Road King Infrastructure Limited

(Incorporated in Bermuda with limited liability)
(Stock Code : 1098)

ANNUAL REPORT 2017

Corporate Profile

Road King Infrastructure Limited

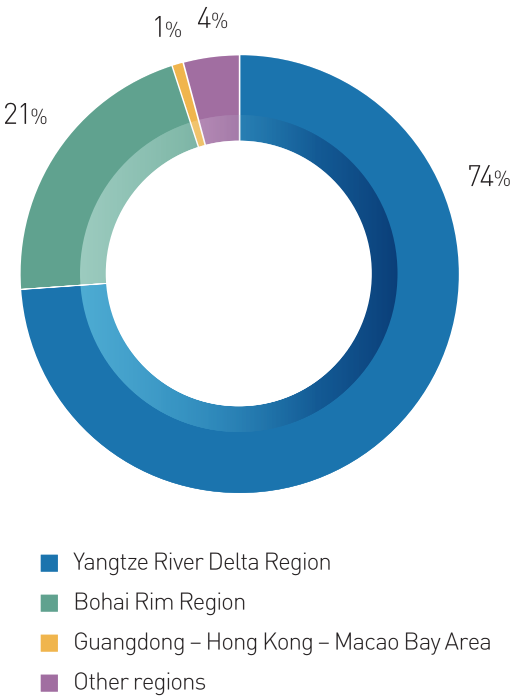
Road King Infrastructure Limited ("Road King") is a prominent property developer in Mainland China and Hong Kong focusing on developing quality residential apartments. The existing asset portfolio is mainly located in the Yangtze River Delta and Bohai Rim regions, comprising a land reserve of over 8.33 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.

Contents

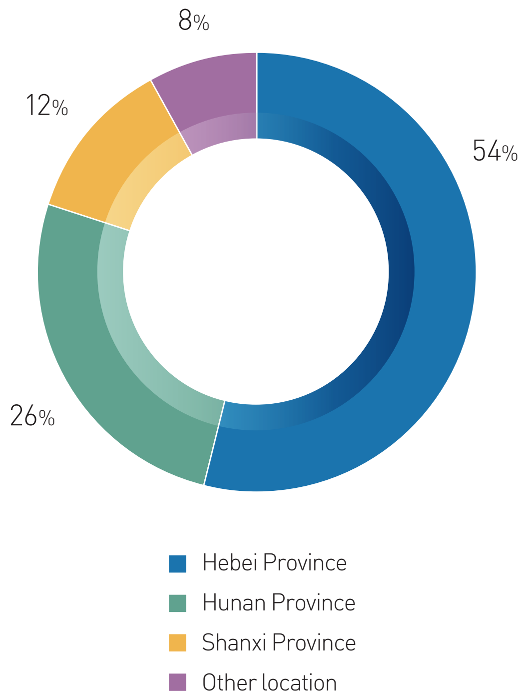
Financial Highlights

(HK$'million)	For the year ended 31 December **2017**	2016	2015	2014	2013
Revenue from property segment	**14,414**	16,739	12,510	12,730	11,456
Group's share of toll road revenue	**1,332**	1,238	1,090	968	893
Revenue from investment and asset management segment	**342**	103	N/A	N/A	N/A
Cash received from toll road projects	**713**	580	530	515	512
Profit attributable to owners of the Company	**1,944**	1,250	820	1,005	1,002
Equity attributable to owners of the Company	**15,635**	13,292	13,155	13,208	12,672
Total assets	**69,735**	50,400	40,056	42,484	43,429
Dividend per share (HK$)	**0.93**	0.68	0.48	0.58	0.58
Earnings per share (HK$)	**2.61**	1.69	1.11	1.37	1.36
Net gearing ratio (%)	**54**	66	73	74	49

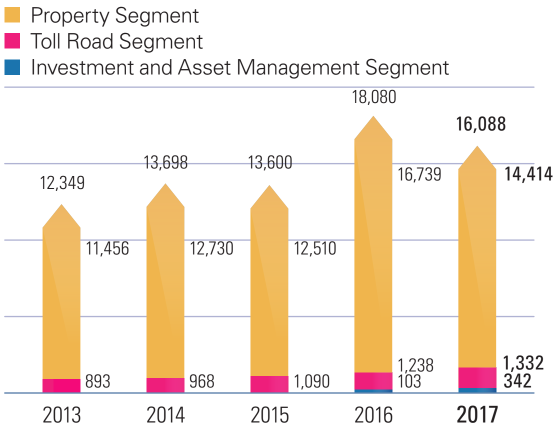
REVENUE CONTRIBUTION OF PROPERTY PROJECTS IN 2017 BY LOCATION



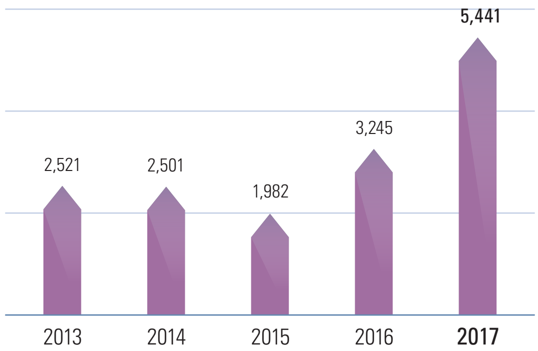
REVENUE CONTRIBUTION OF EXPRESSWAY PROJECTS IN 2017 BY LOCATION



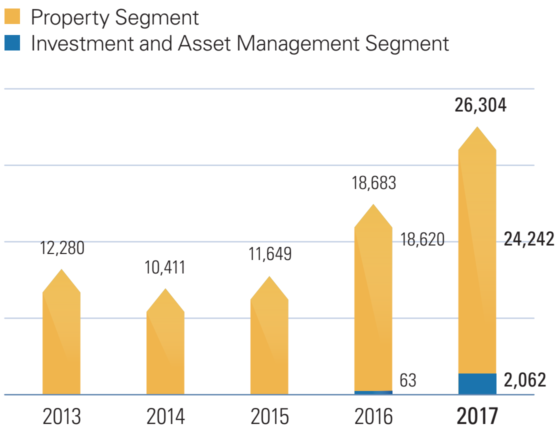
REVENUE
(HK$'million)



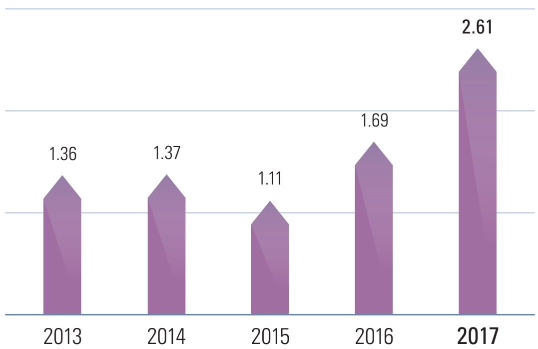
PROFIT BEFORE TAXATION
(HK$'million)



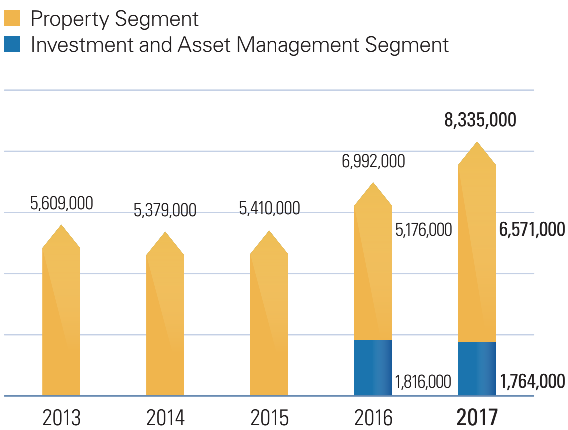
PROPERTY SALES (INCLUDING JOINT VENTURE PROJECTS)
(RMB'million)



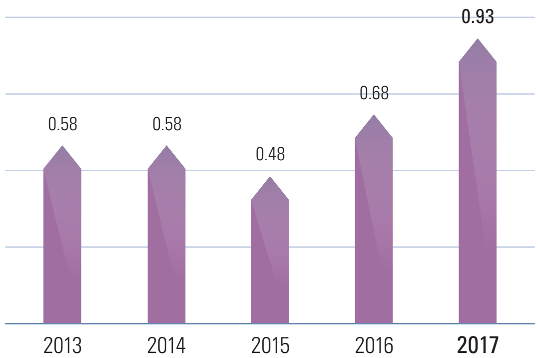
EARNINGS PER SHARE
(HK$)



LAND RESERVE
(sqm)



DIVIDEND PER SHARE
(HK$)



Chairman's Statement

Zen Wei Peu, Derek
Co-Chairman

Zen Wei Pao, William
Co-Chairman

The Group's equity attributable to owners of the Company as at 31 December 2017 increased by HK$2,343 million whilst the equity per share increased by 16% to HK$20.90 per share.

Our turnover this year was HK$14,756 million and the net profit attributable to the owners of the Company was about HK$1,944 million (2016: HK$1,250 million), representing an increase of 55% over 2016.

The Board recommenced a final dividend of HK$0.78 per share, together with the interim dividend of HK$0.15 per share, the total dividend is HK$0.93 per share (2016: HK$0.68 per share).

For the last three years, the Group had ventured into various properties related businesses, or business that in one way or the other will somehow help our business in properties. After spending three years in laying the foundation, we can confidently say these efforts will start to pay off in 2018.

In order to cater for such change, since last annual general meeting, we have introduced co-chairmanship in Road King, with Mr. Derek Zen taking on board the 'Old Business' and Mr. William Zen in charge of all the 'New Business', details of which will be elaborated later.

With the contracted sales on hand, as well as those under development, barring from any unforeseen circumstances, we are confident Road King will again break the records on the performances in 2018. Our target sales in 2018 is over RMB30 billion, hoping that we not only achieve but beat this ambitious target. We look forward to handing you a good report next year.

BUSINESS ANALYSIS

For ease of understanding for shareholders, this year we breakdown our businesses into three segments, i.e. (i) the Property Development which is our core business, (ii) our New Business as mentioned above, and (iii) our original Toll Road Business.

(i) Property Development Business

Firstly we would like to remind shareholders on the use of contracted sales vs revenue (delivery). When we talk about contracted sales, we refer to the amount we sell in any particular year, but if we wish to book the related profit, we have to wait for the handover of the keys to our customers, and this is called revenue, which usually takes place 9-12 months after sales are made. This is why we are confident on the performances in 2018, as more than half of the scheduled property delivery in 2018 are pre-sold in 2017. Of course other factors like land costs, profit margin, tax, interest cost, construction cost and unexpected delay may also come into place.

The pressure now for any property developer in Mainland China is the chase of scale. Naturally we all understand that if one operates from a bigger scale, the obvious advantage are i) management and other costs as a percentage of project will be reduced, ii) the design of various types of building can be standardized and results in faster delivery, iii) with more construction, better bargaining power with suppliers and contractors, iv) the branding results will be better as you are more visible, and v) more cash on hand for land purchase.

What most shareholders may not be aware is that banks in Mainland China like to lend money only to those 'big' developers and not interested at all in those small ones, and even if they do lend money to smaller developers, the interest rate would be much higher, so eventually smaller players will be marginalized and trampled.

Road King obviously is of no exception. We need to hit a balance between profit and scale, although in terms of sales, it has been increasing at 21% on a year on year basis for the past 5 years, still this is far slower than a lot of our competitors. This is why we speed up our pace, and shareholders may note that in the past two years, the Group's property sales increased from RMB11,649 million in 2015 to RMB26,304 million in 2017. As said earlier, our plan is to achieve over RMB30 billion in 2018, so that we can be ranked at least within the top 50 of all the developers in China. In fact, our ultimate target is to be one of the top 30, as it is our prediction that perhaps in less than 10 years' time, there will be only be 50-100 developers remained in the China market.

Yet, we never forget that our shareholders are asking the Board and management for a stable growth on profit per share, so we will keep our own pace and try out best to balance the conflicting need for scale and profit, taking into consideration of amount of risk we can tolerate. As no doubt you are aware, bigger scale requires more capital and we have to draw a line just in case market changes drastically, particularly in Mainland China where the property market is not yet 100% market driven.

We solve part of the growth problem starting in the last 2 years by lining up with equity partners, either in Mainland China or aboard, as we have full confidence that our team can deliver on time and with good quality (but we need extra capital). We are extending this invitation to partners over the world, so if it happens that some of the readers here do know anyone who is interested in property market of Mainland China, please refer them to us!

Since mid-2016, Road King has extended our property development business into Hong Kong, and in a span of 18 months, we acquired/tendered successfully three pieces of land, one at Yuen Long (our share 100%), one at Wong Chuk Hang MTR station (our share 50%) and one at Tuen Mun (our share 50%), and it is our intention to add one or two new projects each year, so we are here to stay.

The reason for us to make such a move is because i) the tax in Mainland China on property business is extremely high (you may note from our report that the tax amount far exceeds our net profit!), so depending on selling price, the net profit in Hong Kong may be higher than that in Mainland China, ii) the market is relatively stable in Hong Kong, iii) this is also our long-term plan to have Hong Kong staff running our Hong Kong projects and all projects in Mainland China will eventually run by local, iv) avoid or minimize exchange risks, v) with our associated company being a well known contractor in Hong Kong, we might be able to generate some synergy.

Since we started our first investment in Hong Kong in mid-2016, so for the result, we think our shareholders have to wait at least until 2020 to have a profit on our Hong Kong project(s). As for now, the good news that we can share with you is, all of our projects are on target to complete on time, and with the recent rise in property price, we can expect very healthy return on our investment, and most likely well exceed our projects in China on a percentage return basis. Only time will tell as market is changing fast.

(ii) New Business – Investment and Asset Management Business

In Mainland China, the land value has been growing at a much faster rate than the property value. Also, the overall tax burden of property developers is way above the world's average, i.e. the taxable amount of a property developer always out paces its net profit. It has been a difficult mission for a promising property developer to achieve an annual organic growth of 10% – 20%.

While competitors have been adopting various approaches in overcoming the market challenges, ranging from "high gearing, high turnover" approach; "destination theme for a big piece of land" approach; or engaging in "possible up sub-urban area" approach; to increase their land bank and to maintain their growth. However, we felt that those days were gone and Road King has to take other approaches.

Overview of Major Business:

Property Fund

Our property fund was founded in June 2015. The total fund size under our management has reached HK$10 billion, and is already making a sound profit.

In the year of 2018, we are targeting to increase the fund size under our management by at least HK$10 billion.

Cultural Attraction and Tourism

In 2018, we are planning to commence construction of two characteristic tourist towns, and a characteristic industrial town. In the coming three years, we are going to develop a strong cultural and tourism team, in order to prepare for the nationwide expansion of such business afterwards.

Indoor Entertainment

It is already an "IP Era" for commercial properties as well as cultural and tourism business. In 2017, we have established our cooperation with some well-known international brands, such as National Geographic. Also, we have concluded the strategic acquisition with some outstanding international entertainment contents providers, such as Holovis. We believe they will enhance the development of our commercial properties as well as our cultural and tourism businesses.

Property Development

The three businesses mentioned above will lead to some property development projects, which we may be involved.

In 2017, those property projects had resulted a property sales amount of over RMB2 billion, and we expected the property sales amount will be increased to about RMB5 billion in 2018, and will bring in reasonable profits to the Group.

To conclude, in 2018, we shall further exploit the existing i) Property Fund; ii) IP and iii) Content Provider platform; etc. to enrich our various extended businesses, so as to enhance the future sales and profit of the whole Group.

(iii) Toll Road Business

The toll revenue from our five expressways was RMB2,661 million whilst our portion of toll road projects' profit was HK$506 million, which is 32% higher than last year. Part of the growth can be contributed to the steady growth of our two recent acquired expressways i.e. the Longcheng Expressway in Shanxi Province and Machao Expressway in Anhui Province mentioned in this report last year. We are again confident in the contribution from Toll Road business in 2018.

Lately new good highway projects are hard to come by, but Road King is still actively looking for potential projects in Mainland China, and we are currently exploring on one promising lead.

OUTLOOK

As we mentioned above, the pace of concentration of turnover in property market of Mainland China sped up in 2017, and there are now three companies who claim sales over RMB500 billion! Since the overall private housing market in circa RMB13,000 billion in 2017, yet just ten years' ago, the total sales of top 10 developers constituted about 7% of the total market, but in 2017 this percentage rose up to 24%!

This is why we believe in less than 10 years' time, there will only be 50 to 100 developers remained in Mainland China and why we must keep on increasing our turnover to match. If we suppose in 10 years' time the overall market will increase to RMB20,000 billion, then for long-term survival in this market and to be safe, we might need to expand to RMB200 billion in 10 years' time, which will mean a compound growth of roughly 25% per annum to remain at top 30-50 developers. This is the big picture we have to face though it is somewhat scary.

Obviously purely on organic growth we can at most increase by 10%-15% per year, depending on our equity growth, which is why we have to find alternative way in co-operation which partners who have land reserve; taking over distress assets; working with funds and other equity partners, however be reminded that the increase in sales in no way can directly be converted to corresponding profit, at least not for long, so one should not expect that Road King can have HK$20 billion of profit in 2027, though privately we do hope so as shareholders ourselves!

To keep growing, we sooner or later need to enter new frontiers. We have started the Hong Kong property market in 2016, enter into new business as described above in (ii), and hope these inject new momentum into Road King. But for the longer term development it must be linked to the 'One Belt One Road' initiatives. We are trying to seek partners with Chinese companies, as well as local partners in countries like Malaysia, Thailand, Philippine, Indonesia and the like, exploring opportunities both in infrastructure as well as property development areas. It is our hope that we can report some good news to you in the Chairman's Statement next year.

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

Zen Wei Peu, Derek	**Zen Wei Pao, William**
Co-Chairman	*Co-Chairman*

Hong Kong, 8 March 2018

Chief Executive Officer's Report

Ko Yuk Bing
Chief Executive Officer

Dear Shareholders,

RESULTS FOR 2017

For the year ended 31 December 2017, property sales and toll revenue of the Group (including joint venture projects) were RMB26,304 million and RMB2,661 million respectively, amounting to RMB28,965 million in total, representing an increase of 38% as compared with 2016. The profit for 2017 was HK$2,476 million, representing an increase of 80% as compared with 2016, with earnings per share of HK$2.61.

In 2017, the Group acquired new land parcels of about 2,420,000 sqm and the land reserves as at 31 December 2017 was over 8,330,000 sqm.

PROPERTY DEVELOPMENT BUSINESS

In 2017, Mainland China maintained steady economic growth. In the first half of 2017, there was an improvement in terms of transaction volumes and prices for the overall property development market, despite the on-going implementation of austerity measures on the property development market since the fourth quarter of 2016. In the second half of 2017, the government stepped up its efforts in city-specific policies and implemented specific control measures. It tightened the home purchase restrictions and mortgage loan to the property development market in certain fast growing cities, and accelerated land supply in the fourth quarter. As a result, the market commenced to cool down and became stable in general.

The Group seized the opportunities in 2017 to, with the strategy for ensuring a balance between profitability and sales volume, drive property sales of the year to record high. Meanwhile, the gross profit margin of properties delivered significantly increased from 25% for 2016 to 40% for 2017.

In addition to tender, auction and listing-for-sale, the Group replenished the land reserve through mergers and acquisitions in 2017 for 16 and 2 land parcels in Mainland China and Hong Kong respectively, mostly in collaboration with top-notch domestic partners. In 2017, the Group acquired three land parcels in Hangzhou and Jiaxing for the first time, which optimized its strategic planning in the Yangtze River Delta Region. It also secured two projects in Foshan in the Guangdong-Hong Kong-Macao Bay Area, along with two development projects in Hong Kong, including Wong Chuk Hang Station Package One Property Development (which is the first railway property development project on Hong Kong Island in almost 30 years) and Tuen Mun Gold Coast Project.

TOLL ROAD BUSINESS

The total traffic volume and toll revenue of the Group's existing toll road projects were 85 million vehicles and RMB2,661 million respectively in 2017, representing an increase of approximately 16% and 14% as compared with 2016. As the Longcheng Expressway in Shanxi Province and the Machao Expressway in Anhui Province reaching maturity, relevant total toll revenue increased by 16% as compared with 2016.

The divestment of highways of the Group has been handled properly. In the years ahead, the Group will focus on negotiating for new expressway projects with reasonable returns.

INVESTMENT AND ASSET MANAGEMENT BUSINESS

The Group keeps exploring new models for the property business, which includes seeking for new opportunities and profit growth drivers with manageable risks through property fund and property related business.

FINANCE AND FUNDING

In 2017, the Group issued a total of two senior guaranteed perpetual capital securities of 7.95% and 7% per annum respectively, in an aggregate principal amount of US$600 million. The Group was the first non-investment grade listed company to issue this type of products.

Adhering to a prudent financial strategy, the Group continues to explore and broaden financing channels, so as to manage financing cost and enhance cash flows of the Group. It will also continue to utilize swap contracts to mitigate the risks arising from exchange rate volatility.

2018 BUSINESS OUTLOOK

The Central government has repeatedly reaffirmed the positioning of the domestic real estate sector. It is expected the austerity measures would be effective and implemented for some time. As a pillar industry, the real estate industry in Mainland China has undoubtedly supported economic growth, hence the Group stays optimistic in regards to its long-term prospects. Through years of development, the Group has developed a well-established system on management, comprehensively trained management team and sound market position. The management and operations team will continue to adopt a practical approach and follow the business strategy to strike a balance between profitability and sales volume. To establish the Group as a more widely recognized property developer, it will continue to research and develop market-oriented products to boost the sales. The Group will optimise the land reserve portfolio in Mainland China and Hong Kong in a cautious manner and seek for more development opportunities with business partners.

The toll road business provides the Group with steady cash flows and is expected to maintain stable development.

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, 8 March 2018

Major Awards

ROAD KING INFRASTRUCTURE LIMITED

2017 Best 30 China Real Estate Listed Companies with Strongest Comprehensive Strengths

RK PROPERTIES HOLDINGS LIMITED

- 2018 Best 10 of China Foreign Real Estate Developers (No.1)
- 2018 Best 30 of China Real Estate Developers
- 2018 Best 10 of Efficiency of China Real Estate Developers (No.5)
- 2017 Best 10 of China Foreign Real Estate Developers (No.1)
- 2017 Best 30 of China Real Estate Developers Brand Value
- 2017 Top 30 of China Real Estate with Strongest Comprehensive Strengths
- 2017 Award for Outstanding Accomplishments in Real Estate

RK PROPERTY SERVICE HOLDINGS LIMITED

2017 China Best 29 of Top 100 Property Management Companies

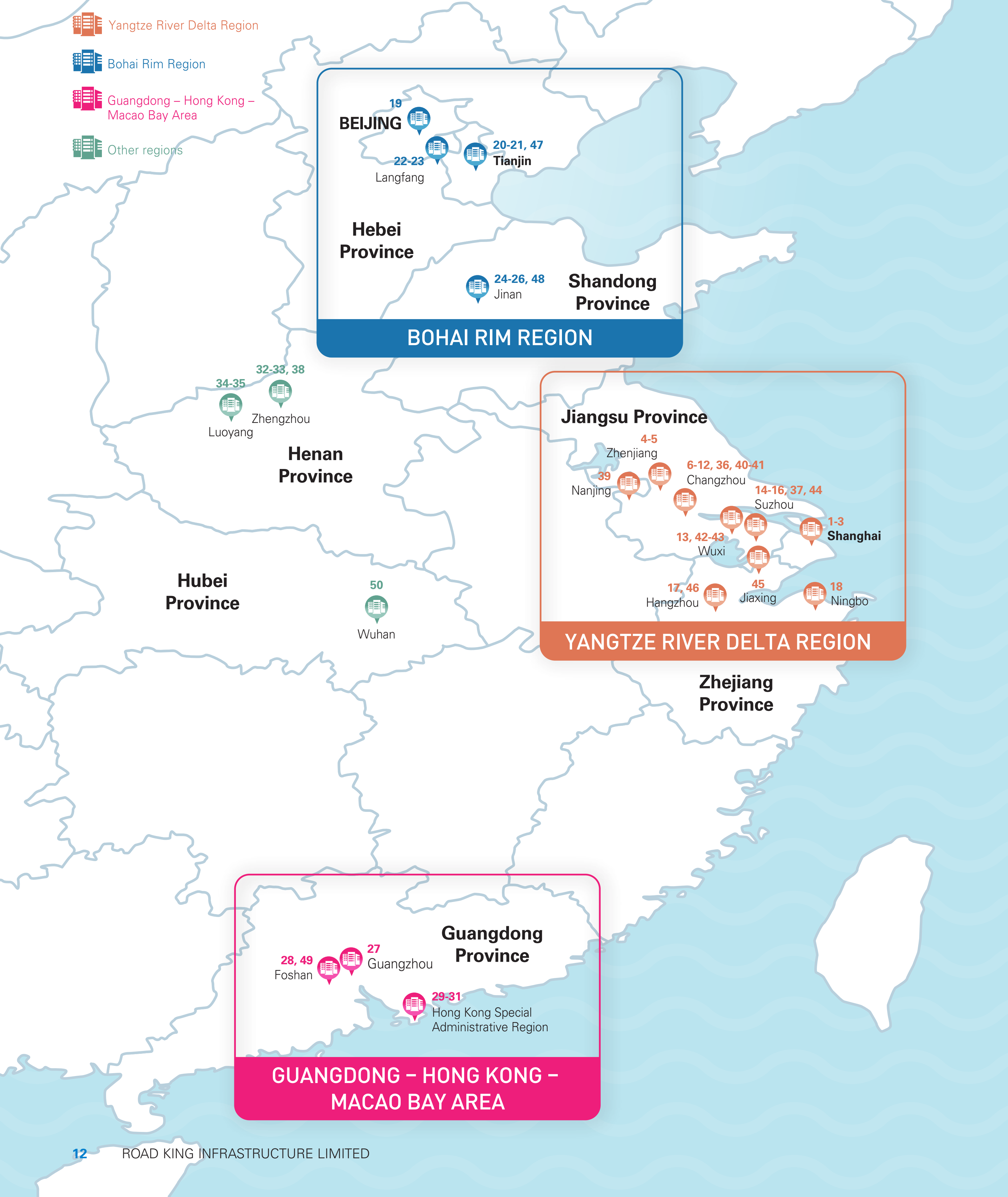
PROPERTY BUSINESS

Shanghai	2017 Best Commercial Real Estate Projects – RK Shanghai Style 2017 First-Half Year Most Popular Real Estate Projects in Shanghai – RK Sheshan Villa
Changzhou	2016 Five Stars Enterprise
Zhenjiang	2016 Most Popular and Gorgeous Villa of Real Estate in Zhenjiang – RK Notting Hill
Beijing	2016 Golden Award of "Yuanye Cup" of Landscape Architecture Real Estate – RK Grandtown

TOLL ROAD BUSINESS

Longcheng Expressway	2017 Award for Reliability with Quality in National Transportation Industry
Tangjin Expressway	2017 Outstanding Entity in National Transportation Culture Building
Changyi Expressway	2017 Provincial Award for Excellence in Management and Operation of Expressway

PROPERTY PROJECTS



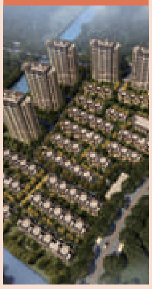
MAJOR PROJECTS INFORMATION

Properties for Sale

As at 31 December 2017

Yangtze River Delta Region

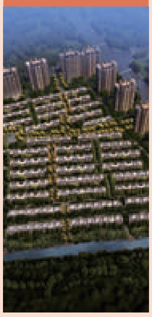
P1 RK Sheshan Villa



Floor area (sqm)	45,000	Nature	Residential	Stage of completion (note)	C	Land area (sqm)	37,000
Approximate attributable interest	60%	Target completion	Completed	Location	East to 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.

P2 Xiaokunshan BC Project



Floor area (sqm)	194,000	Nature	Residential and commercial	Stage of completion (note)	P/F	Land area (sqm)	122,000
Approximate attributable interest	60%	Target completion	2020	Location	East to Kungang Highway, West to Hexi Street, South to Mianzhanggang River and North to Wennan Road, Xiaokunshan Town, Songjiang District, Shanghai, the PRC		

Shanghai Junzhu Real Estate Ltd.

P3 Shanghai Anting Changji Road South Project

Floor area (sqm)	80,000	Nature	Residential	Stage of completion (note)	P/F	Land area (sqm)	42,000
Approximate attributable interest	75%	Target completion	2020	Location	East of Yutang Road and South of Changji Road, Anting Town, Jiading District, Shanghai, the PRC		

Shanghai Junan Real Estate Ltd.

P4 RK Notting Hill

Floor area (sqm)	65,000	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		

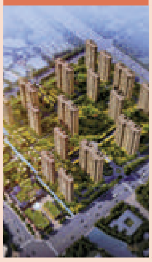
Zhenjiang RK Properties Developments Ltd.

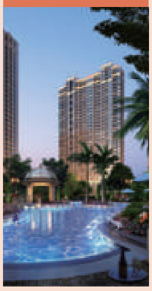
MAJOR PROJECTS INFORMATION

Properties for Sale

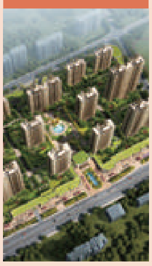
As at 31 December 2017

Yangtze River Delta Region

P5	RK City (Zhenjiang)						
	Floor area (sqm)	469,000	Nature	Residential	Stage of completion (note)	P/F/S/C	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.						

P6	RK City (Changzhou)						
	Floor area (sqm)	382,000	Nature	Residential	Stage of completion (note)	F/S/C	Land area (sqm) 280,000
	Approximate attributable interest	100%	Target completion	2019	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.						

P7	RK Urban Home Court						
	Floor area (sqm)	14,000	Nature	Residential	Stage of completion (note)	C	Land area (sqm) 95,000
	Approximate attributable interest	100%	Target completion	Completed	Location	West of Dongxi Lin Road and North of Hualin Road, Zhonglou District, Changzhou, Jiangsu Province, the PRC	
	Changzhou RK Hongcheng Properties Developments Ltd.						

P8	RK City Landmark						
	Floor area (sqm)	217,000	Nature	Residential	Stage of completion (note)	F/S	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.						

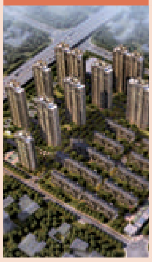
MAJOR PROJECTS INFORMATION

Properties for Sale

As at 31 December 2017

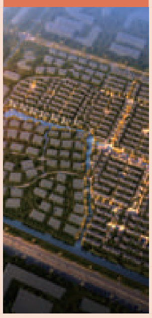
Yangtze River Delta Region

P9 RK City Signature



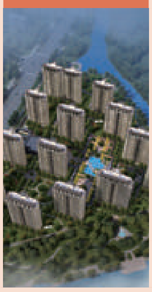
Floor area (sqm)	186,000	Nature	Residential	Stage of completion (note)	F/S/C	Land area (sqm)	110,000
Approximate attributable interest	100%	Target completion	2019	Location	East of Longjiang Road, North of Zijing Xi Road, Zhonglou District, Changzhou, Jiangsu Province, the PRC		
Changzhou RK Hongrun Properties Developments Ltd.							

P10 RK Taihu Villa (formerly known as Xitaihu Project)



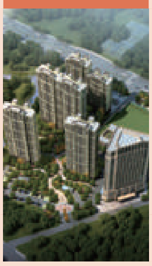
Floor area (sqm)	197,000	Nature	Residential	Stage of completion (note)	P/F	Land area (sqm)	208,000
Approximate attributable interest	90%	Target completion	2020	Location	West of Fengyuan Bei Road, South of Daoxiang Road, North of Yanzheng Xi Road, East of Luyang Road, Wujin Economic Development District, Changzhou, Jiangsu Province, the PRC		
Changzhou Hongchi Properties Developments Co., Ltd.							

P11 RK Sky Peninsula (formerly known as Liyang Project)



Floor area (sqm)	76,000	Nature	Residential	Stage of completion (note)	P/F	Land area (sqm)	46,000
Approximate attributable interest	100%	Target completion	2019	Location	North of Yancheng Da Road, East of Yingbin Road, South of Yanming Road, West of Dongtai Road, Yanshan New District, Changzhou, Jiangsu Province, the PRC		
Liyang Hongjing Properties Developments Co., Ltd.							

P12 RK Metropolis (formerly known as Yaoguan Project)



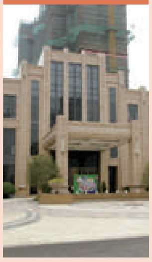
Floor area (sqm)	97,000	Nature	Residential and commercial	Stage of completion (note)	F/S/C	Land area (sqm)	50,000
Approximate attributable interest	100%	Target completion	2019	Location	South of Zhongwu Da Road, West of Jinchuang Road, Yaoguan Town, Wujin District, Chanzhou, Jiangsu Province, the PRC		
Changzhou Huangguan Real Estate Developments Co., Ltd.							

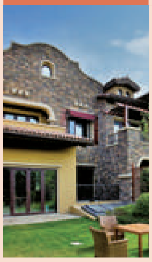
MAJOR PROJECTS INFORMATION

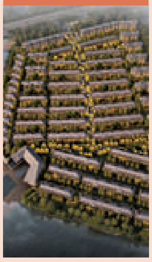
Properties for Sale

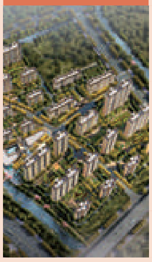
As at 31 December 2017

Yangtze River Delta Region

P13	RK The Providence							
	Floor area (sqm)	127,000	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							

P14	RK Phoenix City							
	Floor area (sqm)	201,000	Nature	Residential	Stage of completion (note)	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.							

P15	RK Yanjiang Riverside							
	Floor area (sqm)	79,000	Nature	Residential	Stage of completion (note)	S	Land area (sqm)	58,000
	Approximate attributable interest	58.82%	Target completion	2018	Location	Junction of Xiangzhou Road and Shunxian Road, Yangchenghu Town, Xiangcheng District, Suzhou, Jiangsu Province, the PRC		
	Suzhou Juncheng Properties Developments Co., Ltd.							

P16	The Legendary One (formerly known as Chengtie Xincheng Project)							
	Floor area (sqm)	186,000	Nature	Residential	Stage of completion (note)	F	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.							

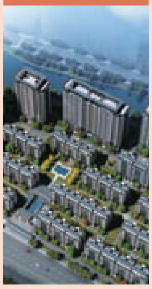
MAJOR PROJECTS INFORMATION

Properties for Sale

As at 31 December 2017

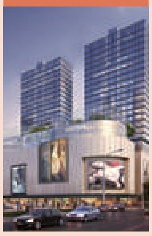
Yangtze River Delta Region

P17 — Chongxian Xincheng Project I (formerly known as Chongxian Xincheng Project)



Floor area (sqm)	73,000	Nature	Residential	Stage of completion (note)	P/F	Land area (sqm)	37,000
Approximate attributable interest	49%	Target completion	2019	Location	East to Suichaogang, South to Suihang Street, North to Sanxianqiaogang, Yuhang District, Hangzhou, Zhejiang Province, the PRC		
Hangzhou Junyuan Real Estate Co., Ltd.							

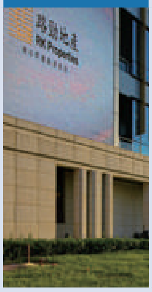
P18 — RK XinTianDi (Ningbo)



Floor area (sqm)	98,000	Nature	Residential and commercial	Stage of completion (note)	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.							

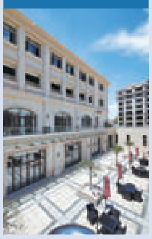
Bohai Rim Region

P19 — RK World City



Floor area (sqm)	80,000	Nature	Residential and commercial	Stage of completion (note)	S/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.							

P20 — RK Sunny Town



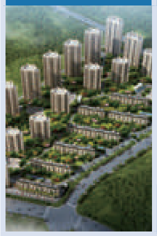
Floor area (sqm)	324,000	Nature	Residential	Stage of completion (note)	P/F/S/C	Land area (sqm)	811,000
Approximate attributable interest	94.74%	Target completion	2020	Location	Junction of Lushan Road and Helan Road, Hedong District, Tianjin, the PRC		
Tianjin Sunco Xindi Property Co., Ltd.							

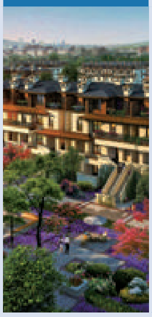
MAJOR PROJECTS INFORMATION

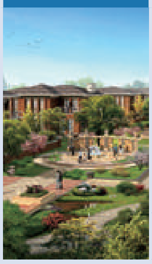
Properties for Sale

As at 31 December 2017

Bohai Rim Region

P21	RK Junlan Bay (formerly known as RK Emerald Courtyard)							
	Floor area (sqm)	265,000	Nature	Residential	Stage of completion (note)	P/F	Land area (sqm)	125,000
	Approximate attributable interest	50%	Target completion	2020	Location	Junction of Chenyong Road and Zhixin Road, Beicang Town, Beichen District, Tianjin, the PRC		
	Tianjin Junde Properties Developments Co., Ltd.							

P22	RK Grandtown							
	Floor area (sqm)	505,000	Nature	Residential	Stage of completion (note)	P/F/S/C	Land area (sqm)	495,000
	Approximate attributable interest	100%	Target completion	2021	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.							

P23	Guan Project							
	Floor area (sqm)	88,000	Nature	Residential and commercial	Stage of completion (note)	C	Land area (sqm)	200,000
	Approximate attributable interest	45%	Target completion	Completed	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.							

P24	RK City (Jinan) Phase II							
	Floor area (sqm)	128,000	Nature	Residential	Stage of completion (note)	S	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.							

MAJOR PROJECTS INFORMATION

Properties for Sale

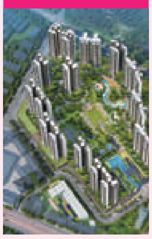
As at 31 December 2017

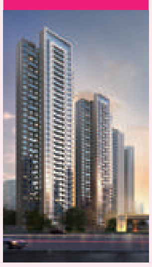
Bohai Rim Region

P25	RK City (Jinan) Phase III							
	Floor area (sqm)	101,000	Nature	Residential and commercial	Stage of completion (note)	P	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.							

P26	Jing Yue Fu (formerly known as Lixia District Project)							
	Floor area (sqm)	127,000	Nature	Residential	Stage of completion (note)	P/F	Land area (sqm)	50,000
	Approximate attributable interest	50%	Target completion	2019	Location	North of Jingshi Dong Road, Lixia District, Jinan, Shangdong Province, the PRC		
	Jinan Junsheng Properties Developments Co., Ltd.							

Guangdong – Hong Kong – Macao Bay Area

P27	RK Mont Panorama (Guangzhou) (formerly known as RK Vista Panorama (Guangzhou))							
	Floor area (sqm)	226,000	Nature	Residential	Stage of completion (note)	F/S	Land area (sqm)	90,000
	Approximate attributable interest	51%	Target completion	2020	Location	Baohua Road, Huadu District, Guangzhou, Guangdong Province, the PRC		
	Guangzhou Junhong Properties Developments Co., Ltd.							

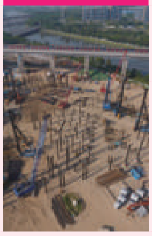
P28	Elite's Mansion (formerly known as Shunde Project)							
	Floor area (sqm)	138,000	Nature	Residential	Stage of completion (note)	F	Land area (sqm)	40,000
	Approximate attributable interest	49%	Target completion	2020	Location	North of Ronggui Rongqi Da Road, West of Xianghe Guojiang Tunnel, Shunde District, Foshan, Guangdong Province, the PRC		
	Foshan Qihui Properties Co., Ltd.							

MAJOR PROJECTS INFORMATION

Properties for Sale

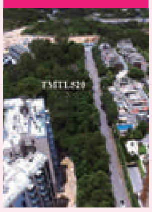
As at 31 December 2017

Guangdong – Hong Kong – Macao Bay Area



P29	Yuen Long Project						
Floor area (sqm)	31,000	Nature	Residential	Stage of completion (note)	F	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							

P30	Wong Chuk Hang Project						
Floor area (sqm)	47,000	Nature	Residential	Stage of completion (note)	P	Land area (sqm)	11,000
Approximate attributable interest	50%	Target completion	2021	Location	Site A of Aberdeen Inland Lot No. 467, Hong Kong		
Ease Harvest Investments Limited							



P31	Gold Coast Project						
Floor area (sqm)	39,000	Nature	Residential	Stage of completion (note)	P	Land area (sqm)	12,000
Approximate attributable interest	50%	Target completion	2021	Location	Tuen Mun Town Lot No. 520, New Territories, Hong Kong		
Shum King Company Limited							

MAJOR PROJECTS INFORMATION

Properties for Sale

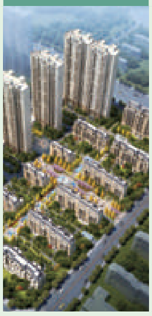
As at 31 December 2017

Other regions

P32 RK International City (Zhengzhou)

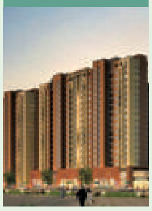
Floor area (sqm)	464,000	Nature	Residential	Stage of completion (note)	P/F/S	Land area (sqm)	162,000
Approximate attributable interest	60%	Target completion	2020	Location	Northeast of the junction of Shangduda Road and Renwen Road, Zhengdong New District, Zhengzhou, Henan Province, the PRC		
Zhengzhou Longgang Real Estate Ltd.							

P33 RK Ninth County



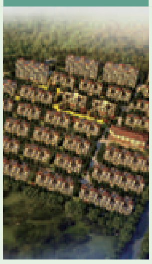
Floor area (sqm)	877,000	Nature	Residential and commercial	Stage of completion (note)	P/F/S	Land area (sqm)	314,000
Approximate attributable interest	60%	Target completion	2025	Location	East to Zhongxing Road, West to Guihua Road, South to Dongfeng Road, North to Wenbo Road, Xiaopan Zhuang, Zhongmou County, Zhengzhou, Henan Province, the PRC		
Zhengzhou Hua Shou Hong Tian Real Estate Co., Ltd.							

P34 RK Royal City (Luoyang)



Floor area (sqm)	214,000	Nature	Residential	Stage of completion (note)	P/F/S/C	Land area (sqm)	147,000
Approximate attributable interest	100%	Target completion	2021	Location	Huaxia Road, Gaoxin District, Luoyang, Henan Province, the PRC		
Luoyang RK Properties Developments Ltd.							

P35 RK Leader of Life (Luoyang)



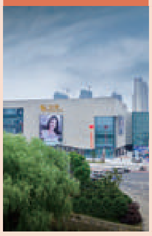
Floor area (sqm)	53,000	Nature	Residential	Stage of completion (note)	P/F	Land area (sqm)	54,000
Approximate attributable interest	100%	Target completion	2020	Location	Southwest of the junction of Yanhuang Road and Tianzhong Road, Gaoxin District, Luoyang, Henan Province, the PRC		
Luoyang RK Hongjun Properties Developments Co., Ltd.							

MAJOR PROJECTS INFORMATION

Investment Properties

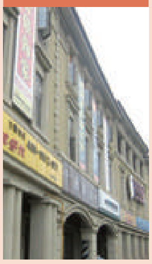
As at 31 December 2017

P36 RK Grand Metropolis (Changzhou)



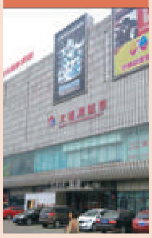
Floor area (sqm)	113,000	Nature	Commercial	Stage of completion (note)	C	Land area (sqm)	67,000
Approximate attributable interest	100%	Target completion	Completed	Location	No. 33, Huayuan Street, Wujin District, Changzhou, Jiangsu Province, the PRC		
Changzhou Greatmind Properties Developments Ltd.							

P14 RK Phoenix City



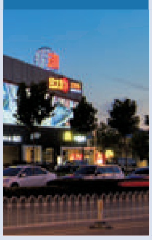
Floor area (sqm)	22,000	Nature	Commercial	Stage of completion (note)	C	Land area (sqm)	17,000
Approximate attributable interest	100%	Target completion	Completed	Location	Junction of Zhongxin Da Road East and Xieyu Road South, Suzhou Industrial Park, Suzhou, Jiangsu Province, the PRC		
Suzhou Junyu Properties Ltd.							

P37 RK Grand Metropolis (Suzhou)



Floor area (sqm)	37,000	Nature	Commercial	Stage of completion (note)	C	Land area (sqm)	24,000
Approximate attributable interest	100%	Target completion	Completed	Location	No. 180, Renmin Road, Wujiang District, Suzhou, Jiangsu Province, the PRC		
Suzhou Junhong Properties Developments Co., Ltd.							

P20 RK Joy Park



Floor area (sqm)	16,000	Nature	Commercial	Stage of completion (note)	C	Land area (sqm)	9,000
Approximate attributable interest	94.74%	Target completion	Completed	Location	Junction of Longshan Road and Tianshan Bei Road, Hedong District, Tianjin, the PRC		
Tianjin Sunco Xindi Property Co., Ltd.							

P38 RK Central Special Zone

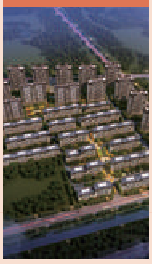
Floor area (sqm)	25,000	Nature	Commercial	Stage of completion (note)	C	Land area (sqm)	9,000
Approximate attributable interest	94.74%	Target completion	Completed	Location	Junction of Shangding Road and Nongye Dong Road, Zhengdong New District, Zhengzhou, Henan Province, the PRC		
Zhengzhou Keshu Real Estate Co., Ltd.							

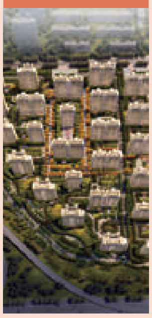
MAJOR PROJECTS INFORMATION

New projects acquired after the date of 2017 interim report

Yangtze River Delta Region

P39	**Yuhuatai District Project**							
	Floor area (sqm)	100,000	Nature	Residential	Stage of completion (note)	M	Land area (sqm)	34,000
	Approximate attributable interest	25%	Target completion	2020	Location	Saihongqiao Street, Nanxiying Village, Yuhuatai District, Nanjing, Jiangsu Province, the PRC		
	Nanjing Jingrui Properties Investments Co., Ltd.							

P40	**Dingxiang Road Project**							
	Floor area (sqm)	232,000	Nature	Residential	Stage of completion (note)	M	Land area (sqm)	129,000
	Approximate attributable interest	49%	Target completion	2020	Location	Southeast of Dingxiang Road and Zhongwu Avenue, Zhonglou District, Changzhou Jiangsu Province, the PRC		
	Changzhou Yajing Properties Developments Co., Ltd.							

P41	**Lingjiatang Project**							
	Floor area (sqm)	214,000	Nature	Residential	Stage of completion (note)	M	Land area (sqm)	109,000
	Approximate attributable interest	51%	Target completion	2020	Location	East of Longjiang Zhong Road, South of Zijing West Road, West of Chuanfang North Road, North of Zhongwu Avenue, Zhonglou District, Changzhou, Jiangsu Province, the PRC		
	Changzhou Jingya Properties Developments Co., Ltd.							

P42	**Embrace of Glory**							
	Floor area (sqm)	147,000	Nature	Residential	Stage of completion (note)	P/C	Land area (sqm)	106,000
	Approximate attributable interest	33.3%	Target completion	2019	Location	Northwest of the junction of Guanhu Road and Yugang Road, Binhu District, Wuxi, Jiangsu Province, the PRC		
	Wuxi Jinfeng Investments Co., Ltd.							

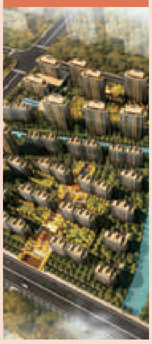
P43	**Pearl of the Lake**							
	Floor area (sqm)	72,000	Nature	Residential	Stage of completion (note)	P/C	Land area (sqm)	320,000
	Approximate attributable interest	33.3%	Target completion	2018	Location	No. 8, Mashan Changle Road, Binhu District, Wuxi, Jiangsu Province, the PRC		
	Wuxi Lingshan Properties Investments Developments Co., Ltd.							

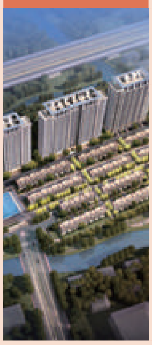
MAJOR PROJECTS INFORMATION

New projects acquired after the date of 2017 interim report

Yangtze River Delta Region

P44	New Lake New City							
	Floor area (sqm)	356,000	Nature	Residential	Stage of completion (note)	P	Land area (sqm)	173,000
	Approximate attributable interest	33%	Target completion	2020	Location	North of Kuaixiang Avenue, East of Xiangshan Bei Road, Wuzhong Taihu National Tourism Resort Zone, Suzhou, Jiangsu Province, the PRC		
	Suzhou Jingshang Properties Developments Co., Ltd.							

P45	Jinmao Palace							
	Floor area (sqm)	200,000	Nature	Residential	Stage of completion (note)	P	Land area (sqm)	116,000
	Approximate attributable interest	45%	Target completion	2020	Location	North land locates at Qingfeng Road East, Tangqiao Road South, South land locates at Youquan Road North, Shiqiaogang West, Jiaxing Economic and Technological Development Zone, Jiaxing, Zhejiang Province, the PRC		
	Jiaxing Juanmao Real Estate Co., Ltd.							

P46	Chongxian Xincheng Project II							
	Floor area (sqm)	79,000	Nature	Residential	Stage of completion (note)	M	Land area (sqm)	40,000
	Approximate attributable interest	51%	Target completion	2020	Location	East to Nianyu Banggang Green Zone, South to Nianyu Banggang Zhuliu Green Zone, West to Nianyu Banggang Zhuliu Green Zone, North to Raocheng Highway Green Zone, Yuhang District, Hangzhou, Zhejiang Province, the PRC		
	Hangzhou Junyang Real Estate Co., Ltd.							

MAJOR PROJECTS INFORMATION

New projects acquired after the date of 2017 interim report

Bohai Rim Region

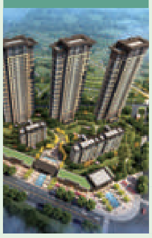
P47	Wuqing District Project						
Floor area (sqm)	161,000	Nature	Residential	Stage of completion (note)	P/F	Land area (sqm)	109,000
Approximate attributable interest	50%	Target completion	2020	Location	East of Huangzhuang Street and Quanshang Road, Wuqing District, Tianjin, the PRC		
Tianjin Juntai Properties Developments Co., Ltd.							

P48	Jing Shi Fu						
Floor area (sqm)	58,000	Nature	Residential	Stage of completion (note)	M	Land area (sqm)	21,000
Approximate attributable interest	50%	Target completion	2020	Location	South of Xinggang Road, Lixia District, Jinan, Shangdong Province, the PRC		
Jinan Yajun Properties Developments Co., Ltd.							

Guangdong – Hong Kong – Macao Bay Area

P49	Shunde Project II						
Floor area (sqm)	49,000	Nature	Residential	Stage of completion (note)	M	Land area (sqm)	22,000
Approximate attributable interest	100%	Target completion	2020	Location	No. 27 of Rongqi Avenue East, Ronggui Rongli Neighborhood Committee, Shunde District, Foshan, Guangdong Province, the PRC		
Foshan Junzhi Properties Developments Co., Ltd.							

Other region

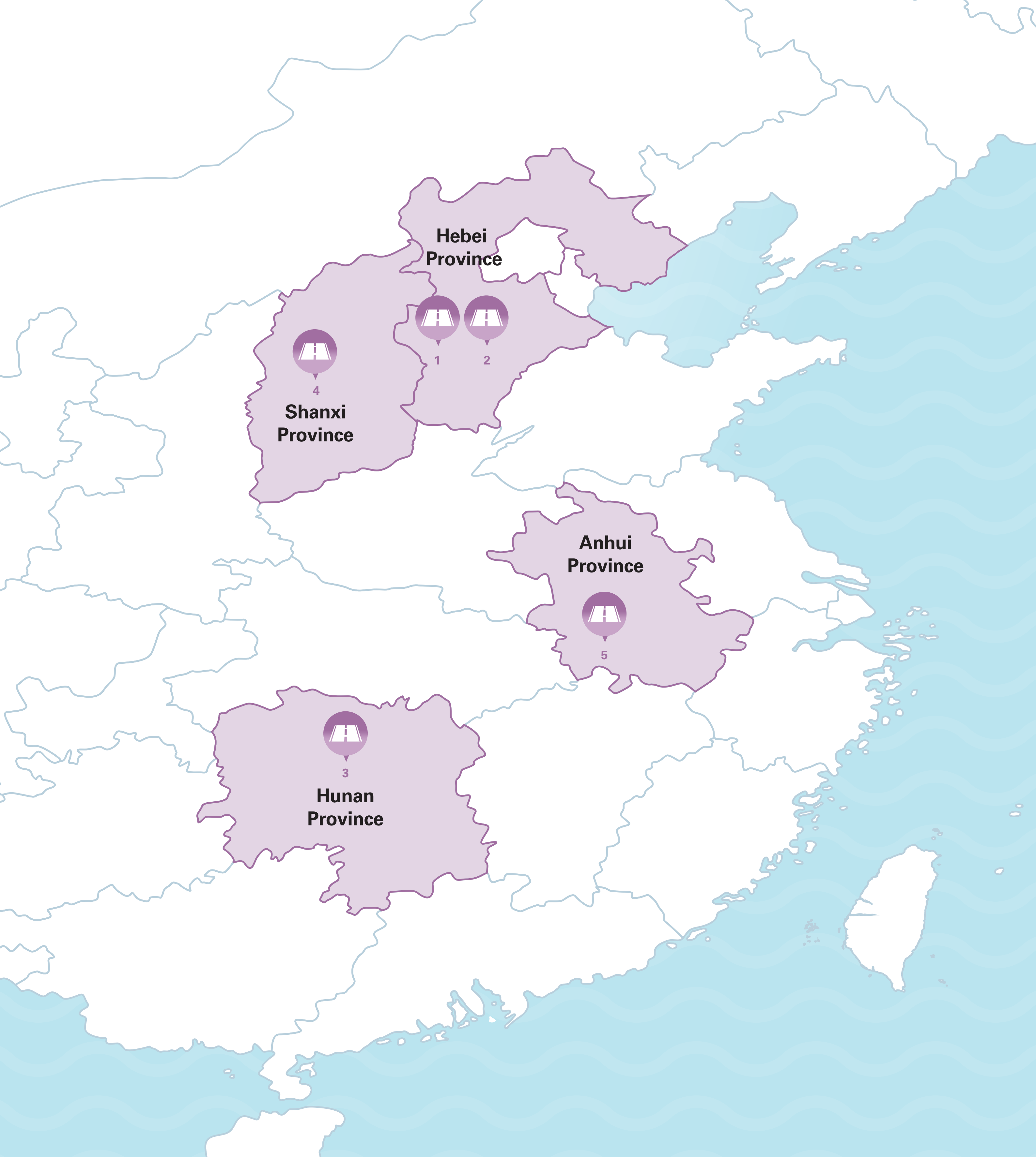


P50	RK Times City						
Floor area (sqm)	61,000	Nature	Residential	Stage of completion (note)	M	Land area (sqm)	24,000
Approximate attributable interest	80%	Target completion	2019	Location	Wulijie Street,Maojiafan Villiage, Jiangxia District, Wuhan, Hubei Province, the PRC		
Wuhan Xinjiayi Real Estate Co., Ltd.							

Notes:

"M" denotes "Master planning"
"P" denotes "Planning and design"
"F" denotes "Foundation"
"S" denotes "Superstructure"
"C" denotes "Completed"

TOLL ROAD PROJECTS



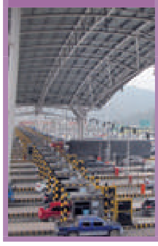
MAJOR PROJECTS INFORMATION

Toll Road Projects

As at 31 December 2017

T1	Baojin Expressway				
Location	Hebei Province	Length	105 km	Equity interest	40%
Route	National Expressway G18 Baoding-Tianjin ~ 4-lane	Road Rise Investments Limited			

T2	Tangjin Expressway				
Location	Hebei Province	Length	58 km	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	69 km	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	72 km	Equity interest	45%
Route	Provincial Expressway S60 Yuci Longbai Village-Chengzhao, Qixian ~ 6-lane	Intersafe Investments Limited			

T5	Machao Expressway				
Location	Anhui Province	Length	36 km	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 2017, property sales and toll revenue of the Group (including joint venture projects) were RMB26,304 million and RMB2,661 million respectively, amounting to RMB28,965 million in total, representing a significant increase of 38% as compared with 2016. The profit for each business segment of the Group also experienced a growth in 2017. The profit for the year of 2017 was HK$2,476 million, representing an increase of HK$1,102 million or 80% as compared with 2016, with earnings per share of HK$2.61.

For land reserve replenishment, the Group acquired 19 pieces of land for residential and commercial development purpose, through listing-for-sale and acquisition in 2017, with an aggregate floor area of about 2,420,000 sqm. As at 31 December 2017, the Group' land reserves increased to 8,330,000 sqm.

BUSINESS SEGMENTS ANALYSIS

(i) Property Segment

Since the fourth quarter of 2016, the central and local governments of Mainland China progressively implemented specific austerity measures based on regional property development markets. The property market is more sophisticated as a result of tightening austerity measures including introducing criteria on land auction, tightened home purchase restrictions and mortgage in different regions in 2017. Nonetheless, in 2017, the Group achieved remarkable results in property sales by adhering to its operating strategy of balancing turnover and profitability. The property sales (including joint venture projects) increased to RMB24,242 million, including the contracted sales of RMB22,914 million and outstanding subscribed sales of RMB1,328 million.

Property Sales and Delivery

Set out below is an analysis of the property segment's property sales and delivery by region (including joint venture projects) for 2017:

	Sales		Delivery	
Regions	**Amount**	**Area**	**Amount**	**Area**
(Notes)	RMB'million	sqm	RMB'million	sqm
Yangtze River Delta Region	15,815	955,000	9,493	628,000
Bohai Rim Region	6,268	316,000	2,672	168,000
Guangdong – Hong Kong – Macao Bay Area	1,586	71,000	110	16,000
Other regions	573	87,000	513	89,000
Total	24,242	1,429,000	12,788	901,000

Notes:
Yangtze River Delta Region comprises Shanghai and Jiangsu Province.
Bohai Rim Region comprises Beijing, Tianjin, Hebei Province and Shandong Province.
Guangdong-Hong Kong-Macao Bay Area comprises Guangdong Province.
Other regions comprise Henan Province.

In 2017, via the co-operation of the teams, the Group continued to improve product quality and enhance project management, as well as acquiring suitable land reserves at reasonable prices with other property developers. Property sales of the Group for 2017 surged by about 30% as compared with 2016 and were mainly concentrated in Yangtze River Delta Region (representing about 65% of the total property sales). The average selling price was approximately RMB17,000 per sqm, representing an increase of about 24% as compared with last year.

Financial Review

Set out below is an analysis of the performance of the Group's property segment for 2017:

	HK$'million
Revenue	14,414
Gross profit	5,697
Selling and operating expenses	(1,011)
Profit for the year	2,000

In 2017, revenue of the Group's property segment was mainly contributed by the delivery of properties in Yangtze River Delta Region, which represented about 74% of the total revenue. The average price was approximately RMB14,200 per sqm, representing an increase of about 20% as compared with 2016. Gross profit margin was significantly increased from 25% to approximately 40%. Profit of the property segment was approximately HK$2,000 million, representing a surge of 82% comparing to last year.

Land Reserves

The Group's property segment acquired 18 pieces of land for residential and commercial development purpose, through listing-for-sale and acquisition in 2017, with an aggregate floor area of about 2,360,000 sqm. Among which, 15 pieces of new land are joint venture projects. The Group believes that the cooperation with competent enterprises would enable the Group to invest in scalable projects, share higher returns and diversify the financial burden.

During the year, the Group acquired 3 pieces of land in Hangzhou and Jiaxing for the first time, further optimising its setup in Yangtze River Delta Region. Moreover, it is also the first time the Group acquired 2 projects in Foshan in Guangdong-Hong Kong-Macao Bay Area and the Group has been further awarded the tender of 2 projects in Hong Kong, including Wong Chuk Hang Station Package One Property Development and Gold Coast projects.

Details of new lands are set out as follows:

Province/Municipalities	**Attributable Interest**	**Land Area**	**Floor Area**	**Total consideration**
		sqm	sqm	RMB'million
Yangtze River Delta Region				
Jiangsu Province	33%-100%	1,141,000	1,391,000	10,724
Zhejiang Province	45%-51%	193,000	352,000	3,611
Bohai Rim Region				
Tianjin	50%	109,000	161,000	1,958
Shandong Province	50%	71,000	185,000	2,858
Guangdong-Hong Kong-Macao Bay Area				
Guangdong Province	49%-100%	62,000	187,000	2,610
Hong Kong Special Administrative Region	50%	23,000	86,000	6,895*

* Of which, figure for Wong Chuk Hang Project is calculated based on land premium.

In January 2018, the Group, together with its business partner, further acquired a land parcel in Yuhuatai District, Nanjing for residential development. The site area and the floor area of the project are 34,000 sqm and 100,000 sqm, respectively. The Group will optimise the land reserve portfolio in Mainland China and Hong Kong in a cautious manner and seek for more development opportunities with business partners in the future.

The Group's land reserve includes properties under planning and construction, properties held for sale and properties held for investment. As at 31 December 2017, the property segment's land reserve was approximately 6,570,000 sqm which were mainly located in the following regions:

Province/Municipalities	**Number of projects**	**Area**
	units	sqm
Yangtze River Delta Region		
Shanghai	3	319,000
Jiangsu Province	18	3,260,000
Zhejiang Province	3	352,000
Bohai Rim Region		
Beijing	1	80,000
Tianjin	3	750,000
Hebei Province	2	593,000
Shandong Province	4	414,000
Guangdong-Hong Kong-Macao Bay Area		
Guangdong Province	3	413,000
Hong Kong Special Administrative Region	3	117,000
Other regions		
Henan Province	3	273,000

In 2017, the Group's new construction area was 2,411,000 sqm while the area of completed projects was 1,366,000 sqm. New construction area and the area of completed projects in 2018 are expected to be 3,249,000 sqm and 1,711,000 sqm, respectively.

Overview of Major Projects

Yangtze River Delta Region

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 2017, sales of RK Shanghai Manor was RMB898 million, with an average selling price of villas of approximately RMB33,500 per sqm. In 2017, the value and area of properties delivered were RMB486 million and 17,000 sqm, respectively. It is expected that a total area of 22,000 sqm will be delivered in 2018, of which 14,000 sqm had already been pre-sold as of 31 December 2017.

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 2017, sales of RK Shanghai Villa was RMB1,232 million, with an average selling price of approximately RMB30,500 per sqm. In 2017, the value and area of properties delivered were RMB1,175 million and 40,000 sqm, respectively. It is expected that a total area of 21,000 sqm will be delivered in 2018, of which 19,000 sqm had already been pre-sold as of 31 December 2017.

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 2017, sales of RK Shanghai Style Phase II was RMB2,103 million, with an average selling price of approximately RMB31,300 per sqm. In 2017, the value and area of properties delivered were RMB2,280 million and 78,000 sqm, respectively. It is expected that a total area of 4,000 sqm will be delivered in 2018, of which 2,000 sqm had already been pre-sold as of 31 December 2017.

RK Sheshan Villa, 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.

In 2017, sales of RK Sheshan Villa was RMB742 million, with an average selling price of approximately RMB37,700 per sqm. In 2017, the value and area of properties delivered were RMB248 million and 7,000 sqm, respectively. It is expected that a total area of 26,000 sqm will be delivered in 2018, of which 12,000 sqm had already been pre-sold as of 31 December 2017.

Xiaokunshan BC Project, Shanghai

Xiaokunshan BC Project is located in Xiaokunshan Town, Songjiang District, Shanghai, which adjacent to RK Sheshan Villa. The project has a site area of 122,000 sqm and a floor area of 194,000 sqm and is planned to be developed in two phases. The project is expected to be launched in the second half of 2018.

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. RK Phoenix City is designed to develop 100,000 sqm of commercial street, 10,000 sqm of a clubhouse, one primary school and three kindergartens.

In 2017, sales of RK Phoenix City was mainly from Forest & Valley Villa, which recorded sales of RMB2,639 million, with an average selling price of approximately RMB29,700 per sqm. In 2017, the properties delivered were mainly from Forest & Valley Villa, with the value and area of properties delivered of RMB1,557 million and 53,000 sqm, respectively. It is expected that a total area of 92,000 sqm of Forest & Valley Villa will be delivered in 2018, of which 75,000 sqm had already been pre-sold as of 31 December 2017.

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 2017, sales of RK Hong Kong Times was RMB603 million, with an average selling price of approximately RMB25,900 per sqm. In 2017, the value and area of properties delivered were RMB541 million and 22,000 sqm, respectively. It is expected that a total area of 8,000 sqm will be delivered in 2018, of which 4,000 sqm had already been pre-sold as of 31 December 2017.

RK Yanjiang Riverside, 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 79,000 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.

In 2017, sales of RK Yanjiang Riverside was RMB302 million, with an average selling price of approximately RMB21,100 per sqm. It is expected that a total area of 67,000 sqm will be delivered in 2018, of which 14,000 sqm had already been pre-sold as of 31 December 2017.

The Legendary One (formerly known as Chengtie Xincheng Project), Suzhou

Located at Chengtie Xincheng, Gaoxin District, Suzhou, The Legendary One is close to Xinqu Chengtie station, Metro line 3 and Ikea, Aeon and other large commercial centers, enjoying convenient access and comprehensive facilities, fit for developing into a quality and livable residence. With a site area of 95,000 sqm and a floor area of 186,000 sqm, the project is expected to be launched in the first half of 2019.

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 2017, sales of RK City was RMB2,589 million, with an average selling price of approximately RMB11,300 per sqm. In 2017, the value and area of properties delivered were RMB995 million and 133,000 sqm, respectively. It is expected that a total area of 149,000 sqm will be delivered in 2018, of which 135,000 sqm had already been pre-sold as of 31 December 2017.

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 2017, sales of RK Urban Home Court was RMB632 million. In 2017, the value and area of properties delivered were RMB836 million and 116,000 sqm, respectively. It is expected that a total area of 8,000 sqm will be delivered in 2018, of which 2,000 sqm had already been pre-sold as of 31 December 2017.

RK City Signature, Changzhou

RK City Signature is located to the east of Longjiang Middle Road and to the south of Qingtan West Road, 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 2017, sales of RK City Signature was RMB1,986 million, with an average selling price of approximately RMB10,500 per sqm. In 2017, the value and area of properties delivered were RMB424 million and 44,000 sqm, respectively. It is expected that a total area of 95,000 sqm will be delivered in 2018, of which 82,000 sqm had already been pre-sold as of 31 December 2017.

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 developed in three phases.

In 2017, sales of RK City Landmark was RMB214 million, with an average selling price of approximately RMB14,700 per sqm. The project is expected to be delivered in the first half of 2019.

RK Taihu Villa (formerly known as Xitaihu Project), Changzhou

Located to the north of Xitaihu, Wujin District, Changzhou, RK Taihu Villa is in proximity to Xitaihui scenic area and Jiangsu-Macao industrial zone. Boasting convenient access and comprehensive facilities, the project is surrounded by a beautiful environment fit for developing into a high-end low density community. With a developable site area of 208,000 sqm and a floor area of 197,000 sqm, it is expected to be launched in the second half of 2018.

RK Sky Peninsula (formerly known as Liyang Project), Changzhou

Located to the north of Yancheng Avenue, Yanshan New District, Liyang, Changzhou and close to Liyang Station of Nanjing-Hangzhou (Ninghang) High-speed Rail and Yanhu Park, RK Sky Peninsula is equipped with quality educational, healthcare and commercial facilities, fit for developing into a high-end residential community integrating park landscape resources. With a site area of 46,000 sqm and a floor area of 76,000 sqm, it is expected to be launched in the first half of 2018.

RK Metropolis (formerly known as Yaoguan Project), Changzhou

Located in Yaoguan Town, Wujin District, Changzhou and adjacent to the urban core of Tianning and Songjianhu Wetland Park, RK Metropolis has a beautiful environment with sound commercial, educational and healthcare facilities and a RT-Mart supermarket already completed and in operation within the area. With a site area of 50,000 sqm and a floor area of 97,000 sqm, it is expected to be launched in the first half of 2018.

Chongxian Xincheng Project I (formerly known as Chongxian Xincheng Project), Hangzhou

Located at Chongxian Xincheng in Yuhang District and in close proximity to the northern city subcentre of Hangzhou, Chongxian Xincheng Project I has a superior geographical location with well-maintained commercial, educational and healthcare facilities in the neighbourhood and a favourable living atmosphere, fit for developing into a cost-effective commercial and residential product. With a site area of 37,000 sqm and a floor area of 73,000 sqm, the project will be sold when completed as required in the conditions of sale as of the time of its acquisition. It is expected to be launched in the first half of 2019.

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 2017, sales of RK The Providence was RMB388 million, with an average selling price of approximately RMB16,600 per sqm. In 2017, the value and area of properties delivered were RMB258 million and 17,000 sqm, respectively. It is expected that a total area of 17,000 sqm will be delivered in 2018, of which 10,000 sqm had already been pre-sold as of 31 December 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 2017, sales of RK World City was RMB195 million, with an average selling price of approximately RMB28,300 per sqm for commercial buildings. It is expected that a total area of 16,000 sqm will be delivered in 2018, of which 16,000 sqm had already been pre-sold as of 31 December 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 for clubhouse.

In 2017, sales of RK Grandtown was RMB169 million, with an average selling price of approximately RMB17,400 per sqm. The value and area of properties delivered in 2017 were RMB90 million and 7,000 sqm, respectively. It is expected that a total area of 137,000 sqm will be delivered in 2018, of which 100,000 sqm had already been pre-sold as of 31 December 2017.

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, 8,000 sqm of a clubhouse as well as one primary school and one kindergarten.

In 2017, sales of RK Sunny Town was RMB3,523 million, with an average selling price of approximately RMB29,100 per sqm. The value and area of properties delivered in 2017 were RMB2,127 million and 110,000 sqm, respectively. It is expected that a total area of 128,000 sqm will be delivered in 2018, of which 118,000 sqm had already been pre-sold as of 31 December 2017.

RK Junlan Bay (formerly known as RK Emerald Courtyard), Tianjin

RK Junlan Bay is located in Beicang Town, Beichen District, Tianjin, with a site area of 125,000 sqm and a floor area of 265,000 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. Phase I of the project is expected to be launched in the first half of 2018.

RK City Phase II, 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 128,000 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.

In 2017, sales of RK City Phase II was RMB1,372 million, with an average selling price of approximately RMB14,500 per sqm. It is expected that a total area of 139,000 sqm will be delivered in 2018, of which 106,000 sqm had already been pre-sold as of 31 December 2017.

RK City Phase III, 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 101,000 sqm. The project is planned to be developed as a neighborhood commercial centre and is expected to be launched in the first half of 2019.

Jing Yue Fu (formerly known as Lixia District Project), Jinan

Located in the sub-central region of Jinan and in close proximity to Gaoxin District and CBD, Jing Yue Fu is encompassed with sound commercial, educational and healthcare facilities and a favourable living atmosphere, fit for developing into a high-end residential product. With a site area of 50,000 sqm and a floor area of 127,000 sqm, the project is planned to be launched in the second half of 2018.

Guangdong-Hong Kong-Macao Bay Area

RK Mont Panorama (formerly known as RK Vista Panorama), Guangzhou

Located at Baohua Road, the core centre of Huadu District, Guangzhou, RK Mont 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 226,000 sqm, the project is planned to be developed as a high-end residential community in three phases.

In 2017, sales of RK Mont Panorama was RMB1,476 million. It is expected that a total area of 62,000 sqm will be delivered in 2018, of which 52,000 sqm had already been pre-sold as of 31 December 2017.

Elite's Mansion (formerly known as Shunde Project), Foshan

Located on the side of Rongqi Avenue in the central district of East Ronggui and opposite to Shunde Desheng CBD, Elite's Mansion boasts a prime river viewing spot enjoying convenient access and relatively comprehensive facilities, fit for developing into a quality and livable residence. With a site area of 40,000 sqm and a floor area of 138,000 sqm, the project is planned to be launched in the first half of 2018.

Yuen Long Project, Hong Kong Special Administrative Region

Yuen Long Project is located in Au Tau, Yuen Long, New Territories with a site area of 28,000 sqm and a floor area of 31,000 sqm, the project is planned to be developed as a high quality low density residence. The project is expected to be launched at the end of 2018.

Wong Chuk Hang Project, Hong Kong Special Administrative Region

Phase I of the residential plot of Wong Chuk Hang Project is located at Wong Chuk Hang Station of the MTR South Island line in proximity to Ocean Park and Aberdeen Marina Club, just two stations from Admiralty Station in the financial hub of Hong Kong. It was also the first high-end railway property development project on Hong Kong Island in almost 30 years. With a site area of 11,000 sqm and a floor area of 47,000 sqm, phase I of the project is planned to be launched in the second half of 2019.

Gold Coast Project, Hong Kong Special Administrative Region

Located in So Kwun Wat, Tuen Mun, New Territories and next to Hong Kong Gold Coast, the Gold Coast Project is suitable for developing into a relatively high-end low density residence. With a site area of 12,000 sqm and a floor area of 39,000 sqm, the project is planned to be launched in the second half of 2020.

Other 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 2017, sales of RK Royal City was RMB471 million, with the value and area of properties delivered of RMB510 million and 89,000 sqm, respectively. It is expected that a total area of 19,000 sqm will be delivered in 2018, of which 14,000 sqm had already been pre-sold as of 31 December 2017.

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 53,000 sqm and is expected to be launched in the second half of 2019.

New Projects

Acquired after the date of 2017 interim report:

Yangtze River Delta Region

Yuhuatai District Project, Nanjing

In January 2018, the Group, together with its business partner, acquired a land parcel in Yuhuatai District, Nanjing for residential development. With a site area of 34,000 sqm and a floor area of 100,000 sqm, the project is expected to be launched in the second half of 2019.

Dingxiang Road Project, Changzhou

In August 2017, the Group acquired a land parcel to the southeast of Dingxiang Road and Zhongwu Avenue, Zhonglou District, Changzhou for residential development through cooperation. With a site area of 129,000 sqm and a floor area of 232,000 sqm, the project is expected to be launched in the second half of 2018.

Lingjiatang Project, Changzhou

In November 2017, the Group acquired a land parcel to the east of Longjiang Middle Road and to the north of Zhongwu Avenue, Zhonglou District, Changzhou for residential development through listing-for-sale. The Group will develop the project with a well-established Mainland China partner. With a site area of 109,000 sqm and a floor area of 214,000 sqm, the project is expected to be launched in the second half of 2018.

EMBRACE OF GLORY
荣悦湾

Embrace of Glory, Wuxi

In October 2017, the Group acquired a land parcel in Binhu District, Wuxi for residential development through cooperation. With a site area of 106,000 sqm and a floor area of 147,000 sqm, the project is expected to be launched in the first half of 2018.

PEARL OF THE LAKE
十里明珠

Pearl of the Lake, Wuxi

In October 2017, the Group acquired a land parcel in Binhu District, Wuxi for residential development through cooperation. With a site area of 320,000 sqm and a floor area of 72,000 sqm, the project is expected to be launched in the first half of 2018.

大湖世紀

New Lake New City, Suzhou

In September 2017, the Group acquired a land parcel in Wuzhong Taihu Resort Zone, Suzhou for residential development through listing-for-sale. The Group will develop the project with a well-established Mainland China partner. With a site area of 173,000 sqm and a floor area of 356,000 sqm, the project is expected to be launched in the second half of 2018.

Jinmao Palace, Jiaxing

In September 2017, the Group acquired a piece of land in Jiaxing Economic and Technological Development Zone for residential development through listing-for-sale. The Group will develop the project with a well-established Mainland China partner. With a site area of 116,000 sqm and a floor area of 200,000 sqm, the project is expected to be launched in the second half of 2018.

Chongxian Xincheng Project II, Hangzhou

In October 2017, the Group acquired a piece of land in Yuhang District, Hangzhou mainly for residential development through listing-for-sale. The Group will develop the project with a well-established Mainland China partner. The project is adjacent to Chongxian Xincheng Project I acquired by the Group in August 2017. With a site area of 40,000 sqm and a floor area of 79,000 sqm, the project is expected to be launched in the second half of 2018.

Bohai Rim Region

Wuqing District Project, Tianjin

In October 2017, the Group acquired a piece of land in Zhongyang Shuicheng, Wuqing District, Tianjin for residential development through listing-for-sale. The Group will develop the project with a well-established Mainland China partner. With a site area of 109,000 sqm and a floor area of 161,000 sqm, the project is expected to be launched in the second half of 2018.

Jing Shi Fu, Jinan

In December 2017, the Group acquired a land parcel in Lixia District, Jinan mainly for residential development through listing-for-sale, together with its business partner. The project is approximately 500 meters from Jing Yue Fu acquired by the Group in August 2017. With a site area of 21,000 sqm and a floor area of 58,000 sqm, the project is expected to be launched in the second half of 2018.

Guangdong-Hong Kong-Macao Bay Area

Shunde Project II, Foshan

In December 2017, the Group acquired a land parcel in Rongqi Avenue, Ronggui, Shunde District, Foshan mainly for residential development through listing-for-sale. The project is approximately 500 meters from Shunde Project I acquired by the Group in April 2017. With a site area of 22,000 sqm and a floor area of 49,000 sqm, the project is expected to be launched in the first half of 2019.

(ii) Toll Road Segment

In 2017, national economy maintained steady growth; while domestic demand and external trade also achieved satisfactory growth. The real disposable income per capita in the PRC remained at a reasonable level and recorded a year-on-year growth of 7.3%. As the PRC government implements macroeconomic regulations, deleveraging and risk control measures and the goal of building a moderately prosperous society by 2020, it is expected that the economy will continue to grow steadily. The rising household income will lead to an increase in transportation demand, including the demand for expressways. The expressways of the Group are well-located and the economic benefits will further uplift.

In 2017, the Group suspended the proposed spin-off of expressway business due to market condition and pricing factors. However, the Group will keep tracking on the market sentiment. The Group will also continue to explore and invest in expressway projects located in Mainland China and "One Belt One Road" countries with reasonable returns so as to form a solid foundation for the Group's mid-to-long-term development.

Financial Review

In 2017, the Group received cash distribution of HK$713 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$383 million in 2016 to HK$506 million in 2017, mainly attributable to the significant growth in overall toll revenue. Both Tangjin Expressway and Baojin Expressway recorded a significant growth in traffic volume during the year. In addition, Longcheng Expressway and Machao Expressway recorded a strong growth in both traffic volume and toll revenue, as they are close to the end of the nurturing stage. The profit increased accordingly.

Analysis of toll revenue and expenses of the expressways projects attributable to the Group:

	2017 RMB'million	2016 RMB'million	**Increase %**
Share of toll revenue (net of business and related taxes)	**1,159**	1,013	**14**
Share of expenses (excluding amortisation and taxation)	**302**	293	**3**

The traffic volume and toll revenue of the expressway projects for 2017 are as follows:

Project	**Average Daily Traffic** Vehicles	**Increase** %	**Toll Revenue** RMB'million	**Increase** %
Baojin Expressway	68,900	23	820	19
Tangjin Expressway	53,000	15	613	16
Changyi Expressway	72,000	11	691	6
Longcheng Expressway	17,900	5	311	14
Machao Expressway	22,300	24	226	19
Total	234,100	16	2,661	14

The total traffic volume and toll revenue of the Group's expressway projects reached 85 million vehicles and RMB2,661 million, respectively in 2017, representing an increase of 16% and 14%, respectively, comparing with that of 2016.

Overview of Major Projects

Baojin Expressway

In 2017, the traffic volume and toll revenue of Baojin Expressway increased by 23% and 19%, respectively, are mainly attributable to the economic growth, Jing-Jin-Ji Integration, setup of Xiongan New Area and implementation of control policy by Beijing on heavy trucks, leading those affected lorries passing through Baojin Expressway. These result in the increase in traffic volume and also the revenue.

An expressway connecting Baojin Expressway is expected to be completed in 2018. The project performance will not only be driven by the linkage between Hebei Province and Shanxi Province, but also further development of Xiongan New Area and the moderate economic growth of the local areas.

Tangjin Expressway

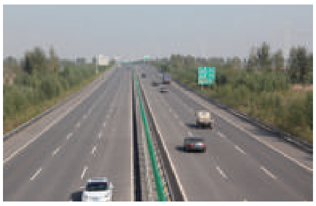
In 2017, the traffic volume and revenue of Tangjin Expressway increased by 15% and 16% respectively as compared with last year. The growth in revenue was mainly attributable to the increase in traffic demand from local pillar industries, such as the steel and cement industries, as well as from the electrical and mechanical equipment, food and healthcare product and other industries in the Three Northeastern Provinces, which was supported by national economic growth, accelerated Jing-Jin-Ji integration and rising cargo throughput of nearby ports.

The traffic and toll revenue of the project is expected to be pushed up by the economic growth arising from transformation and upgrades in real economy of Jing-Jin-Ji and Three Northeastern Provinces in the foreseeable future.

Changyi Expressway

Changyi Expressway recorded an increase of 11% and 6% in traffic volume and toll revenue, respectively in 2017. It is benefit from the regional economy and continue development of the development zones located along the expressway, leading to increase in traffic of both passenger and truck vehicles.

In 2018, it is expected that the continuous development of Changsha and its surrounding regions will become the driving force of revenue growth.



Longcheng Expressway

The traffic volume and toll revenue of Longcheng Expressway were increased by 5% and 14%, respectively in 2017. It was benefit from the division policy of passenger vehicles and truck vehicles for urban roads and expressways adopted in Jinzhong and the restrictions of access of medium to heavy trucks in the eastern and southern sections of the outer-ring road of Yuci City, which led to the increases in freight traffic and revenue of the project.

The demand on the coal industry, the main industry of Shanxi Province, fluctuates but has resumed growing at 2017 year end. Moreover, the active development of industries other than coal industry promoted by the Government will give great contribution to the economy of Taiyuan and Jinzhong City region. On the other hand, the northern and western extension lines connected with Longcheng Expressway has laid down construction time frame and is under active planning for construction, respectively. The commencement of operation of such extension lines will enhance the overall traffic network in Taiyuan City and Jinzhong City, including Longcheng Expressway, which will bring direct benefit and significant growth of economical result to the project in future.

Machao Expressway

The traffic volume and toll revenue of Machao Expressway were increased by 24% and 19%, respectively in 2017. It was mainly attributable to the growing stage 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 enhanced, especially when Beiyanjiang Expressway is further extended to the west and expansion work of Hewu Expresssway, connected to Machao Expressway, has been already under construction. When these works are all completed, it will bring a promising growth to future revenue of the project.

(iii) Investment and Asset Management Segment

The Group accelerated the expansion of the investment and asset management business in 2017, including property funds, cultural attractions and tourism and indoor entertainment businesses. The Group also acquired several property projects through the above businesses for property development. In 2017, the projects of investment and asset management segment (including joint venture projects) achieved property sales of RMB2,062 million, whilst profit of the investment and asset management segment reached HK$115 million.

Overview of Major Businesses

Property Fund

Property fund business was founded in June 2015. The total fund size under the Group's management has reached HK$10 billion, and is already making a sound profit.

Cultural Attraction and Tourism

The Group plans to commence construction of two characteristic tourist towns and a characteristic industrial town in 2018. In the coming three years, the Group targets to develop a strong cultural and tourism team in order to prepare for the nationwide expansion of such business afterwards.

Indoor Entertainment

It is already an "IP Era" for commercial properties as well as cultural and tourism businesses. In 2017, the Group has established cooperation with some well-known international brands, such as National Geographic. Also, the Group has concluded the strategic acquisition with some outstanding international entertainment contents providers, such as Holovis. The Group believes that they enhance the development of its commercial properties as well as the cultural and tourism businesses.

Property Development

The projects of investment and asset management segment (including joint venture projects) achieved property sales of RMB2,062 million in 2017, including the contracted sales of RMB1,688 million and outstanding subscribed sales of RMB374 million. The Group expected the contracted sales amount will be increased to about RMB5 billion in 2018, and will bring in reasonable profits to the Group. As at 31 December 2017, the investment and asset management segment's land reserve was approximately 1,760,000 sqm.

The Group will continue to explore new property business models (including property funds and property related businesses) to locate stimulus for new opportunities and drivers for profit growth under controllable risks.

FINANCIAL REVIEW OF THE GROUP

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 2017 and 2016.

	2017 HK$'million	2016 HK$'million
Revenue	**14,756**	16,842
Gross profit	**5,916**	4,222
Gross profit margin	**40%**	25%
Interest and other income, net	**704**	132
Selling and operating expenses	**(1,277)**	(1,131)
Share of results of joint ventures and an associate	**461**	394
Finance costs	**(363)**	(372)
Profit before taxation	**5,441**	3,245
Income tax expenses	**(2,965)**	(1,871)
Profit for the year	**2,476**	1,374
Profit attributable to:		
– Owners of the Company	**1,944**	1,250
– Owners of perpetual capital securities	**247**	–
– Non-controlling interests	**285**	124
	2,476	1,374

Revenue and Gross Profit

Revenue and gross profit of the Group for the year were mainly contributed by the property business. The details are contained in the subsection headed "Financial Review" under "Property Segment".

Interest and Other Income, Net

The increase in interest and net other income was mainly attributable to the exchange gains arising from the appreciation of Renminbi and increase in interest income during the year. Taking into account the exchange differences arisen from the capped forward swap contracts entered into by the Group for US dollar denominated borrowings, the net exchange gains for 2017 increased by approximately HK$238 million as compared with last year. Meanwhile, interest income correspondingly increased by HK$220 million comparing to last year due to the increase in loans to joint ventures.

Selling and Operating Expenses

Selling and operating expenses increased mainly due to the Group's accelerated expansion of the newly-developed investment and asset management business as well as the addition of a number of property development projects, including new projects acquired in Hangzhou, Jiaxing and Foshan for the first time.

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. The details are contained in the subsection headed "Financial Review" under "Toll Road Segment".

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 surge of profits of properties delivered in 2017 as compared with last year.

Consolidated Statement of Financial Position

The table below summarised the major items of the consolidated statement of financial position of the Group as at 31 December 2017 and 2016.

	2017	2016
	HK$'million	HK$'million
Non-current assets		
– Investments in joint ventures and an associate (including shareholders' loans)	**15,560**	6,549
– Investment properties	**2,584**	2,468
– Other non-current assets	**1,347**	335
	19,491	9,352
Current assets		
– Inventory of properties (including prepayment for land leases)	**30,403**	27,386
– Bank balances and cash (including pledged bank deposits)	**8,751**	8,215
– Loans to joint ventures	**6,622**	2,036
– Other current assets	**4,468**	3,411
	50,244	41,048
Current liabilities		
– Creditors and accrued charges	**(8,362)**	(6,784)
– Loans from a joint venture and an associate	**(779)**	(718)
– Deposits from pre-sale of properties	**(15,357)**	(8,747)
– Bank and other borrowings	**(4,575)**	(5,847)
– Other current liabilities	**(2,445)**	(1,614)
	(31,518)	(23,710)
Non-current liabilities	**(16,603)**	(12,457)
Total equity (including perpetual capital securities)	**21,614**	14,233

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

It mainly represents the Group's interests in the joint ventures and an associate relating to toll road and property businesses, 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. The details on new land parcels acquired through joint ventures are contained in the subsections headed "Land Reserves" and "New Projects" under "Property Segment".

During the year, the Group has entered into the undertaking agreement with an independent third party. Pursuant to which, the Group undertakes for a prompt settlement of 50% of outstanding debts incurred by the property development joint venture, in which the Group held 50% equity interest. As at 31 December 2017, the estimated amount of the liabilities undertaken by the Group amounted to approximately HK$2,709 million. Save for this liability undertaking, details of other guarantees given by the Group to joint ventures were set out in the subsection headed "Contingent Liabilities" under "Financial Review".

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 rise in fair value of RK Grand Metropolis in Suzhou which was renovated upon its acquisition in 2016. As of 31 December 2017, the total floor area of the investment properties of the Group was around 213,000 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 significant increase in proceeds from pre-sale of properties and the issuance of two offshore senior guaranteed perpetual capital securities (classified to total equity) in an aggregate principal of US$600 million during the year, but were considerably offset by the premiums or investments 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 end, together with the increase in prepaid tax due to the significant increase in property sales.

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-sold properties as compared with last year. As at 31 December 2017, the total area of properties (including joint-venture projects) pre-sold but yet to be delivered was about 1,430,000 sqm, which was a significant increase as compared with last year.

Bank and Other Borrowings 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	
	2017	2016
	HK$'million	HK$'million
Repayable:		
On demand or within one year	**4,575**	5,847
After one year but within two years	**6,008**	1,515
After two years but within five years	**9,539**	9,935
More than five years	**271**	280
Total Loans	**20,393**	17,577

Source of Loans

	2017	2016
Short term loans	**22%**	33%
Long term loans	**78%**	67%
	100%	100%

Nature of Debts

	2017	2016
Unsecured loans	**66%**	61%
Secured loans	**34%**	39%
	100%	100%

Currency Profile of Loans

	2017	2016
HKD	**4%**	4%
RMB	**50%**	42%
USD	**46%**	54%
	100%	100%

Interest Rates Basis

	2017	2016
Floating rate	**34%**	42%
Fixed rate	**66%**	58%
	100%	100%

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

(a) US$450 million 5% guaranteed senior notes due in 2019;

(b) RMB1,500 million 4.5% domestic bonds due in 2019; and

(c) US$500 million 4.7% guaranteed senior notes due in 2021.

In 2017, the Group issued the following two offshore senior guaranteed perpetual capital securities, which provide strong support to its business development in Hong Kong:

(a) US$300 million 7.95% senior guaranteed perpetual capital securities issued in February; and

(b) US$300 million 7% senior guaranteed perpetual capital securities issued in June.

The net gearing ratio of the Group decreased significantly from 66% as of last year to 54% as at 31 December 2017. Meanwhile, the net capitalisation ratio dropped from 40% as of last year to 35%. Net gearing ratio represents the difference between the Group's total interest bearing borrowings (excluding loans from non-controlling interests of subsidiaries) and the bank balances and cash (including pledged bank deposits) ("Net Debt") to the total equity. The net capitalisation ratio represents the Net Debt to the sum of Net Debt and total equity.

Interest coverage for the year under review was 17.15 times (2016: 10.85 times).

Consolidated Statement of Cash Flows

The table below summarised the major items of the consolidated statement of cash flows of the Group for the years ended 31 December 2017 and 2016.

	2017	2016
	HK$'million	HK$'million
Payment for land leases	**(13,199)**	(4,498)
Net cash from operating activities, other than payment for land leases	**9,733**	8,716
Net cash used in investing activities, other than payment for land leases	**(1,909)**	(907)
Net cash from financing activities	**5,680**	1,504
Effect of change in exchange rates	**330**	(175)
Cash and cash equivalents at 1 January	**7,291**	2,651
Cash and cash equivalents at 31 December	**7,926**	7,291

Payment for Land Leases

During the year, more new projects are jointly developed with the Group's business partners. The details on new land parcels acquired through joint ventures are contained in the subsections headed "Land Reserves" and "New Projects" under "Property Segment".

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

In 2017, the increase in net cash from operating activities comparing to last year was mainly caused by the excellent performance of the property market, which resulted in the significant increase in cash proceeds from the pre-sale and sale of properties.

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

During the year, the net cash used in investing activities mainly represented the investments in the new asset management business, which was partially offset by the cash distributed or dividends received from the infrastructure joint venture projects.

Net Cash from Financing Activities

The increase in net cash from financing activities was mainly caused by the issuance of two offshore senior guaranteed perpetual capital securities in an aggregate principal of US$600 million and the drawdown of various onshore loans for development of property projects.

Liquidity and Financial Resources

As at 31 December 2017, the equity attributable to owners of the Company was HK$15,635 million (2016: HK$13,292 million). Net assets per share attributable to owners of the Company was HK$20.90 (2016: HK$17.96).

As at 31 December 2017, the Group's total assets were HK$69,735 million (2016: HK$50,400 million) and bank balances and cash were HK$8,552 million (2016: HK$8,049 million), of which 74% was denominated in Renminbi and the remaining 26% was mainly denominated in US dollars or HK dollars.

During the year, in addition to the issuance of two offshore senior guaranteed perpetual capital securities (included in total equity) in an aggregate principal of US$600 million, the Group also drew down various offshore bank loans and property development loans in Hong Kong and Mainland China in an aggregate amount equivalent to HK$10,425 million. The new drawdowns were partially offset by repayment of certain bank loans.

The Group continues to adopt prudent financing and treasury policies. The entire Group's financing and treasury activities are centrally managed and controlled. Implementation of the Group's related policies is made under collective but extensive considerations on liquidity risk, financing cost and exchange rate risk. Going forward, the Group continues to maintain its financials healthily and explore and broaden financing channels, so as to manage financing costs and enhance cash flows of the Group.

Charges on Assets

As at 31 December 2017, bank balances of HK$199 million (2016: HK$166 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$5,515 million (2016: HK$5,099 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, fluctuation of Renminbi has been intensified as compared with the past. For minimising the impacts arisen from fluctuation of exchange rate of Renminbi on the Group, the Group has entered into capped forward swap contracts for parts of offshore debts.

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 Mainland China 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 2017, the Group had provided guarantees of HK$7,919 million (2016: HK$6,640 million) to banks in respect of the mortgage loans of the purchasers of the Group's properties. The guarantees would be released after the purchasers have pledged their property ownership certificates as securities to the banks for the mortgage loans granted.

In addition, the Group had provided guarantees of HK$2,611 million (2016: HK$773 million) for banking facilities granted to the joint ventures of the Group as at 31 December 2017.

Employees

Excluding the staff of joint ventures, the Group had 3,649 employees as at 31 December 2017 (2016: 2,982 employees). Expenditure on staff (excluding Directors' emoluments and share-based payment) amounted to HK$800 million (2016: HK$658 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 scheme. During the year, no share option was granted.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Zen Wei Pao, William
(aged 70, Co-Chairman)

Mr. Zen has been re-designated as the Co-Chairman of the Company since May 2017. 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 65, Co-Chairman)

Mr. Zen has been appointed as the Co-Chairman of the Company since May 2017. 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 62, 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 28 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 55, 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. Mou Yong
(aged 55)

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 45)

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 70)

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 Director 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 76)

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. (currently known as Hsin Chong Group Holdings Limited) (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.

Mr. Tse Chee On, Raymond
(aged 67)

Mr. Tse has been appointed as an Independent Non-executive Director of the Company since October 2012. He is a member of the Audit Committee and the Remuneration Committee of the Company. From 1989 to 1997, he was the Managing Director of Wheelock and Company Limited (HK stock code: 20), 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, Canada. 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 68)

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 an Independent Non-executive Director of Hang Chi Holdings Limited (HK stock code: 8405). He is 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 50)

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 Securities Group as well as a member of the management committee of K&W. Mr. Zhang also serves as a member of the Fourth Listing Committee of Shanghai Stock Exchange and served 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, the 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, manufacturing, pharmaceuticals, food, internet technologies and entertainment.

SENIOR MANAGEMENT

Mr. Chan Kam Hung
(aged 59)

Mr. Chan is the Chief Executive Officer of the 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 62)

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 38 years of experience in civil engineering and project management.

Ms. Chuk Wing Suet, Josephine
(aged 46)

Ms. Chuk, joined the Group in 1994, is a Deputy Chief Operating Officer of the Group and a Director of RK Properties Holdings Limited, and responsible for the property development projects in Eastern China. She holds a Bachelor of Social Science degree and a Master of Business Administration degree. Ms. Chuk has over 24 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 43)

Mr. Zen, joined the Group in 2006, is the Chief Financial Officer of the Investment and Asset Management 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 22 years of experience in finance, accounting, business investment and development in the United States, Hong Kong and the PRC. He is the son of Mr. Zen Wei Pao, William and the nephew of Mr. Zen Wei Peu, Derek.

Mr. Zhang Nan
(aged 45)

Mr. Zhang, joined the Group in 2007, is the regional Director of the property development projects in Suzhou, Wuxi and Zhenjiang. 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 22 years of experience in property development and management in the PRC involving more than 30 property projects including residential and commercial office buildings.

Ms. Diao Lu, Amy
(aged 43)

Ms. Diao, joined the Group in 2007, is the regional Director of the property development projects in pan-Beijing and Shandong, and oversees the corporate communication function of the Group. 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 55)

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 and oversees the Engineering and Costing Department. 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 Member of the Occupational Safety & Health Council and a former 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. Tam Yau Kay
(aged 67)

Mr. Tam, joined the Group in 2017, is the Project Director of the Property Division overseeing the Hong Kong property development projects. He holds a Bachelor of Science degree in Engineering and a Master of Science degree. He is an Authorised Person (List of Engineer) and a Registered Structural Engineer. Mr. Tam has over 40 years of experience in civil and structural engineering in Hong Kong and overseas. Prior to joining the Group, he worked with renowned consultancy companies and reputable contractors. He had also held senior management positions in development company for highway works and railway corporation involving the planning and construction of highway and railway works.

Mr. Ho Ting Fung, Albert
(aged 64)

Mr. Ho, joined the Group in 2011, is the Senior 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 38 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 48)

Mr. Zhao, joined the Group in 2011, is the deputy regional Director of the property development projects in Tianjin. He holds a Bachelor degree in Industrial and Civil Engineering and is a Registered Engineer in the PRC. He has 26 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 50)

Mr. Tan, joined the Group in 2010, is the deputy regional Director of the property development projects in Guangzhou, Zhengzhou, Luoyang and Shenzhen. 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 13 years of experience in property development and management in the PRC and 15 years of experience in overseas general contracting and property development.

Mr. Ren Qiang
(aged 43)

Mr. Ren, joined the Group in 2004, is the Senior Associate Director of the property development projects in Nanjing, Changzhou and Liyang. He holds a Bachelor of International Finance and Economics degree and a Master of Science in Economics and Finance degree. Mr. Ren has over 13 years of experience in property development and management in the PRC involving 13 property projects including residential and commercial office buildings.

Mr. Gao Da Peng
(aged 40)

Mr. Gao, joined the Group in 2007, is the Senior Associate Director of the Property Division and the General Manager of project companies in Shanghai and Zhejiang. He holds an Executive Master of Business Administration degree. Mr. Gao has 18 years of experience in property development, operation and sales management in the PRC involving more than 15 property projects including residential and commercial office buildings.

Mr. Lee Tak Fai, Kennedy
(aged 52)

Mr. Lee, joined the Group in 2007, is the Financial Controller of the Group responsible for the corporate finance and legal functions. 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 26 years of experience in accounting, assurance, financing 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.

Mr. Luk Ting Nai, Daniel
(aged 47)

Mr. Luk, first joined the Group in 2003, is the Senior 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 18 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 45)

Mr. Ng, joined the Group in 2011, is the Financial Controller of the Group responsible for the accounting, tax and information technology 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 21 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 several renowned property developers. Altogether, he has 19 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 50)

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

The Directors of the Company present herewith the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group, including the joint ventures and an associate, are the operation of property development, investment and asset management businesses in Hong Kong and the PRC and the investment in, development, operation and management of toll road projects in the PRC. Details of the Group's principal subsidiaries, joint ventures and an associate are set out in notes 47, 18 and 17 to the consolidated financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 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-7 and F-8 respectively.

An interim dividend of HK$0.15 per share amounting to approximately HK$112 million was paid to the shareholders of the Company in September 2017.

The Directors of the Company recommend the payment of a final dividend of HK$0.78 per share to the shareholders of the Company whose names appear on the register of members of the Company on Tuesday, 29 May 2018 amounting to approximately HK$584 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, 29 June 2018, if approved.

CLOSURES OF REGISTER OF MEMBERS

To be eligible to attend and vote at the forthcoming AGM

The register of members of the Company will be closed from Tuesday, 15 May 2018 to Friday, 18 May 2018, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the forthcoming AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Monday, 14 May 2018 for registration.

To qualify for the proposed final dividend

The register of members of the Company will also be closed from Monday, 28 May 2018 to Tuesday, 29 May 2018, both dates inclusive, during which period no transfer of shares of the Company 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 Friday, 25 May 2018 for registration.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2017 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 7, pages 8 to 9, pages 12 to 51, pages 71 to 83, pages F-7 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 2017 were approximately HK$2,163 million.

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 GUARANTEED PERPETUAL CAPITAL SECURITIES

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.

RKI Overseas Finance 2017 (A) Limited, a wholly-owned subsidiary of the Company, issued US$300 million 7% senior guaranteed perpetual capital securities in June 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 35 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 business 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 business 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 *(Co-Chairman)* (re-designated as the Co-Chairman on 19 May 2017)
Zen Wei Peu, Derek *(Co-Chairman)* (appointed as the Co-Chairman on 19 May 2017)
Ko Yuk Bing *(Deputy Chairman, Managing Director and Chief Executive Officer)*
Fong Shiu Leung, Keter *(Finance Director)*

Non-executive Directors:

Lam Wai Hon, Patrick (retired on 18 May 2017)
Mou Yong
Dong Fang

Independent Non-executive Directors:

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

Pursuant to Bye-law 87 of the Company's Bye-laws (the "Bye-laws"), Dr. Chow Ming Kuen, Joseph, Messrs. Tse Chee On, Raymond, Wong Wai Ho and Zhang Yongliang will retire from office by rotation at the forthcoming AGM and, being eligible, will offer themselves for re-election at the forthcoming AGM.

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions and Continuing Connected Transaction", 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
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 2017, 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

			Number of shares held		
Name of Directors	**Nature of interest**	**Notes**	**Long position**	**Short position**	**Percentage of holding** % (Note 4)
Zen Wei Peu, Derek	Personal	1 & 3	19,649,000	–	2.63
Fong Shiu Leung, Keter	Personal	1	260,000	–	0.03
Lau Sai Yung	Personal	1	605,000	–	0.08
Chow Ming Kuen, Joseph	Personal	1	150,000	–	0.02
Tse Chee On, Raymond	Personal	2	100,000	–	0.01

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. 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.

3. Included in the balance is 1,000,000 shares of the Company held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek.

4. The percentage was calculated based on 748,136,566 shares of the Company in issue as at 31 December 2017.

(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					Weighted average closing price HK$ (Note 3)
		Balance at 01.01.2017	Granted during the year	Exercised during the year	Lapsed during the year	Balance at 31.12.2017	
Directors							
Zen Wei Peu, Derek	1	1,500,000	–	(1,500,000)	–	–	8.85
Fong Shiu Leung, Keter	1	1,200,000	–	(1,200,000)	–	–	11.54
Lam Wai Hon, Patrick	1 & 2	50,000	–	(50,000)	–	–	11.30
Lau Sai Yung	1	150,000	–	(150,000)	–	–	11.28
Chow Ming Kuen, Joseph	1	150,000	–	(150,000)	–	–	11.28
Tse Chee On, Raymond	1	100,000	–	–	–	100,000	–
Total		3,150,000	–	(3,050,000)	–	100,000	
Others							
Employees	1	7,050,000	–	(5,150,000)	(800,000)	1,100,000	11.09
Total		7,050,000	–	(5,150,000)	(800,000)	1,100,000	
Grand Total		10,200,000	–	(8,200,000)	(800,000)	1,200,000	

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. Lam Wai Hon, Patrick retired as a Non-executive Director of the Company with effect from the conclusion of the annual general meeting of the Company held on 18 May 2017.

3. This represents the weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised.

Save as disclosed above, none of the Directors of the Company 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 of the Company 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 debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2017, 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:

		Number of shares held		
Name of shareholders	**Nature of interest**	**Long position** (Note 1)	**Short position**	**Percentage of holding** % (Note 11)
Wai Kee Holdings Limited (Note 2)	Interest in controlled corporation	313,795,428	–	41.94
Wai Kee (Zens) Holding Limited (Note 3)	Interest in controlled corporation	313,795,428	–	41.94
Groove Trading Limited (Note 4)	Beneficial owner	65,918,000	–	8.81
Wai Kee China Investments (BVI) Company Limited (Note 4)	Interest in controlled corporation	244,877,428	–	32.73
Wai Kee China Investments Company Limited (Note 5)	Interest in controlled corporation	244,877,428	–	32.73
ZWP Investments Limited (Note 6)	Beneficial owner	244,877,428	–	32.73
深業集團有限公司 (Shum Yip Group Limited*) (Note 7)	Interest in controlled corporation	202,334,142	–	27.05
Shum Yip Holdings Company Limited (Note 8)	Interest in controlled corporation	202,334,142	–	27.05
Shenzhen Investment Limited (Note 9)	Interest in controlled corporation	202,334,142	–	27.05
Hover Limited (Note 10)	Beneficial owner	202,334,142	–	27.05

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 61.62% 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 748,136,566 shares of the Company in issue as at 31 December 2017.

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

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTION

1. On 14 March 2017, Power Truth Development Limited ("Power Truth"), an indirect wholly-owned subsidiary of the Company, entered into the Articles of Agreement with Build King Construction Limited ("Build King Construction"), a wholly-owned subsidiary of Build King Holdings Limited (being a non-wholly owned subsidiary of Wai Kee Holdings Limited which is the substantial shareholder of the Company), pursuant to which Power Truth appointed Build King Construction as a contractor to perform site formation and substructure works under the residential development project located at Au Tau, Yuen Long, New Territories, Hong Kong at a maximum price of approximately HK$149.4 million. The term of the Articles of Agreement is 20 calendar months from the commencement date of work.

2. On 11 May 2017, Profit City Global Limited ("Profit City") (an indirect wholly-owned subsidiary of the Company) and Medos Limited ("Medos") (a wholly-owned subsidiary of Shenzhen Investment Limited ("SIL") which is the substantial shareholder of the Company) entered into the Cooperation Framework Agreement in relation to the formation of the joint venture (the "Joint Venture") to participate in the tender for the land located at Kai Tak, Kowloon, Hong Kong. The Joint Venture is owned by Profit City and Medos as to 50% and 50% respectively. Each of Profit City and Medos committed up to HK$13 million of funding towards the Joint Venture.

   On 16 June 2017, Profit City and Medos entered into the New Cooperation Framework Agreement in relation to the Joint Venture to participate in the tender for the land for residential development that be offered by the Hong Kong Government or public sector entities (the "Specified Land"). Subject to the successful award of a tender to the Joint Venture, it is to engage in the development of the Specified Land and the sale and/or ancillary management of the properties on the Specified Land. Each of Profit City and Medos committed to provide up to HK$15.5 million of funding towards the Joint Venture. The New Cooperation Framework Agreement replaced the Cooperation Framework Agreement.

   The Joint Venture was awarded the tender for a land located at Tuen Mun, New Territories, Hong Kong (the "Land") for a land premium of approximately HK$3,168.9 million. On 14 July 2017, Profit City, Medos, the Company (as guarantor of Profit City) and SIL (as guarantor of Medos) entered into the Shareholders Agreement in relation to the management of the Joint Venture and development of the Land.

   The maximum commitment of HK$3,000 million of each of Profit City and Medos represents the 50% pro rata share to Profit City and Medos respectively of expected capital required for the development of the Land, including the land premium for the Land, the estimated development costs and the expected finance, selling and administrative costs.

3. On 24 November 2017, the Company and Build King Holdings Limited ("Build King"), a non-wholly owned subsidiary of Wai Kee Holdings Limited which is the substantial shareholder of the Company, entered into the Framework Agreement with a term of three years starting from 1 January 2018 in respect of the engagement of member(s) of Build King and its subsidiaries, subject to successful tender, as the main contractor for the construction works of the Group's present and future property development projects in Hong Kong. The proposed annual caps under the Framework Agreement for the three years ending 31 December 2020 are HK$650 million, HK$2,460 million and HK$2,880 million respectively. The proposed annual caps for the three years ending 31 December 2020 were approved by the Independent Shareholders at the Company's special general meeting held on 15 December 2017.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE GROUP

Neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Group's listed securities during the year ended 31 December 2017.

DONATIONS

During the year, donations made by the Group were HK$1.19 million.

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 of the Company 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 13.22 of the Listing Rules:

   (a) A summary of aggregate financial information of the affiliated companies, based on the financial statements prepared under the accounting principles generally accepted in Hong Kong, as at 31 December 2017, is as follows:

	At 31 December 2017 HK$'million
Statement of Financial Position	
Non-current assets	**9,992**
Current assets	**24,667**
Current liabilities	**(18,418)**
Net current assets	**6,249**
Non-current liabilities	**(9,498)**
Net assets	**6,743**

(b) Details of the affiliated companies are as follows:

	The Group's attributable interest in the affiliated companies	Amount of guarantee given by the Group HK$'million	Amount of commitment for amounts advanced or to be advanced by the Group HK$'million
Shanghai Juanpin Real Estate Co., Ltd.*	49%	–	243
Jiaxing Juanmao Real Estate Co., Ltd.*	45%	–	884
Suzhou Jingshang Properties Developments Co., Ltd.*	33%	–	873
Jinan Junsheng Properties Developments Co., Ltd.*	50%	–	1,248
Hebei Jiantou Road King Urbanization Construction & Development Co., Ltd.*	45%	–	474
Shum King Company Limited	50%	636	2,364
Foshan Qihui Properties Co., Ltd.*	49%	–	798
Changzhou Yajing Properties Developments Co., Ltd.*	49%	–	12
Suzhou Juntai Properties Developments Co., Ltd.*	33.3%	–	722
Tianjin Junda Corporate Management Co., Ltd.*	50%	–	1,203
Hunan Changyi Expressway Co., Ltd.*	43.17%	–	96
Jinzhong Longcheng Expressway Co., Ltd.*	45%	–	56
Hangzhou Junyuan Real Estate Co., Ltd.*	49%	–	34
Anhui Machao Expressway Co., Ltd.*	49%	805	–
		1,441	9,007

* for identification purpose only

2. 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 upon the occurrence of a change of control triggering event and a decline in the rating of the Notes.

Guaranteed Perpetual Capital Securities

The Group issued US$300 million 7.95% senior guaranteed perpetual capital securities and US$300 million 7% senior guaranteed perpetual capital securities in February and June 2017 respectively. The Company may redeem all, but not some only, of US$300 million 7.95% senior guaranteed perpetual capital securities and US$300 million 7% senior guaranteed perpetual capital securities (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) upon the occurrence of a change of control triggering event and a decline in the rating of the Securities.

3. 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$7,042,200 to HK$7,323,600 with effect from 1 April 2018.
Mr. Zen Wei Peu, Derek	His annual basic salary will be revised from HK$4,454,400 to HK$4,632,000 with effect from 1 April 2018.
Mr. Ko Yuk Bing	His annual basic salary will be revised from HK$6,019,200 to HK$6,260,400 with effect from 1 April 2018.
Mr. Fong Shiu Leung, Keter	His annual basic salary will be revised from HK$3,600,000 to HK$3,744,000 with effect from 1 April 2018.

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
Co-Chairman

Hong Kong, 8 March 2018

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 2017, 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 eleven Directors including four Executive Directors, two 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 *(Co-Chairman)*	Mou Yong	Lau Sai Yung
Zen Wei Peu, Derek *(Co-Chairman)*	Dong Fang	Chow Ming Kuen, Joseph
Ko Yuk Bing *(Deputy Chairman, Managing Director and Chief Executive Officer)*		Tse Chee On, Raymond
		Wong Wai Ho
Fong Shiu Leung, Keter *(Finance Director)*		Zhang Yongliang

With the expertise contributed by each of the Directors of the Company, the Board has a wide spectrum of valuable business experience, knowledge and professionalism for its efficient and effective functioning. Biographical details of the Directors of the Company 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 Messrs. Zen Wei Pao, William and Zen Wei Peu, Derek being brothers, and between each of the Co-Chairmen 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 of the Company. 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 appointment 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 of the Company 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 Co-Chairmen, approves and monitors the 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.

During the year ended 31 December 2017 and up to the date of this report, the Board reviewed the Company's compliance with the Code for the years ended 31 December 2016 and 2017 together with six months ended 30 June 2017, and the Company's disclosures in the Corporate Governance Reports for the years ended 31 December 2016 and 2017.

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 of the Company 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 of the Company at the Board meetings, the meetings of three Board Committees, namely Audit, Nomination and Remuneration Committees, the annual general meeting held on 18 May 2017 and the special general meetings held on 7 June 2017, 7 August 2017 and 15 December 2017 respectively are set out below:

	Meetings attended/held					
Name of Directors	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**Annual General Meeting held on 18 May 2017**	**Special General Meetings held on 7 June, 7 August and 15 December 2017**
Executive Directors						
Zen Wei Pao, William	7/7	–	1/1	3/3	1/1	1/3
Zen Wei Peu, Derek	6/7	–	–	–	1/1	2/3
Ko Yuk Bing	7/7	–	–	–	1/1	2/3
Fong Shiu Leung, Keter	7/7	–	–	–	1/1	3/3
Non-executive Directors						
Lam Wai Hon, Patrick (retired on 18 May 2017)	3/3	1/1	–	–	1/1	–
Mou Yong	3/7	–	–	–	0/1	0/3
Dong Fang	1/7	–	–	–	0/1	0/3
Independent Non-executive Directors						
Lau Sai Yung	7/7	2/2	1/1	3/3	1/1	2/3
Chow Ming Kuen, Joseph	7/7	2/2	1/1	3/3	0/1	2/3
Tse Chee On, Raymond	6/7	1/1*	–	2/3	1/1	2/3
Wong Wai Ho	7/7	2/2	1/1	–	1/1	2/3
Zhang Yongliang	6/7	–	–	–	0/1	0/3

Notes:

"-": Not Applicable
"*": Mr. Tse Chee On, Raymond was appointed as a member of the Audit Committee of the Company with effect from 1 April 2017.

Corporate Governance Report (continued)

Notice of regular Board meetings is given to all Directors of the Company 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 of the Company 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 of the Company 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 the Directors.

Each Director of the Company 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 of the Company 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 of the Company 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 of the Company during the period from 1 January 2017 to 31 December 2017 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	
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.

Co-Chairmen and Chief Executive Officer

The Co-Chairmen of the Company are Messrs. Zen Wei Pao, William and Zen Wei Peu, Derek. The Chief Executive Officer is Mr. Ko Yuk Bing.

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

The role of the Co-Chairmen is to oversee the functioning of the Board and ensure the establishment of strategic direction of the Group. Messrs. Zen Wei Pao, William and Zen Wei Peu, Derek are responsible for leading new business (including investment and asset management business) and existing business endeavors of the Group respectively. The Co-Chairmen provide leadership for the Board and ensure that the Company establishes sound corporate governance practices and procedures. They also encourage all Directors of the Company 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 Co-Chairmen 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 Committees, to oversee particular aspects of the Company's affairs, and 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), Dr. Chow Ming Kuen, Joseph, Mr. Tse Chee On, Raymond and Mr. Wong Wai Ho. All 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 2017 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 2016 and 2017, and the interim results of the Group for the six months ended 30 June 2017;
- 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 2017;
- 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 2017 and 2018 annual general meetings;
- Review of the effectiveness of the internal audit function of the Company;
- Approval of the 2018 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 Policy and Report.

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 2017 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 2017 and up to the date of this report:

- Review and approval of the Company's remuneration policy for 2017 and 2018;
- 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 in 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 2017 are set out in note 11 to the consolidated financial statements of this annual report. The emoluments paid/payable to other senior management for the year ended 31 December 2017 were within the following bands:

	Number of Senior Management
Up to HK$2,000,000	1
HK$2,000,001 to HK$3,000,000	1
HK$3,000,001 to HK$4,000,000	1
HK$4,000,001 to HK$5,000,000	6
HK$5,000,001 to HK$6,000,000	3
HK$6,000,001 to HK$7,000,000	1
HK$7,000,001 to HK$8,000,000	2
HK$8,000,001 to HK$9,000,000	1
HK$9,000,001 to HK$10,000,000	1
HK$10,000,001 to HK$15,000,000	0
HK$15,000,001 to HK$16,000,000	1

Property Business Management Committee

Composition

The Property Business Management Committee currently comprises nine 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 six members of senior management, namely Ms. Chuk Wing Suet, Josephine, Mr. Zhang Nan, Ms. Diao Lu, Amy, Mr. Tsui Wai Tim, Mr. Zhao Min and Mr. Tan Qi.

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 of the Company have confirmed, following specific enquiry that they have complied with the Model Code throughout the year ended 31 December 2017.

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 of the Company 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 of the Company 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 2017 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 2017 are as follows:

Type of Services	**Fee paid/payable** HK$
Audit fee	4,000,000
Non-audit services	
Interim review fee	1,350,000
Other services	1,829,000
Total	7,179,000

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-6.

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 2017. 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 2017. 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 was no change to the memorandum of association of the Company. The Bye-laws was amended by a special resolution at the Company's annual general meeting held on 18 May 2017. The updated versions of the memorandum of association of the Company and the 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 2017 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, China Finance Academic Think Tank – China Finance 40 Forum 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 and village kindergarten 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 Group presents this Environmental, Social and Governance (the "ESG") Report for the year ended 31 December 2017 (the "Reporting Period").

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

The Board of Directors has the overall responsibility for the Group'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 Group has engaged and discussed with various management personnel and other internal key stakeholders to identify and assess relevant ESG issues to the Group. 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 Group
A. Environmental	*A1 Emissions*	• Air Emissions and Water Discharge • Greenhouse Gas Emissions • Waste Management
	A2 Use of Resources	• Energy Conservation • Water Conservation
	A3 The Environment and Natural Resources	• Environmental Risk Management • Construction Materials
B. Social	*B1 Employment*	• Recruitment and Promotion • Working Hours • Remuneration • Equal Opportunity
	B2 Health and Safety	• Workplace Health and Safety
	B3 Development and Training	• Staff Training
	B4 Labour Standards	• Anti-Child and Forced Labour
	B5 Supply Chain Management	• Supplier/Contractor Management
	B6 Product Responsibility	• Product and Service Responsibility • Marketing Ethics • Data Privacy
	B7 Anti-corruption	• Anti-corruption and Money Laundering • Whistle-blowing Mechanism
	B8 Community Investment	• Social Responsibility

A) ENVIRONMENT

A1 Emissions

As a property developer with prominent presence in the People's Republic of China (the "PRC") and Hong Kong, the Group has over 40 property development projects in more than 15 cities with a total gross floor area exceeding 8 million square metres. With a mission to provide quality living to the customers and their families, the Group is committed to protecting the environment and considers this as a key success factor to its projects.

Although the Group itself does not generate significant emissions directly, it strives to minimise the environmental impacts of emissions and wastes from its outsourced construction activities. The Group strictly complies with all environmental-related regulations and makes an effort to meet and exceed the general expectation where possible. During the Reporting Period, there were no material non-compliance cases against environmental laws and regulations noted.

Air Emissions and Water Discharges

The Group is aware of the emissions generated from construction work carried out by its contractors during project development, including dust and sewage containing chemicals, debris and other contaminants. Although the Group does not have direct control over the construction work, as a responsible property developer, the Group 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. Contractors' compliance with such environmental requirements are regularly reviewed by the Group, and mitigation actions are required to be taken by contractors once environmental risks are identified.

Certain measures have been implemented to control air emissions and water discharges from the construction sites as follows:

Air Emissions

- Site supervisors have been assigned to monitor the loading of soil from earth excavation onto the trucks to avoid overloading resulting in blowing dust
- Trucks transporting soil, debris and other dust generating materials have their cargo compartments being covered to prevent blowing dust
- Construction wastes have been prohibited to be burnt onsite, while inflammable wastes have been collected and disposed of timely
- Water sprinkler systems have been deployed to limit blowing dust
- Excavation and other dust generating works have been prohibited under strong wind
- Construction machinery and trucks have been cleaned regularly to prevent dust from dispersing to the neighbourhood
- Construction machinery and trucks complying with emission standards have been used and regularly maintained and tested for compliance
- Utilization of construction machinery and trucks has been planned in an efficient way to reduce residual capacity
- Cleaner fuels (e.g. ultralow Sulphur diesel), which generate less air emissions, have been used for construction machinery

- Electric construction machinery with no air emissions have been used as feasible
- Commercial mortar has been used and on-site mortar mixing are prohibited to reduce dust generation
- Based on site conditions, pavements inside construction sites have been paved with appropriate materials to reduce dust generation, while proper maintenance has been performed
- Newly reclaimed land has been covered to reduce blowing dust
- Barriers have been deployed to prevent dust from dispersing into the neighbourhood
- CCTV and air quality gauges have been installed to monitor air quality at construction sites to ensure air emissions fulfilling the standards of BEAM Plus and other air pollution control regulations

Water discharges

- Drainage system, storing tank and sediment tank have been installed as a 3-tier water discharge control system
- Regular cleaning of sediment tanks has been performed
- Water has been discharged to designated municipal drainage systems after treatment in accordance with the environmental regulations, while the water discharge quality has been accredited by relevant government environmental authorities
- License required by drainage-related authority has been obtained with regular inspections to ensure compliance with discharge standards
- Indirectly reduced water discharge through water conservation measures as stipulated in "Water Conservation" session below

Greenhouse Gas Emissions

The greenhouse gas ("GHG") emissions of the Group are mainly generated from the consumption of fuel and purchased electricity. Please refer to the "Energy Conservation" section below for the amount of GHG emissions as well as the respective reduction initiatives.

Waste Management

The Group has established procedures for waste management and incorporated the 4R-principles of "reduce", "reuse", "recycle" and "replace" in operational procedures in the workplace. As a significant part of the wastes are generated by the construction contractors of which the Group has no direct control, the Group requires contractors to follow its waste management policies and executes proper waste management initiatives. As for the Group's internal operations, the major type of waste is paper, which amounted to approximately 35 tonnes during the Reporting Period.

Certain measures have been implemented to reduce wastes produced and proper handling of wastes at construction sites and offices as follows:

Construction Wastes

- Site supervisors have been assigned to record and monitor the daily waste amount and formulate corresponding control measures
- Domestic and construction wastes (which are further categorized into inert and non-inert wastes) have been separated for handling in accordance with environmental regulations
- Designated areas with clear sign have been arranged for temporary storage of construction wastes
- Recyclable construction materials have been reused to reduce waste generation (e.g. inert wastes such as construction debris and rubbles have been recycled for land formation)
- Materials have been properly covered to avoid wastage due to weather
- Asbestos, a traditional hazardous construction material, has been prohibited
- Construction works have been carried out with proper procedures, advanced techniques (e.g. use of pre-cast materials) and precision to reduce wastage
- Hazardous construction wastes have been stored in covered/sealed containers and with proper labels for identification before collection by qualified contractors
- Non-hazardous construction wastes have been disposed to designated municipal landfills while hazardous construction wastes have been collected and processed by qualified contractors
- Global Positioning System (GPS) locators have been installed on trucks to detect any disposal of construction wastes at unauthorised sites

Administrative Wastes

- Using recycled papers as possible
- Staff have been encouraged to use double-sided printing and single-side printed papers have been collected and reused
- Paperless work practices such as electronic approval have been adopted to reduce the use of papers
- Recycling facilities have been placed in offices for waste separation, while recyclable wastes have been passed to qualified contractors for recycling
- Records of recycling have been maintained and evaluated regularly for improvement
- Staff have been encouraged to bring their own utensils and reuse the stationery as possible
- Only durable food containers, cutlery and cups are used in offices

A2 Use of Resources

To improve the efficiency of the use of resources in business operations, the Group has established practical and specific resources consumption targets, implemented various resource conservation initiatives in operations and encouraged behavioural changes of employees and business partners. The Group believes that promoting environmental protection and enhancing the environmental awareness could bring mutual benefit to the community and the Group, by reducing operating costs and creating long-term value to stakeholders of the Group.

Energy Conservation

Energy consumption is the major source of GHG emissions of the Group. It also contributes a significant part of the operating costs. Therefore, the Group strives to reduce its energy consumption from both environmental and financial perspectives. The strategies of energy conservation are improving equipment's energy efficiency, promoting staff awareness and monitoring of consumption data. The contractors of the Group are also required to follow its energy conservation initiatives as a holistic approach to reduce energy use in their construction activities.

During the Reporting Period, the amount of energy consumed and respective GHG emissions of the Group are summarised as follows:

Type of Energy	Energy Consumption[1]		GHG Emission	
	Quantity Consumed[2]	Intensity (Quantity per headcount)	Quantity (kg CO2e)[3]	Intensity (kg CO2e/ headcount)
Petrol (litre)	216,855	147	587,214	397
Electricity (kWh)	3,815,618	2,580	2,631,068	1,779

Several initiatives have been implemented in construction sites and offices to control energy consumptions as follows:

Construction Sites Energy

- Electrical construction machinery and equipment with high energy efficiency than the diesel ones have been deployed as possible
- Non-essential lightings as well as idle machinery have been switched-off
- Solar panels have been deployed in certain locations to support the lighting systems at the construction sites
- Logistics of raw materials has been planned to improve fuel efficiency in construction sites by the optimisation of capacity and frequency

[1] The Group had direct consumption of diesel and gas of immaterial amounts during the Reporting Period, therefore the relevant disclosures are not applicable.

[2] The amounts represent the energy directly controlled and consumed by the Group during the Reporting Period. Indirect energy consumptions (i.e. those consumed by its contractors, agents and other third parties engaged by the Group) are excluded.

[3] The GHG emissions are calculated with reference to the "Reporting Guidance on Environmental KPIs" issued by the Stock Exchange and the "2016 China Regional Power Grid Baseline Emission Factors" issued by the National Development and Reform Commission.

- Energy conservation construction work plan (i.e. work procedures designed in a more energy efficient way) has been set up and implemented
- Various communications (posters, signs and memos) for promoting energy conservation have been launched to raise construction workers' awareness
- Site supervisors have been assigned to record and monitor the electricity usage and formulate corresponding energy conservation plan

Office Energy

- Energy-friendly electrical appliances and devices, including LED lighting, air-conditioning systems, computers and projectors, have been installed
- Air-conditioning systems have been set such that indoor air temperature should be within a specific range to improve energy efficiency
- Memos reminding timely switch-off of idle electrical appliances have been posted next to the power switches
- Coordinators have been assigned to inspect unnecessary energy consumption
- Fuel consumption of vehicles have been recorded to serves as a performance indicator of drivers' performance evaluation

Meanwhile, to reduce energy consumption in the long run, green elements have been incorporated into project design. The building layouts are designed to maximize utilization of natural light, with facilities operated under smart systems to achieve high energy efficiency. Variable Refrigerant Volume (VRV) systems have also been deployed to reduce energy consumption.

Water Conservation

As a significant part of water is consumed by the Group's contractors during the property development stage, to preserve the precious water resource, the Group has required its contractors to establish certain control measures such as installing sediment tanks and reflux pipes to collect sewage and rain, which will be reused after sedimentation for washing trucks and machinery as well as sprinkling roads to reduce dust.

During the Reporting Period, the water consumed directly by the Group amounted to 256,488 cubic metre[4], representing an intensity of 173 cubic metre/headcount. Several initiatives, such as regular check of unused running taps and leakage from water pipes or faucets, installation of induction faucets washrooms and display of posters advocating water conservation at prominent places, have been implemented for saving water.

As for the Group's property projects, in addition to the above mentioned initiatives, water conservation designs have also been adopted, this includes strengthening the water pipes to reduce the risk of water leakage, deployment of reclaimed water systems to reuse used water for cleaning and watering purposes.

[4] The amount represents water that was directly consumed and controllable by the Group during the Reporting Period. Indirect water consumptions (i.e. water consumed by its contractors, agents and other third parties engaged by the Group) are excluded.

A3 The Environment and Natural Resources

Environmental Risk Management

The Group 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 Group also strictly monitors the environmental risks 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. For example, the Group requires the contractors to implement effective noise and light nuisance control measures, such as installation of acoustic panels and use of focusing lens respectively. Construction works have been properly planned to avoid noise and light nuisance at night while site noises have been closely monitored and recorded.

During the Reporting Period, two of the Group's projects under construction were accredited by the relevant authority for their endeavours in environmental protection. RK Grandtown in Langfang, Hebei Province has been awarded with the "Safe Production, Civilised Construction Standardized Site" award（廊坊市安全生產文明施工標準化工地）while 1-3# Buildings & 6# Building of RK City Phase I in Jinan, Shandong Province have been granted with "Safe Civilised Site" award（濟南市安全文明工地）. Besides, 9#, 10# and 12# Buildings of RK City Phase II in Jinan, Shandong Province have granted "Safe Civilised Site" award（濟南市安全文明工地主體階段驗收）for the inspection of the main building construction.

Furthermore, all projects of the Group in Hong Kong have participated in the BEAM Plus programme to reduce environmental impacts arising from the construction work.

Construction Materials

In addition to the one-off environmental impacts from construction activities, the Group concerns about the on-going impacts arising from the construction materials used. To ensure indoor air quality, construction materials used should comply with requirements of the "Code for Indoor Environmental Pollution Control of Civil Building Engineering"(《民用建築工程室內環境污染控制規範》) in the PRC. Materials imposing harmful effects on human health or environment are strictly prohibited, for instance, moisture proof agents consist of asphalt cannot be used on wooden materials.

B) SOCIAL

B1 Employment

Recruitment and Promotion

The Group values people and aims at attracting talents who share the mission and value of the Group. 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 the Group 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 Group. Such integrated approach is considered beneficial to the development of both the staff and the Group itself.

Working Hours

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

Remuneration

The Group offers remuneration packages to its staff in accordance with their duties and in line with market practice and salary levels. Individual employees' remunerations are determined according to their performance and contribution. The Group 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 Group is committed to providing a non-discriminating workplace which is free of intimidation and harassment. The Group also provides equal opportunities in all aspects of employment regardless of gender, race, ethnic origin, religion, marital status or disabilities.

All of the Group'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 material cases of non-compliance against employment-related laws and regulations noted.

B2 Health and Safety

Workplace Health and Safety

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

The Group'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 Group 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 risks at construction sites. Contractors' performance in this regard is taken into account during contractor selection process.

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

B3 Development and Training

Staff Training

The Group provides continuous training and development programmes for employees. The Group regularly identifies and assesses the training needs of different departments and positions so as to design appropriate and practical training programmes 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 Group 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 Group also values the feedbacks from employees so the Group establishes a systematic approach to collect and analyse the feedbacks of training programmes for enhancement.

B4 Labour Standards

Anti-Child and Forced Labour

The Group is committed to forbidding unlawful employment and exploitation of child labour in the workplace and use of forced labour. The Group ensures the employment practices are in compliance with the national and local laws and regulations. No teenagers under the statutory minimum working age 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 ages and identities and sign the employment contracts voluntarily.

During the Reporting Period, there were no material 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 Group's quality control. The Group implements strict supplier and contractor selection process to ensure they deliver high quality work which forms the foundation of quality products and services. The Group 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 Group can evaluate and monitor how the suppliers and/or contractors deal with ethical issues, human rights, product responsibility and environmental impacts. The Group requires suppliers and contractors to follow the Group's policy regarding corporate social responsibility when carrying out their contractual duties.

B6 Product Responsibility

Product and Service Responsibility

The Group is committed to providing the customers with quality products and services. The Group 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 Group has established a set of quality standards which have been regularly reviewed to maintain an awareness and conformance to national and local laws and voluntary codes.

Marketing Ethics

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

Data Privacy

The Group respects the privacy of its customers and maintains the highest level of accuracy, security and confidentiality. To this end, the Group 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 Group from inappropriate collection, holding, processing or use of the customer data.

During the Reporting Period, there was no material 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 Group believes that integrity and honesty are of paramount importance to gain the trust and respect from stakeholders of the Group. Therefore, the Group 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 Group 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 litigations arisen from the corruption of the Group's staff.

B8 Community Investment

Social Responsibility

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

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

Furthermore, the Group 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 Group has been launching 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 with 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) and 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 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 Group 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 and village kindergarten in the ethnic community of the western regions. In recognition of the Group's efforts, 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）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 Group commits to fulfilling its corporate social responsibility continuously by devoting resources and participating in social welfare activities.

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

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
Zhao Min
Tan Qi

AUDIT COMMITTEE

Lau Sai Yung *(Chairman)*
Chow Ming Kuen, Joseph
Tse Chee On, Raymond
Wong Wai Ho

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Fong Shiu Leung, Keter

AUDITOR

Deloitte Touche Tohmatsu

SOLICITORS

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

PRINCIPAL BANKERS

The PRC

Agricultural Bank of China Limited
China Bohai Bank
Industrial and Commercial Bank of China Limited
PingAn Bank Co., Ltd.

Hong Kong

China CITIC Bank International 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
- US$300 million 7% senior guaranteed perpetual capital securities

The following bonds are listed on the Shanghai Stock Exchange

- RMB1.5 billion 4.5% domestic bonds due 2019

INVESTOR RELATIONS

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WEBSITES

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

Deloitte. 德勤

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-7 to F-95, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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.

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's 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 2017 amounted to approximately HK$14,098 million, which is disclosed in Note 5 to the consolidated financial statements, representing 96% 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 sale 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 sale and purchase agreements, the relevant completion certificate for construction work, the delivery notice sent to the purchasers and the settlement status of the consideration.

Key audit matter	How our audit addressed the key audit matter
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. The Group's PUD of approximately HK$24,675 million and PFS of approximately HK$5,541 million are situated in the PRC as at 31 December 2017 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.	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 to the actual development cost of similar completed properties of the Group and comparing the adjustments made by the management to current market data; • Assessing the 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 the 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.

Key audit matter	How our audit addressed the key audit matter
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 8 to the consolidated financial statements, the amortisation of toll road operation rights for the year ended 31 December 2017 amounted to approximately HK$230 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. 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.	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 traffic flow projection prepared by the management, 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 traffic flow projection prepared by the management.

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 HKSAs 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.

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.

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
8 March 2018

Consolidated Statement of Profit or Loss

For the year ended 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
Revenue	5	**14,755,770**	16,841,585
Cost of sales		**(8,840,203)**	(12,619,518)
Gross profit		**5,915,567**	4,222,067
Interest income		**379,747**	150,114
Other income		**60,261**	48,200
Other gains and losses	7	**264,731**	(66,268)
Selling expenses		**(507,291)**	(520,553)
Administrative expenses		**(769,625)**	(610,547)
Share of result of an associate		**(9,598)**	(1,689)
Share of results of joint ventures	8	**470,963**	395,553
Finance costs	9	**(363,367)**	(371,585)
Profit before taxation	10	**5,441,388**	3,245,292
Income tax expenses	12	**(2,965,394)**	(1,871,696)
Profit for the year		**2,475,994**	1,373,596
Profit for the year attributable to:			
Owners of the Company		**1,943,703**	1,250,075
Owners of perpetual capital securities		**246,621**	–
Non-controlling interests		**285,670**	123,521
		2,475,994	1,373,596
Earnings per share	14		
– Basic		**HK$2.61**	HK$1.69
– Diluted		**HK$2.61**	HK$1.69

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
Profit for the year	**2,475,994**	1,373,596
Other comprehensive income (expense)		
Item that will not be reclassified subsequently to profit or loss:		
Exchange differences arising on translation to presentation currency	**916,692**	(821,133)
Total comprehensive income for the year	**3,392,686**	552,463
Total comprehensive income for the year attributable to:		
Owners of the Company	**2,806,710**	491,604
Owners of perpetual capital securities	**246,621**	–
Non-controlling interests	**339,355**	60,859
	3,392,686	552,463

Consolidated Statement of Financial Position

At 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**121,137**	42,531
Investment properties	16	**2,583,810**	2,468,194
Interest in an associate	17	**825,405**	799,192
Interests in joint ventures	18	**6,464,609**	4,564,980
Deferred tax assets	29	**40,907**	29,968
Amounts due from joint ventures	19	**8,270,231**	1,185,114
Loan receivables	20	**1,115,465**	261,959
Long-term prepayments	23	**70,020**	–
		19,491,584	9,351,938
Current assets			
Inventory of properties	21	**30,216,830**	26,283,708
Prepayment for land leases	22	**186,524**	1,102,355
Amounts due from joint ventures	19	**6,622,181**	2,035,678
Loan receivables	20	**744,203**	200,634
Debtors, deposits and prepayments	23	**3,082,346**	2,231,787
Prepaid income tax		**635,347**	582,387
Other financial assets	32	**5,889**	396,918
Pledged bank deposits	24	**198,337**	165,909
Bank balances and cash	24	**8,552,217**	8,048,817
		50,243,874	41,048,193
Total assets		**69,735,458**	50,400,131

Consolidated Statement of Financial Position

At 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	25	**74,814**	73,994
Reserves		**15,560,264**	13,217,837
		15,635,078	13,291,831
Perpetual capital securities	33	**4,633,096**	–
Non-controlling interests		**1,346,252**	940,797
Total equity		**21,614,426**	14,232,628
Non-current liabilities			
Bank and other borrowings	27	**15,818,724**	11,729,547
Loans from non-controlling interests of subsidiaries	28	**–**	77,904
Deferred tax liabilities	29	**784,083**	649,305
		16,602,807	12,456,756
Current liabilities			
Creditors and accrued charges	30	**8,362,246**	6,784,521
Amounts due to joint ventures and an associate	31	**779,411**	717,659
Deposits from pre-sale of properties		**15,356,682**	8,747,284
Income tax payable		**2,445,243**	1,409,744
Bank and other borrowings	27	**4,574,643**	5,847,427
Loans from non-controlling interests of subsidiaries	28	**–**	204,112
		31,518,225	23,710,747
Total equity and liabilities		**69,735,458**	50,400,131

The consolidated financial statements on pages F-7 to F-95 were approved and authorised for issue by the Board of Directors on 8 March 2018 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 2017

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Foreign currency translation reserve HK$'000	Special reserve HK$'000 (Note a)	Share option reserve HK$'000	Statutory reserve HK$'000 (Note b)	Retained profits HK$'000	Sub-total HK$'000	Perpetual capital securities HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2016	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	–	–	–	–	–	–	–	–	–	59,468	59,468
Cancellation/lapse of share options	–	–	–	–	(122)	–	122	–	–	–	–
Dividends (note 13)	–	–	–	–	–	–	(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
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**1,943,703**	**1,943,703**	**246,621**	**285,670**	**2,475,994**
Exchange differences arising on translation to presentation currency	**–**	**–**	**863,007**	**–**	**–**	**–**	**–**	**863,007**	**–**	**53,685**	**916,692**
Total comprehensive income for the year	**–**	**–**	**863,007**	**–**	**–**	**–**	**1,943,703**	**2,806,710**	**246,621**	**339,355**	**3,392,686**
Sub-total	**73,994**	**3,152,986**	**1,772,340**	**1,260,000**	**6,214**	**1,528,635**	**8,304,372**	**16,098,541**	**246,621**	**1,280,152**	**17,625,314**
Issue of ordinary shares upon exercise of share options	**820**	**62,641**	**–**	**–**	**(4,996)**	**–**	**–**	**58,465**	**–**	**–**	**58,465**
Cancellation/lapse of share options	**–**	**–**	**–**	**–**	**(487)**	**–**	**487**	**–**	**–**	**–**	**–**
Capital contributions from non-controlling interests of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**66,100**	**66,100**
Issue of perpetual capital securities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,560,703**	**–**	**4,560,703**
Dividends paid for perpetual capital securities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(174,228)**	**–**	**(174,228)**
Dividends (note 13)	**–**	**–**	**–**	**–**	**–**	**–**	**(521,928)**	**(521,928)**	**–**	**–**	**(521,928)**
Appropriation	**–**	**–**	**–**	**–**	**–**	**651,731**	**(651,731)**	**–**	**–**	**–**	**–**
Balance at 31 December 2017	**74,814**	**3,215,627**	**1,772,340**	**1,260,000**	**731**	**2,180,366**	**7,131,200**	**15,635,078**	**4,633,096**	**1,346,252**	**21,614,426**

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 Company and its subsidiaries (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 2017

	2017 HK$'000	2016 HK$'000
Operating activities		
Profit before taxation	**5,441,388**	3,245,292
Adjustments for:		
Depreciation of property, plant and equipment	**13,524**	14,305
Fair value gains on transfer of completed properties held for sale to investment properties	**(1,374)**	–
Change in fair value of investment properties	**(111,953)**	(77,617)
Change in fair value of other financial assets	**349,528**	(429,357)
Net exchange (gains) losses	**(443,442)**	573,639
Interest income	**(379,747)**	(150,114)
Finance costs	**363,367**	371,585
Gains on disposal of subsidiaries	**(56,731)**	–
Share of result of an associate	**9,598**	1,689
Share of results of joint ventures	**(470,963)**	(395,553)
Gains on disposal of property, plant and equipment, net	**(759)**	(397)
Operating cash flows before movements in working capital	**4,712,436**	3,153,472
Increase in debtors, deposits and prepayments	**(337,311)**	(1,070,347)
(Increase) decrease in completed properties held for sale	**(6,652)**	1,162,438
Decrease in properties under development for sale	**71,684**	4,285,601
Increase in creditors and accrued charges	**1,118,191**	191,161
Increase in deposits from pre-sale of properties	**6,205,503**	2,199,834
Payment for land leases	**(1,292,436)**	(2,343,475)
Cash generated from operations	**10,471,415**	7,578,684
Income tax paid	**(2,030,367)**	(1,205,461)
Net cash generated from operating activities	**8,441,048**	6,373,223

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
Investing activities			
Cash distributions/dividends received from joint ventures		**638,105**	534,392
Acquisition of an investment property		**–**	(286,303)
Additions to investment properties		**(57,110)**	(70,615)
Interest received		**63,829**	158,630
Proceeds on disposal of property, plant and equipment		**1,673**	487
Proceeds on disposal of investment properties		**53,031**	11,231
Net cash outflow from acquisition of subsidiaries	39	**(240,987)**	(53,063)
Net cash inflow from disposal of subsidiaries	40	**55,310**	–
Net cash inflow from disposal of interest in a joint venture		**–**	70,281
Additions to loan receivables		**(1,431,097)**	(384,966)
Repayment of loan receivables		**209,711**	13,489
Purchases of property, plant and equipment		**(29,417)**	(14,723)
Net receipts (payment) from other financial assets/liabilities		**41,158**	(218,514)
Advances to joint ventures		**(11,128,991)**	(2,884,427)
Repayment from joint ventures		**413,454**	876,680
Settlement of consideration payables		**(56,151)**	–
(Increase) decrease in pledged bank deposits		**(24,923)**	88,976
Decrease (increase) in restricted bank balances		**166,568**	(365,396)
Capital contribution to an associate		**(686,907)**	(117,646)
Acquisition of joint ventures		**(1,646,134)**	(420,751)
Capital contributions to joint ventures		**(156,606)**	–
Net cash used in investing activities		**(13,815,484)**	(3,062,238)
Financing activities			
New borrowings raised		**10,425,462**	14,976,250
Repayment of borrowings		**(7,960,564)**	(11,707,248)
Issue of perpetual capital securities		**4,560,703**	–
Capital contributions from non-controlling interests of subsidiaries		**66,100**	–
Repayment of loans from non-controlling interests of subsidiaries		**(294,774)**	(329,035)
Advances from joint ventures and associate		**716,193**	–
Dividends paid for perpetual capital securities		**(174,228)**	–
Issue of ordinary shares		**58,465**	–
Dividends paid		**(521,928)**	(355,170)
Interest paid		**(1,195,138)**	(1,081,168)
Net cash from financing activities		**5,680,291**	1,503,629
Net increase in cash and cash equivalents		**305,855**	4,814,614
Cash and cash equivalents at beginning of the year		**7,290,782**	2,651,312
Effect of foreign exchange rate changes		**329,821**	(175,144)
Cash and cash equivalents at end of the year, represented by bank balances and cash	34	**7,926,458**	7,290,782

1. GENERAL

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

The Company acts as an investment holding company. The principal activities of the Group are the operation of property development, investment and asset management businesses in Hong Kong and the PRC and the development, operation and management of toll roads through the infrastructure joint ventures in the PRC. The principal activities of the major subsidiaries, an associate and joint ventures are detailed in notes 47, 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 REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

Except as described below, 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 the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 "Disclosure Initiative"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 38. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 38, the application of these amendments has had no impact on the Group's consolidated financial statements.

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

Amendments to HKAS 7 "Disclosure Initiative" *(Continued)*

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[3]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
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 9	Prepayment Features with Negative Compensation[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[3]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[3]

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 2021.

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

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.

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

HKFRS 9 "Financial Instruments" *(Continued)*

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 financial assets are measured at their fair value at 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;

- 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.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the Directors anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement

All financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

In general, the Directors anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group. If the expected credit loss model were to be applied, the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 may be slightly increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on loan receivables, amounts due from joint ventures and debtors, deposits and prepayments. If further impairment is recognised under expected credit loss model, it may reduce the opening retained profits and increase the deferred tax assets at 1 January 2018.

Based on the assessment by the Directors, they anticipate that the application of HKFRS 9 will have no material financial impacts on the results and the financial position of the Group.

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

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 have assessed the impact on application of HKFRS 15 and anticipate an impact on revenue from the sale of properties and the following areas:

- The Group has considered all the relevant facts and circumstances in assessing whether the property sales contracts contain significant financing component, including the difference between the amount of promised consideration and the cash selling price of the property; and the combined effect of the expected length of time between the Group transferring the property to the customer and the customer paying for the property and the prevailing interest rates in the relevant market. The Group has applied the practical expedient in HKFRS 15 and has not considered the financing component of contracts which are expected to be completed within one year from the date of payment made by customers. Based on the assessment of the Directors, the significant financing component included in the property sales contracts would not have material impact on the retained earnings of the Group at 1 January 2018. However, it may have potential financial impact on the opening balance of inventory of properties and pre-sale deposits of the Group at 1 January 2018.

- Currently, the Group expensed off the costs associated with obtaining the property sales contracts with customers. Under the requirement of HKFRS 15, incremental costs of obtaining a contract is eligible for capitalisation as deferred contract costs if they meet certain criteria. Based on the assessment of the Directors, the amount of deferred contract costs at 1 January 2018 was insignificant to the Group.

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

HKFRS 15 "Revenue from Contracts with Customers" *(Continued)*

In addition, the application of HKFRS 15 in future may result in more disclosures in the consolidated financial statements.

The Directors intend to apply the limited retrospective method with cumulative effect of initial application recognised in opening balance of equity at 1 January 2018.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related Interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by leases, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and interest portion which will be both presented as financing cash flows by the Group.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of HK$34,943,000 as disclosed in note 41. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosures as indicated above.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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 at the end of each reporting period, as explained in the accounting policies set out below.

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For investment properties which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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 item of other comprehensive income are attributed to the owners of the Company, to the owners of the perpetual capital securities and to the non-controlling interests. Total comprehensive income and expense of subsidiaries attributed to the owners of the Company, to the owners of the perpetual capital securities and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised, 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 carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. 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, or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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/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 of the following conditions are satisfied:

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

Sale of properties

Revenue from sale of properties is recognised when the development of the relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sale and purchase 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Property, plant and equipment

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

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

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

Investment properties

Investment properties are 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 properties 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 an associate 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Interests in an associate and joint ventures *(Continued)*

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 accounting 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Interests in an associate and joint ventures *(Continued)*

Toll road operation rights 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 period 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 relevant asset is estimated in order to determine the extent of the impairment loss, if any.

When it is possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measureable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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).

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 the Group makes payments for a property interest which includes both leasehold 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 property is accounted for as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and buildings element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as prepaid 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 leasehold land and building elements, the entire property is generally classified as if the leasehold land is under financial lease.

Retirement benefit costs

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

Taxation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Taxation *(Continued)*

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments

Financial assets and financial liabilities are recognised 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 debt instrument 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 debt instrument, or, where appropriate, a shorter period to the net carrying amount of initial recognition.

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

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including 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).

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment loss on financial assets

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

Objective evidence of impairment could include:

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments
Debt 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 an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

A financial instrument issued by a group entity, which includes no contractual obligation for the Group to deliver cash or other financial assets to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavourable to the Group, is classified as an equity instrument and is initially recorded at the proceeds received.

Perpetual capital securities issued by the Group that have the above characteristics are classified as equity instruments.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(Continued)*

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 terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as FVTPL, are subsequently measured 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, where appropriate, cumulative amortisation recognised over the guarantee period.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Share-based payment transactions

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Amortisation of toll road operation rights

Amortisation of toll road operation rights of the Group's infrastructure joint ventures is calculated based on the traffic volume for a particular year to the projected total traffic volume throughout the operating years of the respective toll roads. 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 2017 is HK$3,409,565,000 (2016: HK$3,341,836,000).

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

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 analysis 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 2017 is HK$24,675,473,000 (2016: HK$20,826,040,000).

In addition, management exercises its judgment in making allowance for inventory of completed properties held for sale 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 properties 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 2017 is HK$5,541,357,000 (2016: HK$5,457,668,000).

Fair value measurements and valuation processes

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

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

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments and investment properties. Notes 37(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.

Land appreciation tax

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain projects of the Group have not finalised their land appreciation tax calculations and payments with the local tax authorities in the PRC. Accordingly, significant estimate is required in determining the amount of land appreciation and its related income tax provisions. The Group recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalised with local tax authorities.

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

Estimated impairment of loan receivables

When there is an objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of the Group's loan receivables at 31 December 2017 is HK$1,859,668,000 (2016: HK$462,593,000).

5. REVENUE

	2017	2016
	HK$'000	HK$'000
Revenue of the Group		
Sale of completed properties held for sale	**14,097,717**	16,450,805
Gross rental income from properties	**130,563**	77,373
Property management income	**392,859**	313,407
Fund management and investment income and others	**134,631**	–
	14,755,770	16,841,585
Group's share of toll revenue of infrastructure joint ventures	**1,332,329**	1,238,543
Revenue of the Group and Group's share of toll revenue of infrastructure joint ventures	**16,088,099**	18,080,128

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
Investment and asset management (note)	–	property development and investment, integrated with funds, cultural attraction and tourism and indoor entertainment businesses

No other operating segments have been aggregated in arriving at the reportable segments of the Group.

Note: In 2017, the Group increased the resources allocation and contribution to a newly established investment and asset management segment. Comparing with the traditional property development business, this segment targets on the property investment opportunities based on the collaboration with other business partners and mainly financed by using fund structure. The property development business may be integrated with the cultural attraction and tourism and indoor entertainment businesses. It becomes the new operating and reporting segment of the Group in 2017 and the comparative segment information has been restated accordingly to achieve consistent presentation in both years.

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

	2017				2016			
	Property development and investment HK$'000	**Toll road HK$'000**	**Investment and asset management HK$'000**	**Total HK$'000**	Property development and investment HK$'000 (restated)	Toll road HK$'000	Investment and asset management HK$'000 (restated)	Total HK$'000
Segment revenue	**14,414,002**	**–**	**341,768**	**14,755,770**	16,738,585	–	103,000	16,841,585
Segment profit	**1,999,848**	**414,595**	**114,856**	**2,529,299**	1,096,118	333,122	36,000	1,465,240
Segment assets (including interests in joint ventures and an associate)	**54,807,629**	**4,518,538**	**8,975,235**	**68,301,402**	38,633,945	3,907,356	6,452,000	48,993,301
Segment liabilities	**(42,422,077)**	**(66,585)**	**(4,071,992)**	**(46,560,654)**	(31,379,653)	(47,033)	(3,061,000)	(34,487,686)

6. SEGMENT INFORMATION *(CONTINUED)*

(a) Measurement

The accounting policies of the operating and reportable 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, gains on disposal of subsidiaries, 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, net exchange gains (losses), depreciation of property, plant and equipment, relevant interest income, 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, long-term prepayments, 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.

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

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

6. SEGMENT INFORMATION *(CONTINUED)*

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

	2017 HK$'000	2016 HK$'000 (restated)
Total segment profit	**2,529,299**	1,465,240
Unallocated items:		
Interest income	**3,051**	4,498
Corporate income	**183**	–
Corporate expenses	**(6,435)**	(38,377)
Finance costs	**(50,104)**	(57,765)
Consolidated profit for the year	**2,475,994**	1,373,596
Total segment assets	**68,301,402**	48,993,301
Unallocated assets:		
Property, plant and equipment	**50**	79
Deposits and prepayments	**6,656**	2,361
Other financial assets	**1,177**	66,286
Bank balances and cash	**1,426,173**	1,338,104
Consolidated total assets	**69,735,458**	50,400,131
Total segment liabilities	**(46,560,654)**	(34,487,686)
Unallocated liabilities:		
Accrued charges	**(105,733)**	(135,059)
Bank and other borrowings	**(1,454,645)**	(1,544,758)
Consolidated total liabilities	**(48,121,032)**	(36,167,503)

6. SEGMENT INFORMATION *(CONTINUED)*

(c) Other segment information

	2017 Property development and investment HK$'000	2017 Toll road HK$'000	2017 Investment and asset management HK$'000	2017 Unallocated HK$'000	2017 Consolidated total HK$'000	2016 Property development and investment HK$'000 (restated)	2016 Toll road HK$'000	2016 Investment and asset management HK$'000 (restated)	2016 Unallocated HK$'000	2016 Consolidated total HK$'000
Amounts included in the measure of segment profit or segment assets:										
Interest income	**345,328**	**7,742**	**23,626**	**3,051**	**379,747**	113,572	10,688	21,356	4,498	150,114
Gains on disposal of subsidiaries	**29,393**	**–**	**27,338**	**–**	**56,731**	–	–	–	–	–
Fair value gains on transfer of completed properties held for sale to investment properties	**–**	**–**	**1,374**	**–**	**1,374**	–	–	–	–	–
Change in fair value of investment properties	**(9,426)**	**–**	**121,379**	**–**	**111,953**	61,391	–	16,226	–	77,617
Depreciation	**(12,873)**	**(233)**	**(368)**	**(50)**	**(13,524)**	(12,535)	(249)	(1,320)	(201)	(14,305)
Finance costs	**(278,789)**	**–**	**(34,474)**	**(50,104)**	**(363,367)**	(307,111)	(3,084)	(3,625)	(57,765)	(371,585)
Income tax expenses	**(2,861,550)**	**(27,636)**	**(76,208)**	**–**	**(2,965,394)**	(1,832,778)	(25,526)	(13,392)	–	(1,871,696)
Share of result of an associate	**–**	**–**	**(9,598)**	**–**	**(9,598)**	–	–	(1,689)	–	(1,689)
Share of results of joint ventures	**(35,917)**	**533,994**	**(27,114)**	**–**	**470,963**	(4,633)	408,670	(8,484)	–	395,553
Interest in an associate	**–**	**–**	**825,405**	**–**	**825,405**	–	–	799,192	–	799,192
Interests in joint ventures	**2,281,303**	**3,409,565**	**773,741**	**–**	**6,464,609**	756,224	3,341,836	466,920	–	4,564,980
Additions to non-current assets during the year	**1,524,708**	**107**	**365,208**	**–**	**1,890,023**	324,028	165,743	1,649,443	–	2,139,214

(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.

(e) Information about geographical areas

All of the Group's revenue is attributable to customers in the PRC and over 85% of the Group's total non-current assets (excluding deferred tax assets) 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 and investment and asset management business, there was no customer who accounted for over 10% of the total revenue generated from the relevant operating and reportable segments.

7. OTHER GAINS AND LOSSES

	2017 HK$'000	2016 HK$'000
Net exchange gains (losses)	**443,442**	(573,639)
Change in fair value of other financial assets	**(349,528)**	429,357
	93,914	(144,282)
Gains on disposal of subsidiaries	**56,731**	–
Gains on disposal of property, plant and equipment	**759**	397
Fair value gains on transfer of completed properties held for sale to investment properties	**1,374**	–
Change in fair value of investment properties	**111,953**	77,617
	264,731	(66,268)

8. SHARE OF RESULTS OF JOINT VENTURES

	2017 HK$'000	2016 HK$'000
Share of profits of infrastructure joint ventures before amortisation and taxation	**948,451**	809,184
Less share of: Amortisation of toll road operation rights	**(229,718)**	(256,385)
Income tax expenses	**(184,739)**	(144,129)
	533,994	408,670
Share of losses of other joint ventures	**(63,031)**	(13,117)
	470,963	395,553

9. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on borrowings	**1,116,685**	1,107,129
Interest on loans from non-controlling interests of subsidiaries	**4,321**	29,049
Premium paid for early redemption of senior notes	**–**	77,552
Other finance costs	**142,154**	97,261
	1,263,160	1,310,991
Less: Capitalised in properties under development for sale	**(899,793)**	(939,406)
	363,367	371,585

Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 5.10% (2016: 7.23%) per annum to expenditure on qualifying assets.

10. PROFIT BEFORE TAXATION

	2017 HK$'000	2016 HK$'000
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**14,350**	15,004
Less: Capitalised in properties under development for sale	**(826)**	(699)
	13,524	14,305
Minimum lease payments paid under operating lease rentals in respect of land and buildings	**19,388**	19,161
Salaries and other benefits	**699,963**	587,397
Provident fund scheme contributions, net of forfeited contributions of HK$53,000 (2016: HK$287,000)	**99,624**	70,797
Less: Capitalised in properties under development for sale	**(179,986)**	(136,223)
Total staff costs (excluding Directors' emoluments)	**619,601**	521,971
Audit fee	**4,000**	3,980
Cost of inventory of properties recognised as an expense	**8,474,068**	12,327,100
and after crediting:		
Bank interest income	**48,929**	35,564

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	2017 Total HK$'000
Executive Directors						
Zen Wei Pao, William		–	6,991	31,405	699	39,095
Zen Wei Peu, Derek		–	4,422	7,483	12	11,917
Ko Yuk Bing	(a)	–	7,583	25,783	598	33,964
Fong Shiu Leung, Keter		–	3,552	8,735	355	12,642
Non-executive Directors						
Lam Wai Hon, Patrick	(d)	161	–	–	–	161
Mou Yong		323	–	–	–	323
Dong Fang		323	–	–	–	323
Independent Non-executive Directors						
Lau Sai Yung		569	–	–	–	569
Chow Ming Kuen, Joseph		559	–	–	–	559
Tse Chee On, Raymond		470	–	–	–	470
Wong Wai Ho		477	–	–	–	477
Zhang Yongliang		323	–	–	–	323
		3,205	22,548	73,406	1,664	100,823

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	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

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. Lam Wai Hon, Patrick retired as a Non-executive Director of the Company with effect from the conclusion of the annual general meeting of the Company held on 18 May 2017.

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 years.

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 2017 and 31 December 2016 are shown in the Directors' report.

Details of the emoluments of the five highest paid individuals of the Group included 4 (2016: 4) individuals who are Executive Directors of the Company throughout the year and their emoluments are included above. For the remaining one highest paid individual as a staff of the Group, the salaries and allowances, performance related bonus and retirement benefit contributions for the year ended 31 December 2017 were HK$3,103,000 (2016: HK$4,111,000), HK$11,954,000 (2016: HK$4,682,000) and HK$306,000 (2016: HK$411,000), respectively.

12. INCOME TAX EXPENSES

	2017 **HK$'000**	2016 HK$'000
Current tax:		
PRC enterprise income tax ("EIT")	**1,177,316**	859,766
PRC land appreciation tax ("LAT")	**1,625,210**	791,185
PRC withholding tax	**70,350**	63,820
	2,872,876	1,714,771
Deferred tax (note 29)	**92,518**	156,925
	2,965,394	1,871,696

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.

12. INCOME TAX EXPENSES *(CONTINUED)*

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

	2017	2016
	HK$'000	HK$'000
Profit before taxation	**5,441,388**	3,245,292
Tax at the applicable income tax rate of 25% (2016: 25%) (note)	**1,360,347**	811,323
LAT provision	**1,625,210**	791,185
Tax effect of LAT	**(406,303)**	(197,796)
Tax effect of expenses not deductible for tax purpose	**334,948**	364,021
Tax effect of income not taxable for tax purpose	**(31,171)**	(2,171)
Tax effect of share of result of an associate	**2,400**	422
Tax effect of share of results of joint ventures	**(117,741)**	(98,888)
Tax effect of tax losses not recognised	**26,077**	27,411
Tax effect of utilisation of tax losses previously not recognised	**(30,968)**	(9,394)
Deferred tax on undistributed earnings of PRC subsidiaries and joint ventures	**106,011**	99,738
PRC withholding tax	**70,350**	63,820
Effect of different tax rates of subsidiaries operating in other jurisdictions	**2,458**	708
Others	**23,776**	21,317
Income tax for the year	**2,965,394**	1,871,696

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

	2017 HK$'000	2016 HK$'000
2016 final dividend paid of HK$0.55 (2016: 2015 final dividend of HK$0.35) per share	**409,962**	258,978
2017 interim dividend paid of HK$0.15 (2016: 2016 interim dividend of HK$0.13) per share	**111,966**	96,192
	521,928	355,170

Subsequent to the end of the reporting period, a final dividend in respect of 2017 of HK$0.78 per share amounting to a total of approximately HK$584 million has been proposed by the Board on 8 March 2018. 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 748,286,566 shares in issue as at 8 March 2018.

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:

	2017 HK$'000	2016 HK$'000
Earnings for the purposes of basic and diluted earnings per share attributable to owners of the Company	**1,943,703**	1,250,075

	2017 Number of shares '000	2016 Number of shares '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**744,645**	739,937
Effect of dilutive potential ordinary shares: Share options	**1,043**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**745,688**	739,937

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 prior year.

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 2016	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**
Additions	**–**	**13,738**	**8,781**	**6,898**	**29,417**
Transfer from investment properties	**38,460**	**31,778**	**–**	**–**	**70,238**
Acquisition of subsidiaries	**–**	**–**	**–**	**774**	**774**
Disposal of subsidiaries	**–**	**–**	**(29)**	**(8,784)**	**(8,813)**
Disposals	**–**	**–**	**(483)**	**(5,321)**	**(5,804)**
Exchange adjustments	**34**	**1,674**	**2,964**	**4,056**	**8,728**
At 31 December 2017	**39,260**	**84,210**	**58,737**	**39,667**	**221,874**
Depreciation					
At 1 January 2016	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**
Charge for the year	**1,647**	**2,202**	**5,771**	**4,730**	**14,350**
Eliminated on disposal of subsidiaries	**–**	**–**	**(1)**	**(1,224)**	**(1,225)**
Eliminated on disposals	**–**	**–**	**(434)**	**(4,456)**	**(4,890)**
Exchange adjustments	**93**	**1,182**	**2,657**	**3,767**	**7,699**
At 31 December 2017	**2,506**	**25,161**	**44,170**	**28,900**	**100,737**
Carrying values					
At 31 December 2017	**36,754**	**59,049**	**14,567**	**10,767**	**121,137**
At 31 December 2016	–	15,243	11,327	15,961	42,531

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 5 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.

16. INVESTMENT PROPERTIES

	2017	2016
	HK$'000	HK$'000
Completed properties, at fair value		
At 1 January	**2,468,194**	2,193,098
Addition during the year	**57,110**	70,615
Acquisition of an investment property	**–**	286,303
Transfer from completed properties held for sale (note (a))	**556**	291
Transfer to property, plant and equipment (note (b))	**(70,238)**	–
Adjustment to the acquisition cost of an investment property (note (c))	**(47,812)**	–
Disposal during the year	**(53,031)**	(11,231)
Fair value gains on transfer of completed properties held for sale to investment properties	**1,374**	–
Change in fair value recognised in profit or loss	**111,953**	77,617
Exchange difference arising on translation to presentation currency	**115,704**	(148,499)
At 31 December	**2,583,810**	2,468,194
Unrealised gain on property revaluation included in profit or loss (included in other gains and losses)	**125,513**	76,464

Notes:

(a) 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.

(b) It was transferred from investment properties to property, plant and equipment due to the change in use from operating leases to owner-occupied property.

(c) In June 2016, the Group entered into an asset acquisition agreement with the independent vendors, to acquire an investment property located in Suzhou at a consideration of RMB255,810,000. The consideration shall be settled by instalments based on the progress for the fulfilment of certain conditions of the investment property set out in the agreement. As certain conditions of the investment property were not fulfilled, the final amount of consideration was reduced by RMB40,162,000 (equivalent to HK$47,812,000) and therefore, the carrying amount of investment properties and the accruals were reduced by the aforesaid amount.

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 2017 and 31 December 2016 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.

16. INVESTMENT PROPERTIES *(CONTINUED)*

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

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, 2 and 3) based on the degree to which the inputs to the fair value measurements is observable.

Investment properties held by the Group	Fair value 31 December 2017 HK$'000	 31 December 2016 HK$'000	Fair value hierarchy (note)	Valuation techniques and key inputs	Significant unobservable inputs	Sensitivity
Completed properties – Commercial properties and shopping mall	**2,511,072**	2,162,299	Level 3	Income capitalisation of the net income and made provisions for reversionary income potential	1. Term yield 2017: 5% – 6.5% 2016: 5% – 6.5%	The higher the term yield, the lower the fair value
					2. Reversionary yield 2017: 5.5% – 7% 2016: 6% – 7%	The higher the reversionary yield, the lower the fair value
					3. Market monthly rental rate (RMB/sqm) 2017: RMB109 – RMB211 2016: RMB69 – RMB173	The higher the market monthly rental rate, the higher the fair value
Completed properties – Commercial properties and shopping mall	**72,738**	305,895	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
	2,583,810	2,468,194				

Note: The valuation method of a commercial property located in Suzhou was changed from direct comparison approach to income capitalisation approach (i.e. from level 2 to level 3 of fair value hierarchy) upon the commencement of operating leases.

16. INVESTMENT PROPERTIES *(CONTINUED)*

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

	2017 **HK$'000**	2016 HK$'000
At 1 January	**2,162,299**	2,162,984
Addition during the year	**57,110**	70,615
Transfer into level 3 of fair value hierarchy	**217,709**	–
Transfer from completed properties held for sale	**556**	71
Transfer to property, plant and equipment	**(70,238)**	–
Adjustment to the acquisition cost of investment property	**(47,812)**	–
Disposal during the year	**(43,520)**	(1,214)
Fair value gains on transfer of completed properties held for sale to investment properties	**1,374**	–
Change in fair value recognised in profit or loss	**121,379**	76,291
Exchange difference arising on translation to presentation currency	**112,215**	(146,448)
At 31 December	**2,511,072**	2,162,299

17. INTEREST IN AN ASSOCIATE

	2017 **HK$'000**	2016 HK$'000
Cost of unlisted investment	**804,553**	804,553
Share of post-acquisition losses	**(11,287)**	(1,689)
Exchange adjustments	**32,139**	(3,672)
	825,405	799,192

Details of the Group's associate at 31 December 2017 and 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

17. INTEREST IN AN ASSOCIATE *(CONTINUED)*

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 has settled the remaining consideration through further capital contribution of HK$686,907,000 to 鄭州華首 as capital reserve in the first half of 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 consider that the Group can only exercise significant influence over 鄭州華首.

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.

	2017 **HK$'000**	2016 HK$'000
Current assets	**2,867,208**	1,897,520
Non-current assets	**8,170**	34
Current liabilities	**(1,094,365)**	(1,063,307)
Non-current liabilities	**(925,595)**	–

The revenue, loss and other comprehensive expense for the year ended 31 December 2017 (2016: 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:

	2017 **HK$'000**	2016 HK$'000
Net assets of an associate	**855,418**	834,247
Proportion of the Group's ownership interest	**60%**	60%
Net assets shared by the Group	**513,251**	500,548
Premium on acquisition	**312,154**	298,644
Carrying amount of the Group's interest in an associate	**825,405**	799,192

18. INTERESTS IN JOINT VENTURES

	2017 HK$'000	2016 HK$'000
Interests in infrastructure joint ventures		
Cost of investments	**4,782,431**	4,782,431
Return of cost of investments (note (a))	**(3,255,204)**	(3,154,530)
Share of post-acquisition profits, net of dividends received	**1,114,770**	1,118,207
Exchange adjustments	**767,568**	595,728
	3,409,565	3,341,836
Interests in property and other joint ventures		
Cost of investments	**3,026,197**	1,223,457
Share of post-acquisition (losses) profits, net of dividends received	**(15,996)**	47,035
Exchange adjustments	**44,843**	(47,348)
	3,055,044	1,223,144
	6,464,609	4,564,980

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) In March 2017, the Group entered into an undertaking agreement with an independent third party (the land provider) pursuant to which the Company undertakes for a prompt settlement of 50% of the outstanding debts incurred by a joint venture of the Group for a property development project in Hong Kong. The remaining 50% of the outstanding debts incurred by the joint venture is borne by the joint venture partner. At 31 December 2017, the carrying amount of the liabilities of the joint venture undertaken by the Group was about HK$2,709,000,000.

(c) 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 approximated to the carrying amount of interest in joint venture and no disposal gain or loss was recognised in profit or loss.

18. INTERESTS IN JOINT VENTURES *(CONTINUED)*

Infrastructure joint ventures

All infrastructure joint ventures are co-operative joint ventures established and operating in the PRC, details of the Company's principal infrastructure joint ventures at 31 December 2017 and 31 December 2016 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 – Xiongxian West 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 (Xiongxian – Bazhou Section) in Hebei, the PRC
Hebei Baojin Expressway Co., Ltd.* 河北保津高速公路有限公司	RMB96,843,600	40%	Investment in and operation and management of Hebei Baojin Expressway (Xushui – Rongcheng Section) in Hebei, the PRC
Hebei Baoli Expressway Co., Ltd.* 河北保利高速公路有限公司	RMB97,359,600	40%	Investment in and operation and management of Hebei Baojin Expressway (Xiongxian East Section) in Hebei, the PRC
Hebei Baoming Expressway Co., Ltd.* 河北保明高速公路有限公司	RMB90,030,400	40%	Investment in and operation and management of Hebei Baojin Expressway (Bazhou – Tianjinjie Section) in Hebei, the PRC
Hebei Baosheng Expressway Co., Ltd.* 河北保昇高速公路有限公司	RMB96,507,600	40%	Investment in and operation and management of Hebei Baojin Expressway (Xiongxian Section) in Hebei, the PRC

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 Baoyi Expressway Co., Ltd.* 河北保怡高速公路有限公司	RMB96,575,200	40%	Investment in and operation and management of Hebei Baojin Expressway (Rongcheng Section) in Hebei, the PRC
Hebei Baoyu Expressway Co., Ltd.* 河北保裕高速公路有限公司	RMB97,426,400	40%	Investment in and operation and management of Hebei Baojin Expressway (Bazhou West Section) in Hebei, the PRC
Hebei Tanghui Expressway Company Limited** 河北唐惠高速公路有限公司	RMB287,324,000	45%	Investment in and operation and management of Hebei Tangjin Expressway (Chenzhuang – Fengnan Section) in Hebei, the PRC
Hebei Tangjin Expressway Company Limited** 河北唐津高速公路有限公司	RMB250,300,000	45%	Investment in and operation and management of Hebei Tangjin Expressway (Fengnan – Jijinjie Section) in Hebei, the PRC
Hebei Tangrun Expressway Company Limited** 河北唐潤高速公路有限公司	RMB172,524,000	45%	Investment in and operation and management of Hebei Tangjin Expressway (Shuangmiao – Chenzhuang Section) in Hebei, the PRC
Hunan Changyi (Baining) Expressway Co., Ltd.*** 湖南長益(白寧)高速公路有限公司	RMB97,011,500	43.17%	Investment in and development, operation and management of Hunan Changsha – Yiyang Expressway (Baining Section) in Hunan, the PRC
Hunan Changyi (Cangyi) Expressway Co., Ltd.*** 湖南長益(滄益)高速公路有限公司	RMB98,985,400	43.17%	Investment in and development, operation and management of Hunan Changsha – Yiyang Expressway (Cangyi Section) in Hunan, the PRC
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

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
Hunan Changyi (Ningheng) Expressway Co., Ltd.*** 湖南長益(寧衡)高速公路有限公司	RMB98,458,100	43.17%	Investment in and development, operation and management of Hunan Changsha – Yiyang Expressway (Ningheng Section) in Hunan, the PRC
Hunan Changyi (Zijiang No. 2 Bridge) Expressway Co., Ltd.*** 湖南長益(資江二橋)高速公路有限公司	RMB78,328,300	43.17%	Investment in and development, operation and management of Hunan Changsha – Yiyang Expressway (Zijiang No. 2 Bridge) in Hunan, the PRC
Jinzhong Longcheng Expressway Co., Ltd. ("Jinzhong Longcheng Expressway JV") 晉中龍城高速公路有限責任公司	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. ("Anhui Machao Expressway JV") 安徽省馬巢高速公路有限公司	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 2017 and 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 had been increased from 30% since February 2016 to 45% onward.

The above table lists the infrastructure 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.

18. INTERESTS IN JOINT VENTURES *(CONTINUED)*

Infrastructure joint ventures *(Continued)*

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

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.

At 31 December 2017

	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	97,905	104,534	52,107	11,802	149,452	415,800
Concession intangible assets	2,077,686	969,901	1,106,216	4,961,169	2,889,442	12,004,414
	2,175,591	1,074,435	1,158,323	4,972,971	3,038,894	12,420,214
Current assets						
Time deposit	–	–	47,619	–	–	47,619
Bank balances and cash	285,389	409,672	109,824	60,971	156,270	1,022,126
Others	13,455	33,504	56,548	35,400	6,874	145,781
	298,844	443,176	213,991	96,371	163,144	1,215,526
Current liabilities						
Loans from joint venture partners	–	–	48,429	125,000	–	173,429
Bank borrowings	–	–	48,429	71,429	188,214	308,072
Others	107,822	73,965	113,262	78,655	28,246	401,950
	107,822	73,965	210,120	275,084	216,460	883,451
Non-current liabilities						
Loans from a joint venture partner	–	–	48,393	–	–	48,393
Bank borrowings	–	–	48,393	3,166,667	1,788,690	5,003,750
Deferred taxation	287,192	38,446	151,063	126,439	11,129	614,269
	287,192	38,446	247,849	3,293,106	1,799,819	5,666,412
Net assets of joint ventures	2,079,421	1,405,200	914,345	1,501,152	1,185,759	7,085,877
Proportion of the Group's interest	40%	45%	43.17%	45%	49%	N/A
Net assets shared by the Group	831,768	632,340	394,723	675,518	581,022	3,115,371
Additional investment cost paid by the Group	–	–	–	–	169,671	169,671
Other adjustment (note)	58,482	(10,285)	12,100	–	–	60,297
Carrying amount of the Group's interests in joint ventures	890,250	622,055	406,823	675,518	750,693	3,345,339

Note:

Other adjustments mainly represent the accumulated differences of the Group's share of the net assets of the individual joint ventures based on the profit/cash sharing ratio of joint ventures during their respective operating periods and the Group's equity interests in the joint ventures.

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 2017

	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 sales related tax)	910,489	680,246	767,912	345,594	250,101	2,954,342
Construction revenue	10,575	–	17,151	34,744	14,279	76,749
Total revenue	921,064	680,246	785,063	380,338	264,380	3,031,091
Construction costs	(10,575)	–	(17,151)	(34,744)	(14,279)	(76,749)
Other income	6,529	2,060	5,060	2,789	46,281	62,719
Toll operation expenses	(144,615)	(89,456)	(89,137)	(44,669)	(9,185)	(377,062)
Administrative expenses	(29,985)	(33,153)	(30,932)	(11,211)	(8,537)	(113,818)
Depreciation and amortisation charges	(127,167)	(175,010)	(157,980)	(69,004)	(54,817)	(583,978)
Finance costs	–	–	(11,434)	(156,526)	(98,979)	(266,939)
Income tax expenses	(156,862)	(97,014)	(119,934)	(15,484)	(22,134)	(411,428)
Profit and total comprehensive income for the year	458,389	287,673	363,555	51,489	102,730	1,263,836
Cash distributions received from joint ventures during the year	222,432	174,873	217,695	–	–	615,000

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						
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	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	–	–	–	–	164,428	164,428
Other adjustment (note)	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

Note:

Other adjustments mainly represent the accumulated differences of the Group's share of the net assets of the individual joint ventures based on the profit/cash sharing ratio of joint ventures during their respective operating periods and the Group's equity interests in the joint ventures.

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 sales related 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 and total comprehensive income for the year	398,769	239,192	317,299	21,750	36,863	1,013,873
Cash distributions received from joint ventures during the year	200,949	134,185	168,564	–	–	503,698

18. INTERESTS IN JOINT VENTURES *(CONTINUED)*

Property joint ventures

Particulars of the Group's interests in principal property joint ventures as at 31 December 2017 and 31 December 2016 are as follows:

Name of property joint ventures	Place of incorporation/ registration	Proportion of equity interest of the Group		Proportion of voting right of the Group		Principal activities
		2017	2016	**2017**	2016	
河北建投路勁城鎮化建設開發有限公司 ("河北建投")	PRC	**45%** (note (a))	45%	**40%**	40%	Development and sale of properties
常州雅勁房地產開發有限公司 ("常州雅勁")	PRC	**49%**	–	**40%**	–	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 (c))	66.67%	Development and sale of properties
蘇州中交路勁地產有限公司 ("蘇州中交")	PRC	**51%**	–	**50%**	–	Development and sale of properties
蘇州勁商房地產開發有限公司 ("蘇州勁商")	PRC	**33%**	–	**20%**	–	Development and sale of properties
Both Win Development Limited ("Both Win")	Hong Kong	**60%** (note (b))	60%	**60%** (note (c))	60%	Investment holding

Notes:

(a) 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 RMB260,000,000 to 河北建投 and the registered capital of 河北建投 would be increased from RMB200,000,000 to RMB460,000,000. 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 RMB90,000,000 (equivalent to HK$102,506,000) has been made by the Group in 2017. The Group considers 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 of 河北建投.

(b) 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$32,703,000 had been settled and the remaining balance of HK$356,884,000 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 considers 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.

(c) 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.

18. INTERESTS IN JOINT VENTURES *(CONTINUED)*

Property joint ventures *(Continued)*

The above table lists the property 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 property joint ventures

At 31 December 2017

	河北建投* HK$'000	常州雅勁 HK$'000	廣州雋宏 HK$'000	蘇州中交 HK$'000	蘇州勁商 HK$'000	Both Win* HK$'000	Total HK$'000
Current assets	1,451,942	2,559,550	4,161,005	4,751,181	4,068,154	2,079,402	19,071,234
Non-current assets	831,759	–	14,556	9	–	72,861	919,185
Current liabilities	(781,755)	(1,670,337)	(3,621,837)	(232,592)	(2,641,242)	(1,610,705)	(10,558,468)
Non-current liabilities	(962,768)	–	–	(3,571,387)	–	(488,095)	(5,022,250)
The above amounts of assets and liabilities include the following:							
Cash and cash equivalents	391,964	23,788	293,372	231,540	1,929	548,540	1,491,133
Net assets of joint ventures	539,178	889,213	553,724	947,211	1,426,912	53,463	4,409,701
Proportion of the Group's interests	45%	49%	51%	51%	33%	60%	N/A
Net assets shared by the Group	242,630	435,714	282,399	483,078	470,881	32,078	1,946,780
Premium on acquisition	–	–	–	–	–	366,421	366,421
Carrying amount of the Group's interests in joint ventures	242,630	435,714	282,399	483,078	470,881	398,499	2,313,201

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 2017

	河北建投* HK$'000	常州雅勁 HK$'000	廣州雋宏 HK$'000	蘇州中交 HK$'000	蘇州勁商 HK$'000	Both Win* HK$'000	Total HK$'000
Loss and total comprehensive expense for the year	(2,232)	–	(14,340)	(2,545)	(1,602)	(14,019)	(34,738)
The above loss for the year includes the following:							
Depreciation and amortisation	–	–	(101)	(156)	–	(37)	(294)
Interest income	2,030	–	871	1,058	53	2,130	6,142
Interest expense	(51,070)	–	–	–	–	–	(51,070)
Income tax (expense) credit	(25,804)	–	9,385	1,664	534	13,414	(807)

At 31 December 2016

	河北建投* HK$'000	廣州雋宏 HK$'000	Both Win* HK$'000	Total HK$'000
Current assets	846,258	2,910,986	659,510	4,416,754
Non-current assets	809,162	4,732	49	813,943
Current liabilities	(615,188)	(2,358,097)	(127,548)	(3,100,833)
Non-current liabilities	(747,265)	–	(466,970)	(1,214,235)
The above amounts of assets and liabilities include the following:				
Cash and cash equivalents	227,130	29,062	41,837	298,029
Net assets of joint ventures	292,967	557,621	65,041	915,629
Proportion of the Group's interests	45%	51%	60%	N/A
Net assets shared by the Group	131,835	284,387	39,024	455,246
Premium on acquisition	–	–	350,563	350,563
Carrying amount of the Group's interests in joint ventures	131,835	284,387	389,587	805,809

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

	河北建投* HK$'000	廣州雋宏 HK$'000	Both Win* HK$'000	Total HK$'000
Loss and total comprehensive expense for the year	(3,315)	(11,520)	–	(14,835)
The above loss for the year includes the following:				
Depreciation and amortisation	(3)	(36)	–	(39)
Interest income	138	134	–	272
Interest expense	(47)	–	–	(47)
Income tax credit	–	3,840	–	3,840

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

Aggregate information of joint ventures that are not individually material

	2017 HK$'000	2016 HK$'000
The Group's share of loss and total comprehensive expense for the year	**(64,184)**	(24,022)

19. AMOUNTS DUE FROM JOINT VENTURES

	2017 HK$'000	2016 HK$'000
Current portion	**6,622,181**	2,035,678
Non-current portion	**8,270,231**	1,185,114
	14,892,412	3,220,792
Analysed into:		
Interest bearing at fixed interest rate ranging from 4.75% to 8% (2016: 6.02% to 12%) per annum	**9,690,541**	2,698,343
Interest bearing at variable interest rate at 10% over the lending rate (2016: 10% over the lending rate) set by the People's Bank of China ("PBOC") per annum	**663,287**	138,963
Interest-free	**4,538,584**	383,486
	14,892,412	3,220,792

The amounts due from joint ventures are all unsecured and the Group expects to receive the current portion within twelve months from the end of the reporting period based on the development and pre-sales status of the property projects of property joint ventures and the performance of the infrastructure joint ventures.

20. LOAN RECEIVABLES

	2017 HK$'000	2016 HK$'000
Fixed-rate loan receivables	**1,849,747**	442,092
Interest-free loan receivables	**9,921**	20,501
Total loan receivables	**1,859,668**	462,593
Less: Amounts classified as current assets	**(744,203)**	(200,634)
Amount due over one year shown and classified as non-current assets	**1,115,465**	261,959

20. LOAN RECEIVABLES *(CONTINUED)*

The loan receivables are denominated in Renminbi and certain loan receivables are secured or guaranteed by borrowers.

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.

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

	2017 **HK$'000**	2016 HK$'000
Within one year	**744,203**	200,634
In more than one year but not more than two years	**950,782**	113,895
In more than two years but not more than five years	**164,683**	148,064
	1,859,668	462,593

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

	2017	2016
Fixed-rate loan receivables	**5% – 21%**	8.4% – 21%

21. INVENTORY OF PROPERTIES

	2017 **HK$'000**	2016 HK$'000
Completed properties held for sale	**5,541,357**	5,457,668
Properties under development for sale (note)	**24,675,473**	20,826,040
	30,216,830	26,283,708

Note: Included in the amount are properties under development for sale of HK$18,749,868,000 (2016: HK$15,264,035,000) 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 2017, the total consideration prepaid in full of HK$186,524,000 (2016: HK$1,102,355,000) in accordance with the sale and purchase agreements entered into with the PRC local government for the acquisition of certain pieces of land in the PRC for property development for sale is classified as current assets. Upon the delivery of relevant land title document to the Group, the prepaid amount which represents the land purchase costs of those pieces of land will be recognised as "properties under development for sale" under "inventory of properties".

23. DEBTORS, DEPOSITS AND PREPAYMENTS

	2017 **HK$'000**	2016 HK$'000
Aged analysis of trade debtors, presented based on invoice dates (note (a)):		
Within 60 days	**22,036**	146,517
61 to 90 days	**1,093**	1,014
More than 90 days	**34,163**	6,532
	57,292	154,063
Prepayment for land development cost (note (b))	**574,470**	515,438
Deposits paid for acquisition of inventory of properties (note (c))	**468,631**	452,107
Prepayment of business tax and other taxes	**786,497**	327,629
Prepayment for property, plant and equipment and investment properties	**70,020**	77,600
Other receivables, deposits and prepayments (note (d))	**1,195,456**	704,950
Total debtors, deposits and prepayments	**3,152,366**	2,231,787
Less: Amounts classified as non-current assets	**(70,020)**	–
Amounts classified as current assets	**3,082,346**	2,231,787

23. DEBTORS, DEPOSITS AND PREPAYMENTS *(CONTINUED)*

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. For most of the property projects, consideration will be fully received prior to the delivery of the properties to the property purchasers.

(b) 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 its use can be changed from industrial to residential purpose and put into public auction. At 31 December 2017, prepayment of land development cost of HK$516,454,000 (2016: 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 late 2018.

The Group has also paid HK$58,016,000 (2016: HK$55,505,000) 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.

(c) The amount represents a tender deposit paid for public auction of land in Hong Kong and deposits paid for acquisition of property development projects in the PRC, which will be fully refunded if the Group cannot acquire the land/property projects successfully.

(d) Included in other receivables, deposits and prepayments at 31 December 2017 are interest receivable on amounts due from joint ventures of HK$298,133,000 (2016: HK$29,331,000)

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$198,337,000 (2016: HK$165,909,000) 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$1,421,357,000 (2016: HK$1,358,297,000) 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$625,759,000 (2016: HK$758,035,000) according to the relevant requirements of the PRC local government and the cash received mainly from bank loans of HK$795,598,000 (2016: HK$600,262,000) for property development.

24. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH *(CONTINUED)*

Bank balances carried interest at market rates which range from 0.01% to 1.85% (2016: 0.01% to 2.50%) 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:

	2017 **HK$'000**	2016 HK$'000
United States dollars	**1,335,646**	1,224,357
Hong Kong dollars	**911,037**	188,735

25. SHARE CAPITAL

	2017 **Number of shares**	2016 Number of shares	**2017** **HK$'000**	2016 HK$'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**	739,936,566	**73,994**	73,994
Issue of shares upon exercise of share options	**8,200,000**	–	**820**	–
At 31 December	**748,136,566**	739,936,566	**74,814**	73,994

The new shares issued 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.

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.

26. SHARE OPTION SCHEME *(CONTINUED)*

At 31 December 2017, the number of shares in respect of which options had been granted and remained outstanding under the Scheme were 1,200,000 (2016: 10,200,000), representing approximately 0.16% (2016: 1.38%) 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.

2017

Date of grant	**Exercisable period**	**Exercise price** HK$	**Balance at 1.1.2017**	**Reclassified during the year**	**Exercised during the year**	**Cancelled/ lapsed during the year**	**Balance at 31.12.2017**
Directors							
28 May 2013	29 May 2013 to 28 May 2018	**7.13**	**3,150,000**	**–**	**(3,050,000)**	**–**	**100,000**
Employees							
28 May 2013	29 May 2013 to 28 May 2018	**7.13**	**7,050,000**	**–**	**(5,150,000)**	**(800,000)**	**1,100,000**
			10,200,000	**–**	**(8,200,000)**	**(800,000)**	**1,200,000**
Weighted average exercise price			**7.13**	**–**	**7.13**	**7.13**	**7.13**

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

Note: 1,400,000 and 800,000 share options held by Mr. Chan Kam Hung and Mr. Xu Ruxin were 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	2017 HK$'000	2016 HK$'000
2016 August guaranteed senior notes	(a)	**3,463,900**	3,476,890
2016 September guaranteed senior notes	(b)	**3,809,324**	3,858,575
2016 Domestic bonds	(c)	**1,769,751**	1,708,428
Bank loans	(d)	**8,248,606**	8,390,143
Other loans	(e)	**3,101,786**	142,938
		20,393,367	17,576,974

The maturity of the above loans is as follows:

	2017 HK$'000	2016 HK$'000
Unsecured borrowings repayable*:		
Within one year	**–**	2,524,203
More than one year but not exceeding two years	**4,576,838**	560,540
More than two years but not exceeding five years	**8,553,850**	7,335,465
	13,130,688	10,420,208
Secured borrowings repayable*:		
Within one year	**4,194,643**	3,063,224
More than one year but not exceeding two years	**1,431,548**	954,556
More than two years but not exceeding five years	**985,190**	2,599,373
More than five years	**271,298**	279,613
	6,882,679	6,896,766
Carrying amount of unsecured bank loan that is repayable within one year and contains a repayable on demand clause	**380,000**	260,000
Total borrowings	**20,393,367**	17,576,974
Less: Amounts classified as current liabilities	**(4,574,643)**	(5,847,427)
Amounts due over one year shown and classified as non-current liabilities	**15,818,724**	11,729,547

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

27. BANK AND OTHER BORROWINGS *(CONTINUED)*

Notes:

(a) The 2016 August guaranteed senior notes with an outstanding principal amount of US$450,000,000 (2016: US$450,000,000) 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.

(b) The 2016 September guaranteed senior notes with an outstanding principal amount of US$500,000,000 (2016: US$500,000,000) 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.

(c) The Group has issued 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.

(d) Bank loans with carrying amount of HK$3,955,821,000 (2016: HK$4,691,755,000) bear a floating interest rate based on PBOC plus a specified margin, ranging from 4.28% to 6.88% (2016: 4.28% to 7.48%) per annum. Bank loans with carrying amount of HK$1,375,000,000 (2016: HK$1,043,850,000) bear interest at a fixed rate ranging from 6% to 6.3% (2016: 5.46% to 10%) 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, ranging from 2.05% to 4.67% (2016: 2.27% to 4.73%) per annum.

(e) Other loans with carrying amount of HK$3,101,786,000 (2016: HK$142,938,000) bear interest at a fixed rate ranging from 6.79% to 9.8% (2016: 6.23% to 9%) per annum and are borrowed from certain trust companies. They are secured by certain properties under development of the Group.

27. BANK AND OTHER BORROWINGS *(CONTINUED)*

The effective interest rate of the Group's fixed rate borrowings and variable rate borrowings ranged from 4.5% to 9.8% (2016: 4.97% to 10%) per annum and 2.18% to 6.88% (2016: 2.52% to 7.48%) per annum, respectively.

Details on the fair value disclosures of the guaranteed senior notes are set out in note 37(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:

	2017 **HK$'000**	2016 HK$'000
United States dollars	**9,414,508**	9,193,369
Hong Kong dollars	**776,500**	753,500

28. LOANS FROM NON-CONTROLLING INTERESTS OF SUBSIDIARIES

At 31 December 2016, loans with carrying amount of HK$204,112,000 were unsecured and carrying interest at a fixed rate of 5.22% to 5.7% per annum. The entire balance was repaid in 2017.

At 31 December 2016, loans with carrying amount of HK$77,904,000 were unsecured and carrying interest at a fixed rate 5.7% per annum. The entire balance was early repaid in 2017.

29. DEFERRED TAXATION

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

	Tax losses HK$'000	**Fair value adjustment on properties under development** HK$'000	**Undistributed earnings of subsidiaries and joint ventures in the PRC** HK$'000	**Change in fair value of investment properties** HK$'000	**Interest capitalised on properties under development** HK$'000	**Total** HK$'000
At 1 January 2016	(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**
Charge (credit) for the year	**4,974**	**(14,226)**	**106,011**	**23,982**	**(28,223)**	**92,518**
Exchange adjustments	**(1,816)**	**129**	**11,775**	**17,678**	**3,555**	**31,321**
At 31 December 2017	**(40,907)**	**–**	**337,349**	**301,620**	**145,114**	**743,176**

29. DEFERRED TAXATION *(CONTINUED)*

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

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

	2017	2016
	HK$'000	HK$'000
Deferred tax assets	**(40,907)**	(29,968)
Deferred tax liabilities	**784,083**	649,305
	743,176	619,337

At 31 December 2017, the Group has estimated unused tax losses of HK$378,681,000 (2016: HK$387,868,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK$163,628,000 (2016: HK$176,260,000) of such losses. No deferred tax asset has been recognised in respect of the remaining losses of HK$215,053,000 (2016: HK$211,608,000) due to the unpredictability of future taxable profit streams. Included in unrecognised tax losses are losses of HK$183,720,000 (2016: HK$203,283,000) 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$3,071,429,000 (2016: HK$3,371,298,000) 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.

30. CREDITORS AND ACCRUED CHARGES

	2017 HK$'000	2016 HK$'000
Aged analysis of creditors presented based on invoice date:		
Trade payables		
Within 60 days	**237,027**	362,882
61 to 90 days	**11,366**	44,738
More than 90 days	**685,625**	509,970
	934,018	917,590
Bills payables		
Within 60 days	**89,579**	16,175
61 to 90 days	**15,476**	–
More than 90 days	**27,381**	42,226
	132,436	58,401
Accrued construction costs	**5,187,082**	4,198,020
	6,253,536	5,174,011
Interest payable	**170,625**	174,385
Accrued taxes (other than EIT and LAT)	**385,347**	227,191
Consideration payable from acquisition of subsidiaries and joint ventures	**356,884**	395,159
Other payables	**1,195,854**	813,775
	8,362,246	6,784,521

31. AMOUNTS DUE TO JOINT VENTURES AND AN ASSOCIATE

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

32. OTHER FINANCIAL ASSETS

Other financial assets of HK$5,889,000 (2016: HK$396,918,000) represented the total fair value of 12 (2016: 14) pieces of RMB/US$ 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 outstanding at 31 December 2017	Notional amount	Contract date	Strike rate	Capped strike rate	Fixing date (Note)
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
12					

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. The contracts were not effective for hedging purpose and the fair value loss amounting to HK$349,528,000 (2016: fair value gain of HK$396,918,000) in 2017 is recognised in profit or loss.

During the year ended 31 December 2016, the fair value gain amounting to HK$32,439,000 is recognised in profit or loss from the cross-currency interest rate swap contract unwinded in 2016.

Details on the fair value measurement of the derivative contracts are set out in note 37(c)(i).

33. PERPETUAL CAPITAL SECURITIES

	2017 HK$'000	2016 HK$'000
2017 February perpetual capital securities (note)	**2,349,619**	–
2017 June perpetual capital securities (note)	**2,283,477**	–
	4,633,096	–

Note:

In February 2017 and June 2017, two wholly-owned subsidiaries of the Company issued US$300 million 7.95% senior guaranteed perpetual capital securities ("2017 February perpetual capital securities") and US$300 million 7% senior guaranteed perpetual capital securities ("2017 June perpetual capital securities") respectively at issue price of 100% of the principal amounts. Both capital securities were then listed on the Singapore Stock Exchange Securities Trading Limited (" Singapore Exchange") and guaranteed by the Company for the due payment. Distributions are paid semi-annually in arrears and can be deferred at the discretion of the issuers. The perpetual capital securities have no fixed maturity and are redeemable at the issuers' option at their principal amounts together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company cannot declare or, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank, which includes the ordinary shares of the Company. Additional information for the capital securities is as follows:

List of perpetual capital securities	Listing date	First call date*
2017 February perpetual capital securities	20 February 2017	17 February 2022
2017 June perpetual capital securities	27 June 2017	23 June 2022

* The issuer, at its sole discretion, may redeem the perpetual capital securities on or after the first call date.

34. 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:

	2017 HK$'000	2016 HK$'000
Bank balances and cash	**8,552,217**	8,048,817
Less: restricted bank balances – proceeds from pre-sale of properties (note 24)	**(625,759)**	(758,035)
	7,926,458	7,290,782

35. 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.

36. 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 bank and other borrowings and loans from non-controlling interests of subsidiaries disclosed in notes 27 and 28 respectively, and equity comprising issued capital and reserves, perpetual capital securities and non-controlling interests.

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.

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 HK$'000	2016 HK$'000
Financial assets		
Loans and receivables at amortised cost (including cash and cash equivalents)	**27,752,134**	13,754,322
Derivative financial assets classified as held for trading	**5,889**	396,918
Financial liabilities		
Liabilities at amortised cost	**29,535,024**	25,361,170

(b) Financial risk management objectives and policies

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

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

(i) Market risk

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

37. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

(i) Market risk *(Continued)*

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**	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
United States dollars	**1,414,640**	1,301,956	**9,542,859**	9,321,178
Hong Kong dollars	**3,136,709**	217,264	**853,822**	789,256

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	
	2017 HK$'000	2016 HK$'000
United States dollars	**406,411**	400,961
Hong Kong dollars	**(114,144)**	28,600

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.

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.

37. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

(i) Market risk *(Continued)*

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 2017 would decrease/increase by HK$9,965,000 (2016: HK$10,284,000) after capitalisation of additional finance costs of HK$24,402,000 (2016: HK$26,447,000) 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.

(ii) Credit risk management

As at 31 December 2017, 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 43.

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 and loan receivables as mentioned in notes 19 and 20 respectively, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties having similar characteristics.

37. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

(ii) Credit risk management *(Continued)*

For the amounts due from joint ventures as disclosed in note 19, which are mainly engage 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 and investment 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 monitors the financial position of the borrowers and ensures that the loan receivables are repaid in accordance with the agreed repayment schedules.

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.

(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.

37. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

(iii) Liquidity risk management *(Continued)*

Liquidity and interest risk tables *(Continued)*

In addition, the following table details the Group's liquidity analysis for its derivative financial 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.

	Weighted average effective interest rate	On demand or less than 6 months	6 – 12 months	1 – 2 years	2 – 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2017								
Creditors and accrued charges	–	**8,362,246**	–	–	–	–	**8,362,246**	**8,362,246**
Amounts due to joint ventures and an associate	–	**779,411**	–	–	–	–	**779,411**	**779,411**
Bank and other borrowings								
– fixed rate	**5.45**	**349,759**	**2,037,532**	**5,845,327**	**7,365,954**	–	**15,598,572**	**13,519,761**
– variable rate	**4.83**	**371,609**	**2,808,655**	**1,072,663**	**3,301,006**	**313,360**	**7,867,293**	**6,873,606**
Financial guarantee contracts	–	**13,239,150**	–	–	–	–	**13,239,150**	–
		23,102,175	**4,846,187**	**6,917,990**	**10,666,960**	**313,360**	**45,846,672**	**29,535,024**
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

37. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

(iii) Liquidity risk management *(Continued)*

Liquidity and interest risk tables *(Continued)*

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

	Less than 6 months 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 2017	**5,680**	**385,712**	**–**	**391,392**	**380,000**
At 31 December 2016	4,075	262,060	–	266,135	260,000

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

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

37. FINANCIAL INSTRUMENTS *(CONTINUED)*

(c) Fair value of financial instruments

Fair value measurements

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

At 31 December 2017, the other financial assets comprised foreign currency derivative contracts of HK$5,889,000 (2016: HK$396,918,000). 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.

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 2017 and 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

(ii) Financial assets and financial liabilities not measured at fair value on a recurring basis (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 2017 and 2016, 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 2017		31 December 2016	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
2016 August guaranteed senior notes	**3,463,900**	**3,528,658**	3,476,890	3,517,107
2016 September guaranteed senior notes	**3,809,324**	**3,835,540**	3,858,575	3,724,179
2016 Domestic bonds	**1,769,751**	**1,745,882**	1,708,428	1,683,858

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or the future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Balance at 1.1.2017 HK$'000	Dividend distribution declared HK$'000	Financing cash flows HK$'000 (note)	Financing cost incurred during the year HK$'000	Exchange adjustment HK$'000	Balance at 31.12.2017 HK$'000
Interest payable (note 30)	174,385	–	(1,195,138)	1,142,679	48,699	170,625
Bank and other borrowings (note 27)	17,576,974	–	2,464,898	116,160	235,335	20,393,367
Loans from non-controlling interests of subsidiaries (note 28)	282,016	–	(294,774)	4,321	8,437	–
Amounts due to joint ventures and an associate (note 31)	717,659	–	29,286	–	32,466	779,411
Dividend distribution payable (note 13)	–	521,928	(521,928)	–	–	–
	18,751,034	521,928	482,344	1,263,160	324,937	21,343,403

Note: The cash flows from interest payable, bank and other borrowings, loans from non-controlling interests of subsidiaries, amounts due to joint ventures and an associate and dividend distribution payable make up the net amount of additions and repayment from those related liabilities in the consolidated statement of cash flows.

39. ACQUISITION OF SUBSIDIARIES

(a) In July 2017, the Group entered into sale and purchase agreement with four individuals to acquire the entire equity interest in 常州皇冠置業發展有限公司 ("常州皇冠置業") , which owns a piece of land for property development for sale in Changzhou, the PRC, at a cash consideration of RMB217,536,000 (equivalent to HK$258,971,000). The consideration was fully paid in 2017 and control over 常州皇冠置業 has been obtained by the Group. The transaction was accounted for as acquisition of assets.

(b) In November 2017, the Group entered into a share transfer agreement with 武漢匯川鑫泰貿易有限公司 to acquire 80% equity interests in 武漢鑫嘉藝置業有限公司 ("武漢鑫嘉藝") through the injection of shareholder loans of RMB100,000,000 (equivalent to HK$119,048,000) to 武漢鑫嘉藝, which owns a property development project in Wuhan, the PRC. The amount was fully injected by the Group in 2017 and the transaction was accounted for as acquisition of assets.

39. 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	774
Inventory of properties	459,326
Debtors, deposits and prepayments	63,880
Bank balances and cash	17,984
Creditors and accrued charges	(274,808)
Deposits from pre-sale of properties	(8,185)
	258,971
Satisfied by:	
Cash consideration paid	258,971
Net cash outflow arising on acquisitions:	
Cash consideration paid	(258,971)
Bank balances and cash acquired	17,984
	(240,987)

40. DISPOSAL OF SUBSIDIARIES

(a) In 2017, the Group entered into sale and purchase agreements to dispose of its 100% equity interest in 成都市勁川御城房地產有限公司 to an independent party, 鳴石(杭州)股權投資基金管理有限公司, at a cash consideration of RMB23,784,000 (equivalent to HK$28,314,000). The subsidiary is engaging in property development business in Chengdu, the PRC. The consideration was fully received by the Group in 2017 and the gain on disposal of the subsidiary amounting to HK$27,338,000 was recognised in profit or loss.

(b) In April 2017, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in 山東御邸房地產開發有限公司 to an independent party, 濟南西城置業有限公司, at a cash consideration of RMB35,572,000 (equivalent to HK$42,348,000). The subsidiary is engaging in property development business in Shandong, the PRC. The consideration was fully received in 2017 and the gain on disposal of the subsidiary amounting to HK$29,393,000 was recognised in profit or loss.

40. DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

The aggregate net assets of the disposed subsidiaries at the dates of disposal were as follows:

	HK$'000
Property, plant and equipment	7,588
Inventory of properties	256,169
Debtors, deposits and prepayments	7,067
Bank balances and cash	15,352
Creditors and accrued charges	(6,581)
Amounts due to the Group	(265,664)
	13,931
Satisfied by:	
Cash consideration received	70,662
Net assets disposed of	(13,931)
Gain on disposal	56,731
Net cash inflow arising on disposal:	
Cash consideration received	70,662
Bank balances and cash disposed of	(15,352)
	55,310

41. 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:

	2017 HK$'000	2016 HK$'000
Within one year	**91,739**	65,720
In the second to fifth year inclusive	**223,717**	213,803
Over five years	**404,478**	416,917
	719,934	696,440

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 2017 amounted to HK$14,282,000 (2016: HK$14,309,000).

41. OPERATING LEASE COMMITMENTS *(CONTINUED)*

As lessee

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

	2017 **HK$'000**	2016 HK$'000
Within one year	**14,872**	16,454
In the second to fifth year inclusive	**20,071**	15,682
Over five years	**–**	3,166
	34,943	35,302

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

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

42. CAPITAL COMMITMENTS

	2017 **HK$'000**	2016 HK$'000
Capital injection into property joint ventures contracted for but not provided in the consolidated financial statements	**407,256**	174,373

43. CONTINGENT LIABILITIES

At 31 December 2017, the Group provided guarantees of HK$7,918,683,000 (2016: HK$6,640,336,000) 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 2017, the Group provided guarantees of HK$2,611,467,000 (2016: HK$773,285,000) to banks in connection with the banking facilities granted to joint ventures. The Directors consider that the fair value of such guarantees on initial recognition was insignificant as the joint ventures have strong net asset position and the default risk is low.

The details of undertakings of a property joint venture provided by the Group are disclosed in note 18(b).

44. 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$5,514,837,000 (2016: HK$5,099,271,000) were pledged to banks to secure the banking facilities granted to the Group.

45. RELATED PARTY TRANSACTIONS

Other than set out in notes 19, 23, 28, 31 and 43, the Group had transactions with the following related parties during the year:

Related parties	**Nature**	**2017** **HK$'000**	2016 HK$'000
Expressway joint ventures	Interest income	**5,665**	9,071
Property and other joint ventures	Interest income	**309,619**	85,950
Non-controlling interests of subsidiaries	Interest income	**10,388**	–
Non-controlling interests of subsidiaries	Interest expenses	**4,321**	29,049

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

During the year ended 31 December 2017, the Group has transferred the title of one piece of land included in properties under development of the Group at its carrying amount of HK$810,381,000 to a joint venture of the Group and no gain or loss is resulted from such transfer. The said amount will be settled by the joint venture after the pre-sale of properties commences.

Compensation of key management personnel

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

	2017 **HK$'000**	2016 HK$'000
Short-term employment benefits	**205,048**	130,561
Post-employment benefits	**6,179**	5,156
	211,227	135,717

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

46. 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:

	2017 HK$'000	2016 HK$'000
ASSETS		
Non-current asset		
Unlisted investments in subsidiaries	**15,348,447**	13,004,389
Current assets		
Deposits and prepayments	**31,023**	25,479
Bank balances and cash	**1,558,947**	1,319,579
	1,589,970	1,345,058
Total assets	**16,938,417**	14,349,447
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital (note 25)	**74,814**	73,994
Reserves (note)	**6,341,567**	5,831,585
	6,416,381	5,905,579
Current liabilities		
Creditors and accrued charges	**3,646**	82
Amounts due to subsidiaries	**10,518,390**	8,443,786
	10,522,036	8,443,868
Total equity and liabilities	**16,938,417**	14,349,447

46. 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 2016	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**
Profit for the year	**–**	**–**	**–**	**–**	**693,523**	**693,523**
Exchange difference arising on translation to presentation currency	**–**	**280,742**	**–**	**–**	**–**	**280,742**
Total comprehensive income for the year	**–**	**280,742**	**–**	**–**	**693,523**	**974,265**
Sub-total	**3,152,986**	**961,893**	**1,260,000**	**6,214**	**1,424,757**	**6,805,850**
Issue of ordinary shares upon exercise of share option	**62,641**	**–**	**–**	**(4,996)**	**–**	**57,645**
Cancellation/lapse of share options	**–**	**–**	**–**	**(487)**	**487**	**–**
Dividends	**–**	**–**	**–**	**–**	**(521,928)**	**(521,928)**
Balance at 31 December 2017	**3,215,627**	**961,893**	**1,260,000**	**731**	**903,316**	**6,341,567**

47. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2017 and 31 December 2016 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 amount paid/ nominal value of issued ordinary share capital/registered capital held by the Company Directly %	Indirectly %	Principal activities
Incorporated in the British Virgin Islands ("BVI")/Hong Kong/Bermuda						
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$50,000,000	–	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
RKI Overseas Finance 2017 (A) 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 2016 (A) Limited	BVI	#	US$1	100	–	Provision of financial services
RKP Overseas Finance 2017 (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

47. 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 amount paid/ nominal value of issued ordinary share capital/registered capital held by the Company Directly %	Indirectly %	Principal activities
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
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
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

47. 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 amount paid/ nominal value of issued ordinary share capital/registered capital held by the Company Directly %	Indirectly %	Principal activities
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
溧陽宏景房地產開發有限公司@	PRC	PRC	RMB300,000,000	–	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						
上海雋安置業有限公司	PRC	PRC	RMB950,000,000	–	75	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
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
常州宏馳房地產開發有限公司@	PRC	PRC	RMB50,000,000	–	90	Development and sale of properties
常州皇冠置業發展有限公司*	PRC	PRC	RMB20,000,000	–	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

47. 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 amount paid/ nominal value of issued ordinary share capital/registered capital held by the Company Directly %	Indirectly %	Principal activities
濟南路勁雋成房地產開發有限公司	PRC	PRC	RMB150,000,000	–	100	Development and sale of properties
蘇州雋宏房地產開發有限公司	PRC	PRC	RMB50,000,000	–	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
武漢鑫嘉藝置業有限公司*	PRC	PRC	–^	–	80	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 2017

* Acquired in 2017

^ RMB8,000,000 of registered capital subsequently paid in January 2018

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.

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

	2017 HK$'000	2016 HK$'000
RKI Overseas Finance 2016 (A) Limited	**3,463,900**	3,476,890
RKI Overseas Finance 2016 (B) Limited	**3,809,324**	3,858,575
北京路勁雋御房地產開發有限公司	**1,769,751**	1,708,428
	9,042,975	9,043,893

48. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

The Group's total assets less current liabilities at 31 December 2017 amounted to HK$38,217,233,000 (2016: HK$26,689,384,000). The Group's net current assets at 31 December 2017 amounted to HK$18,725,649,000 (2016: HK$17,337,446,000).

Financial Summary

RESULTS

	For the year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**14,755,770**	16,841,585	12,509,646	12,730,104	11,456,048
Profit before taxation	**5,441,388**	3,245,292	1,982,523	2,500,655	2,520,762
Income tax expenses	**(2,965,394)**	(1,871,696)	(1,154,213)	(1,471,272)	(1,497,395)
Profit for the year	**2,475,994**	1,373,596	828,310	1,029,383	1,023,367
Attributable to:					
Owners of the Company	**1,943,703**	1,250,075	820,005	1,005,018	1,001,618
Owners of perpetual capital securities	**246,621**	–	–	–	–
Non-controlling interests	**285,670**	123,521	8,305	24,365	21,749
	2,475,994	1,373,596	828,310	1,029,383	1,023,367

ASSETS AND LIABILITIES

	As at 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**69,735,458**	50,400,131	40,056,307	42,483,789	43,429,463
Total liabilities	**(48,121,032)**	(36,167,503)	(26,080,440)	(28,431,237)	(30,066,211)
	21,614,426	14,232,628	13,975,867	14,052,552	13,363,252
Attributable to:					
Owners of the Company	**15,635,078**	13,291,831	13,155,397	13,207,891	12,671,769
Perpetual capital securities	**4,633,096**	–	–	–	–
Non-controlling interests	**1,346,252**	940,797	820,470	844,661	691,483
	21,614,426	14,232,628	13,975,867	14,052,552	13,363,252

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Road King Infrastructure Limited