets	26,011
Inventory of properties	5,597,502
Pledged bank deposits	28,935
Debtors, deposits and prepayments	130,271
Prepaid income tax	71,178
Amounts due from the Group	22,905
Bank balances and cash	491,011
Creditors and accrued charges	(977,875)
Deposits from pre-sale of properties	(2,299,700)
Bank and other borrowings	(1,124,874)
Amounts due to the Group	(214,707)
Loans from non-controlling interests of a subsidiary	(97,393)
	1,663,265
Satisfied by:	
Cash consideration paid	544,074
Consideration payable	35,572
Reclassified from deposits paid at 31 December 2015	59,100
Fair value of interests in joint ventures disposed of	965,051
Non-controlling interests of a subsidiary	59,468
Total consideration	1,663,265
Net cash outflow arising on acquisitions:	
Cash consideration paid	(544,074)
Bank balances and cash acquired	491,011
	(53,063)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

38. 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:

	2016 HK\$'000	2015 HK\$'000
Within one year	65,720	94,423
In the second to fifth year inclusive	213,803	374,231
Over five years	416,917	925,126
	696,440	1,393,780

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.

Contingent rental for certain investment properties was charged to tenants and was calculated with reference to the turnover earned by the tenants upon they exceed the pre-determined monthly rental. The contingent rental income recognised during the year ended 31 December 2016 amounted to HK\$14,309,000 (2015: HK\$16,843,000).

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:

	2016 HK\$'000	2015 HK\$'000
Within one year	16,454	13,955
In the second to fifth year inclusive	15,682	7,731
Over five years	3,166	–
	35,302	21,686

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.

39. CAPITAL COMMITMENTS

	2016 HK\$'000	2015 HK\$'000
Capital injection into property joint ventures contracted for but not provided in the consolidated financial statements	174,373	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

40. CONTINGENT LIABILITIES

At 31 December 2016, the Group provided guarantees of HK\$6,640,336,000 (2015: HK\$4,650,201,000) 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 2016, the Group provided guarantees of HK\$773,285,000 (2015: HK\$845,310,000) to banks in connection with the banking facilities granted to Anhui Machao Expressway JV. The Directors consider that the fair value of such guarantees on initial recognition was insignificant.

41. 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\$5,099,271,000 (2015: HK\$3,446,268,000) were pledged to banks to secure the banking facilities granted to the Group.

42. RELATED PARTY TRANSACTIONS

Other than set out in notes 19, 28, 31 and 40, the Group had transactions with the following related parties during the year:

Related parties	Nature	2016	2015
		HK\$'000	HK\$'000
Expressway joint ventures	Interest income	9,071	14,454
Property joint ventures	Interest income	85,950	41,458
Non-controlling interests of subsidiaries	Interest expenses	29,049	49,050

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:

	2016	2015
	HK\$'000	HK\$'000
Short-term employment benefits	130,561	99,385
Post-employment benefits	5,156	5,640
	135,717	105,025

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 2016

43. 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:

	2016 HK\$'000	2015 HK\$'000
ASSETS		
Non-current asset		
Unlisted investments in subsidiaries	13,004,389	14,065,380
Current assets		
Deposits and prepayments	25,479	491
Bank balances and cash	1,319,579	94,657
	1,345,058	95,148
Total assets	14,349,447	14,160,528
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital (note 25)	73,994	73,994
Reserves (note)	5,831,585	6,607,323
	5,905,579	6,681,317
Current liabilities		
Bank borrowings	–	387,500
Creditors and accrued charges	82	453
Amounts due to subsidiaries	8,443,786	7,091,258
	8,443,868	7,479,211
Total equity and liabilities	14,349,447	14,160,528

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

43. 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	Retained profits HK\$'000	Total HK\$'000
Balance at 1 January 2015	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/lapse 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
Profit for the year	–	–	–	–	6,218	6,218
Exchange difference arising on translation to presentation currency	–	(426,786)	–	–	–	(426,786)
Total comprehensive (expense) income for the year	–	(426,786)	–	–	6,218	(420,568)
Sub-total	3,152,986	681,151	1,260,000	6,336	1,086,282	6,186,755
Cancellation/lapse of share options	–	–	–	(122)	122	–
Dividends	–	–	–	–	(355,170)	(355,170)
Balance at 31 December 2016	3,152,986	681,151	1,260,000	6,214	731,234	5,831,585

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

44. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2016 and 31 December 2015 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 share capital/registered capital held by the Company		Principal activities
				Directly	Indirectly	
				%	%	
<i>Incorporated in the British Virgin Islands ("BVI")/Hong Kong/Bermuda</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
Power Truth Development Limited®	Hong Kong	Hong Kong	HK\$1	–	100	Development and sale of properties
RKE International Holdings Limited®	Bermuda	#	HK\$0.1	–	100	Investment holding
RK Investment and Asset Management Group Limited®	Hong Kong	Hong Kong	HK\$1	–	100	Investment holding
RKI Overseas Finance 2016 (A) Limited®	BVI	#	US\$1	100	–	Provision of financial services
RKI Overseas Finance 2016 (B) 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
RK Properties (Overseas) Limited	BVI	#	US\$1	–	100	Investment holding
RKP Overseas Finance 2014 (A) Limited	BVI	#	US\$1	–	100	Provision of financial services
RKP Overseas Finance 2016 (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 2016

44. 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 share 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	–	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	–	100	Development and sale of properties
常州路勁宏潤房地產開發有限公司	PRC	PRC	US\$30,000,000	–	100	Development and sale of properties
Registered as 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
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
上海雋達置業有限公司 *	PRC	PRC	RMB500,000,000	–	90	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	–	100	Development and sale of properties

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

44. 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 share capital/registered capital held by the Company		Principal activities
				Directly %	Indirectly %	
大廠回族自治縣中基首業房地產開發有限公司	PRC	PRC	RMB320,000,000	–	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	–	100	Development and sale of properties
鎮江路勁大港房地產開發有限公司	PRC	PRC	RMB550,470,000	–	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
濟南路勁禹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	RMB170,000,000 (2015: RMB770,000,000)	–	100	Development and sale of properties
寧波甬鴻置業有限公司*	PRC	PRC	RMB710,000,000	–	100	Development and sale of properties
蘇州禹宏房地產開發有限公司®	PRC	PRC	RMB50,000,000	–	100	Development and sale of properties

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

® Incorporated in 2016.

* Acquired in 2016

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 has material non-controlling interests to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

44. PRINCIPAL SUBSIDIARIES (CONTINUED)

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

	2016 HK\$'000	2015 HK\$'000
Road King Infrastructure Finance (2012) Limited	–	2,736,975
RKI Finance (2013) Limited	–	2,674,197
RKI Overseas Finance 2016 (A) Limited	3,476,890	–
RKI Overseas Finance 2016 (B) Limited	3,858,575	–
北京路勁雋御房地產開發有限公司	1,708,428	–
	9,043,893	5,411,172

45. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

The Group's total assets less current liabilities at 31 December 2016 amounted to HK\$26,689,384,000 (2015: HK\$21,968,543,000). The Group's net current assets at 31 December 2016 amounted to HK\$17,337,446,000 (2015: HK\$12,980,639,000).

46. EVENT AFTER THE END OF THE REPORTING PERIOD

On 17 February 2017, RKP Overseas Finance 2016 (A) Limited, a wholly-owned subsidiary of the Company, issued US\$300 million 7.95% senior guaranteed perpetual capital securities which are listed on Singapore Exchange Securities Trading Limited.

FINANCIAL SUMMARY

RESULTS

		For the year ended 31 December			
	2016	2015	2014	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	16,841,585	12,509,646	12,730,104	11,456,048	9,344,130
Profit before taxation	3,245,292	1,982,523	2,500,655	2,520,762	2,317,737
Income tax expenses	(1,871,696)	(1,154,213)	(1,471,272)	(1,497,395)	(1,465,003)
Profit for the year	1,373,596	828,310	1,029,383	1,023,367	852,734
Attributable to:					
Owners of the Company	1,250,075	820,005	1,005,018	1,001,618	818,179
Non-controlling interests	123,521	8,305	24,365	21,749	34,555
	1,373,596	828,310	1,029,383	1,023,367	852,734

ASSETS AND LIABILITIES

		As at 31 December			
	2016	2015	2014	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	50,400,131	40,056,307	42,483,789	43,429,463	37,275,341
Total liabilities	(36,167,503)	(26,080,440)	(28,431,237)	(30,066,211)	(25,052,468)
	14,232,628	13,975,867	14,052,552	13,363,252	12,222,873
Attributable to:					
Owners of the Company	13,291,831	13,155,397	13,207,891	12,671,769	11,793,131
Non-controlling interests	940,797	820,470	844,661	691,483	429,742
	14,232,628	13,975,867	14,052,552	13,363,252	12,222,873



Road King Infrastructure Limited

