



# Road King Infrastructure Limited

*(incorporated in Bermuda with limited liability)*

(Stock Code: 1098)



Positive Thinking

Active Participation

# CORPORATE PROFILE

**Road King** Infrastructure Limited is a leading Hong Kong listed company with its core business in the investment, development, operation and management of toll roads in China. Road King has an investment portfolio of over HK\$6 billion, comprising over 20 toll road and bridge projects spanning approximately 1,100 kilometers and over 60 toll stations in 8 provinces of China. Road King has commenced the property development business in China since 2004. Projects are located in Guangzhou, Guangdong Province and in Changzhou, Jiangsu Province, with total developable gross floor area of 1.6 million square metres.





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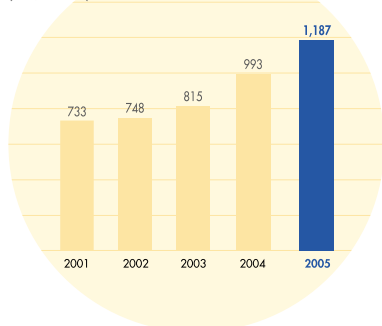
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# FINANCIAL HIGHLIGHTS

	For the year ended of 31 December				
	2005	2004	2003	2002	2001
<b>Financial Highlights (HK\$ million)</b>					
Group's share of toll revenue	1,187	993	815	748	733
Share of results of JVs	596	510	396	386	343
Profit attributable to shareholders	428	369	323	321	237
Total assets	7,341	7,004	5,855	5,745	5,626
Total liabilities	2,074	1,990	1,081	1,211	1,257
Shareholders' funds	5,231	4,968	4,729	4,448	4,288
Cash received from toll roads	864	687	614	590	541
<b>Per Share Figures (HK\$)</b>					
Earnings per share	0.73	0.63	0.56	0.56	0.39
Dividend per share	0.43	0.34	0.25	0.24	0.158
Net book value per share	8.85	8.48	8.10	8.63	8.50
<b>Financial Ratios</b>					
EBITDA	804	706	570	567	530
Gearing ratio	37%	38%	21%	26%	28%
Interest coverage	7.1x	6.9x	8.6x	7.0x	4.8x

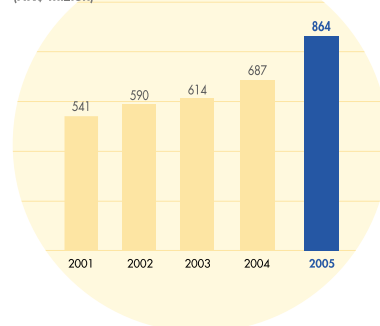
### Group's Share of Toll Revenue

(HK\$ million)



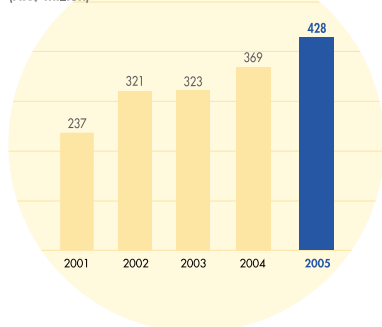
### Cash Received from Toll Roads

(HK\$ million)



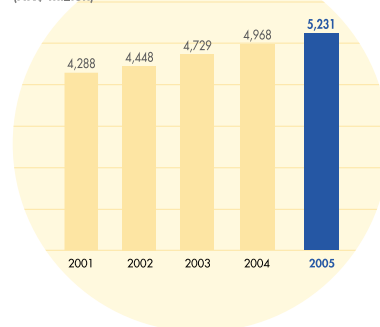
### Profit Attributable to Shareholders

(HK\$ million)



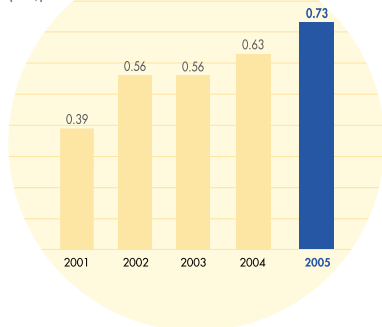
### Shareholders' Funds

(HK\$ million)



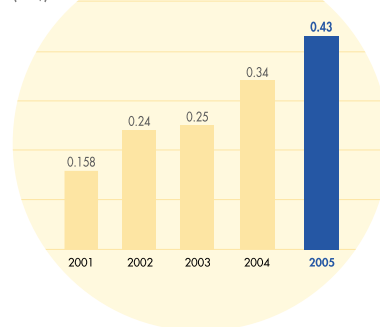
### Earnings per share

(HK\$)

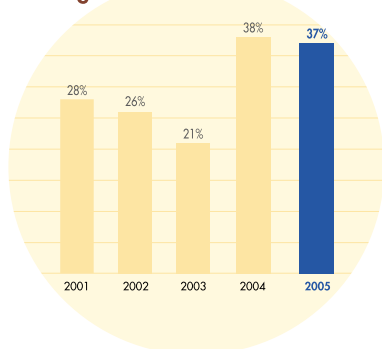


### Dividend per share

(HK\$)

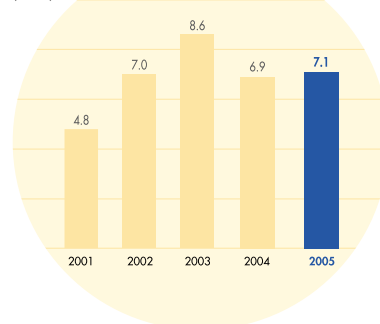


### Gearing Ratio



### Interest Coverage

(times)



Certain comparative figures have been restated due to prior year adjustments.

# CORPORATE STRUCTURE



## ROAD KING INFRASTRUCTURE LIMITED\*

### HIGHWAY BUSINESS

#### HEBEI

##### Road Rise Investments Ltd.

- Baoding-Tianjin Expressway

##### Road Bond Investments Ltd.

##### Road Base Investments Ltd.

##### Ontex Investments Ltd.

- Tangshan-Tianjin Expressway

##### Road Sincere Investments Ltd.

##### Road Fly Investments Ltd.

- National Highway 307  
Shijiazhuang-Jinzhou Highway

##### Road Honour Investments Ltd.

##### Road Sun Investments Ltd.

- National Highway 309  
Handan-Guantao Highway

#### ANHUI

##### Kohyu Investments Ltd.

- Provincial Highway 307 Bengbu  
Huaihe Bridge Highway

##### Kamshan Investments Ltd.

- Provincial Highway 307 Bengbu  
Huaiyuan-Mengcheng Highway

##### Road Keen Investments Ltd.

##### Road Success Investments Ltd.

- National Highway 206  
Hefei-Huainan Highway

##### Road Harvest Investments Ltd.

- Bengbu Chaoyanglu Huaihe  
Highway Bridge

##### Road Giant Investments Ltd.

##### Road Mass Investments Ltd.

##### Road Team Investments Ltd.

##### Road Union Investments Ltd.

- Hefei-Yeji Highway

#### GUANGDONG

##### Easy Yield Investment Ltd.

- Foshan Guangzhou-Sanshui  
Expressway

##### Landgear Investment Ltd.

- National Highway 324  
Luoding-Chonghua Highway

##### Intersafe Investments Ltd.

- Shenzhen Airport-Heao  
Expressway, Eastern Section

#### HUNAN

##### Road Famous Investments Ltd.

##### Road Grand Investments Ltd.

##### Road Express Investments Ltd.

##### Road Link Investments Ltd.

##### Road Crown Investments Ltd.

##### Road Glorious Investments Ltd.

- Changsha-Yiyang Expressway

#### SHANXI

##### Pondtai Investments Ltd.

- National Highway 108 Yuci  
Dongchangshou-Qixian  
Dongguan Highway

##### Road Fortune Investments Ltd.

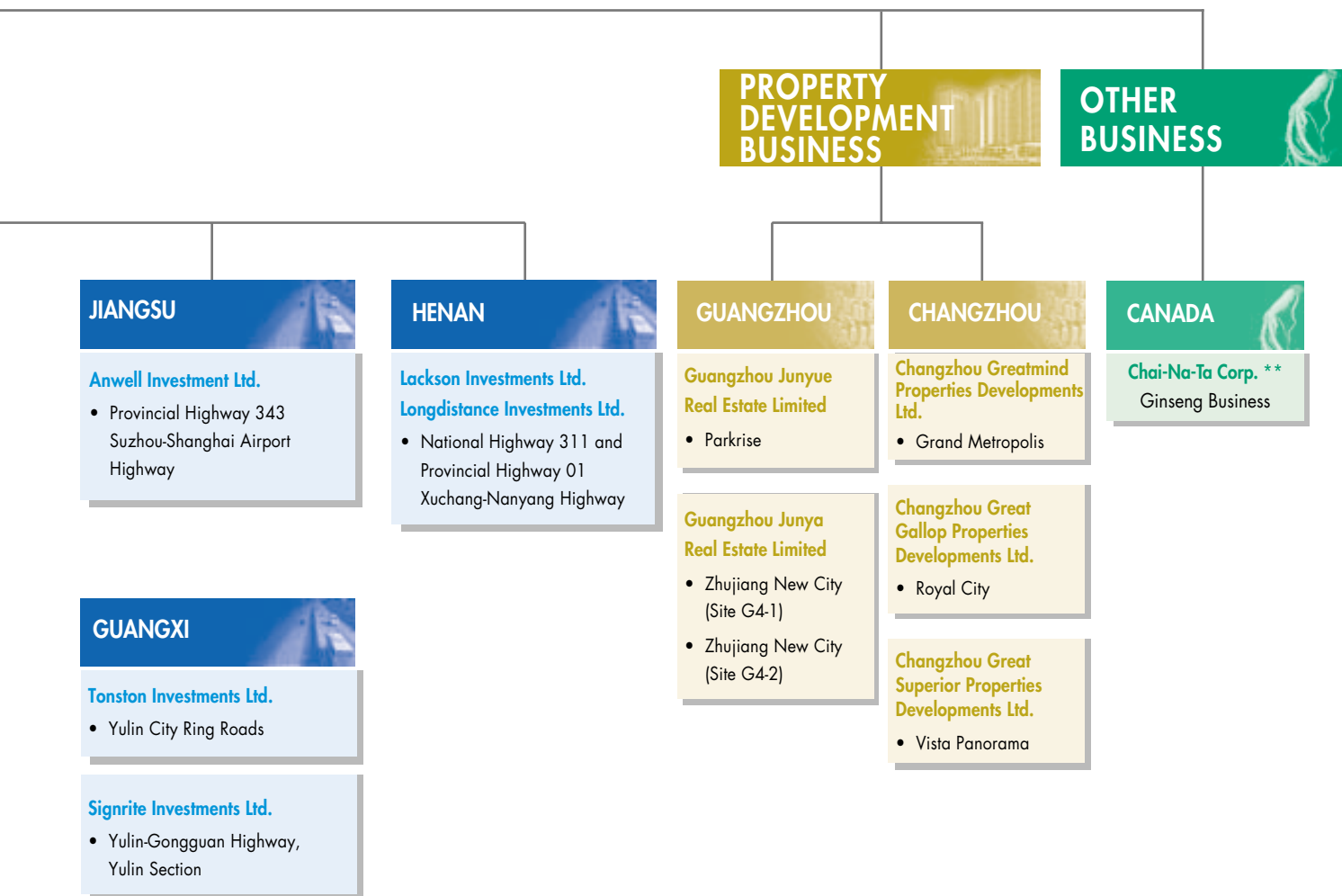
- Taiyuan-Yuci Highway

##### Road Gain Investments Ltd.

- National Highway 108 Yuci  
City Bypass

##### Road Well Investments Ltd.

- Provincial Highway 104  
Taiyuan Ximing-Gujiao  
Highway



\* listed on the Hong Kong Stock Exchange

\*\*traded on the NASDAQ OTC Bulletin Board

## CHAIRMAN'S STATEMENT



**ZEN Wei Pao, William**  
Chairman

### **Dear Shareholders,**

*The Group performed well in 2005. Profit contributions from toll road business continued to grow, and the property development business was making solid progress.*

*The Group's profit attributable to the shareholders in 2005 was HK\$428.3 million, representing an increment of 16% as compared with that of 2004. Earnings per share was HK73 cents. The Board recommended a final dividend of HK26 cents per share. Together with the interim dividend of HK17 cents per share, total dividend for 2005 will be HK43 cents per share.*

Along with the persistent economic development of mainland China, there was a healthy growth in revenue from toll road projects in 2005, generating a total cash inflow of HK\$864 million for the Group, and further witnessing the Group's solid foundation and operation experience in the toll road business.

Progress of the Group's property development business which commenced in 2004 has been steady. At present, the Group has secured developable land with a total gross floor area of 1.6 million square metres in Guangzhou, Guangdong Province and in Changzhou, Jiangsu Province. The Group's first property development project in Guangzhou has commenced the pre-sale in phases. Both the speed of sales and price achieved were better than expected. The accompanying revenue and profit will be recognised in the Group's accounts in year 2006. It is expected that the revenue contribution from the property development business will grow steadily over the next few years.

In the past ten years, the Group's toll road business has delivered stable return to shareholders. Looking forward, the Group will continue to apply its invaluable experiences and advantages in this field to capture new expressway projects with good investment potential and to improve the performances of existing toll road projects, thereby further enhancing the revenue and profit from this core business.

Underpinned by the continuous economic development of mainland China, there is an earnest and surging demand for a better living environment. Potential for property development business is thus enormous. In 2006, with years of investment experiences in China, the Group will keep its positive and cautious approach to expand the property development business gradually, with a view to turning it into a better and bigger business, and providing shareholders with a higher return.

I would like to take this opportunity to express my hearty gratitude to our shareholders, business partners and loyal and dedicated staff.

**Zen Wei Pao, William**

*Chairman*

Hong Kong, 31 March 2006

# CHIEF EXECUTIVE OFFICER'S REPORT



**KO Yuk Bing**  
*Managing Director and  
Chief Executive Officer*

## 2005 Results

In 2005, the Group's profit attributable to shareholders was HK\$428.3 million, representing an increase of 16% as compared with that of 2004. Earnings per share increased from HK63 cents in 2004 to HK73 cents.

The increase in the Group's earnings revealed the profit growth from its core toll road business. During 2005, the Group's cash generated from the toll road business amounted to HK\$864 million, a growth of 26% over that of 2004.

## Business Review

Based on the size and level of investments, the Group's operations include the core business of investment, development, operation and management of toll road projects in China; and the non-core business of property development in China as well as the North American ginseng business in Canada.

## Toll Road Business

In 2005, the results of the Group's toll road business were rewarding. Total traffic volume and revenue of the toll road projects were 135.12 million vehicles and RMB2.25 billion respectively, representing an increase of 6% and 19% compared to those in 2004. The performance of the expressway projects was particularly outstanding.

The impressive results of the toll road projects reflected the continued economic growth in China, the surge of business communications among provinces and cities, the rapid increase in car ownership and the mounting trend towards leisure driving. All these favourable factors to toll road business are expected to prevail.

In line with the Group's strategy to refine the existing toll road portfolio, in January 2005 the Group disposed of its entire interest of the Changzhou-Caoqiao Highway project in Jiangsu Province. The transaction was completed during the year. In 2005, the Group completed the acquisition of 45% equity interest in Tangshan-Tianjin Expressway in Hebei Province. The project commenced its profit contribution to the Group in February 2005.

In relation to the arbitration plea requesting the PRC joint venture partners and related parties of Yulin City projects in Guangxi Zhuang Autonomous Region to honor the joint venture contracts and related agreements, the China International Economic and Trade Arbitration Commission had finalized its arbitral award in favour of the Group. It was held that the PRC joint venture partners were required to pay the Group a sum of approximately RMB243 million, and the local municipal government and her related parties were required to honour part of the awarded sum in case there was any shortfall in payment. At present, the Group is following up the related payment.

## Property Development Business

In 2005, there was substantial progress in the Group's property development business. During the year, the Group secured the development right of certain pieces of land located in Guangzhou, Guangdong Province and Changzhou, Jiangsu Province, boosting the Group's developable gross floor area to a total of 1.6 million square metres.

The structure of the property development project located at Tianhe District in Guangzhou, Parkrise, was completed by the end of 2005. Pre-sale was made in phases commencing from November 2005. Both the speed of sales and price achieved were better than expected. Construction works of the other two pieces of land in Guangzhou commenced in 2006.

Construction works of the Group's two residential and a shopping mall projects in Wujin District, Changzhou, Jiangsu Province, will commence in 2006. Pre-sale of certain residential units will be made in 2006.

It is expected that the property development business will start contributing profit to the Group in 2006.

## Ginseng Business

The Group's non-core business – Chai-Na-Ta Corp. ("CNT"), the world's largest supplier of North American ginseng, registered a net loss. This was resulted mainly from the substantial reduction in sales demand and gross margin.

## Financial Review

### Liquidity and Financial Resources

As at 31 December 2005, the shareholders' funds increased to HK\$5.23 billion (2004: HK\$4.97 billion). Net assets per share was HK\$8.85 (2004: HK\$8.48).

As at 31 December 2005, the Group's total assets and cash and bank balances were HK\$7.34 billion and HK\$421 million respectively.

### Financing Activities

In accordance with the Group's long term development strategy and operational position, a number of financing and refinancing activities were carried out in 2004, including the issuance of US\$200 million US\$ denominated long term guaranteed notes and the arrangement of US\$120 million US\$ denominated syndicated banking facility. These activities effectively fulfilled the Group's funding needs for 2005. Apart from the Group's early repayment of the HK\$306 million HK\$ denominated loan facility in January 2005, no material financing and refinancing activities were carried out during 2005.

# CHIEF EXECUTIVE OFFICER'S REPORT

## Debt and Gearing

The Group's financial position remained healthy. Gearing ratio fell slightly from 38% at the end of 2004 to 37% as at 31 December 2005. Interest coverage was 7.1 times (2004: 6.9 times).

As at 31 December 2005, the Group's total borrowings were HK\$1.92 billion (2004: HK\$1.91 billion). The maturity profile of the Group's total borrowings is set out as follows:

	<b>31 December 2005</b> HK\$ million	31 December 2004 HK\$ million
Repayable:		
Within one year	<b>362</b>	133
After one year but within two years	<b>2</b>	87
After two years but within five years	<b>1</b>	133
After five years	<b>1,559</b>	1,559
Total borrowings	<b>1,924</b>	1,912

The Group's borrowings were primarily denominated in US\$. Other than the US\$200 million fixed-rate US\$ denominated guaranteed notes, the Group's borrowings were on a floating rate basis.

The Group's toll road business contributed steady and strong cashflow to the Group. Together with its standby banking facilities and appropriate financial structure, the Group has adequate financial resources to meet its capital and operational requirements.

## Financing and Treasury Policies

The Group continued to adopt prudent financing and treasury policies. All the Group's financing and treasury activities are centrally managed and controlled. Implementations of the Group's related policies are made under collective but extensive consideration on refinancing risk, interest rate risk as well as exchange rate risk.

## Charges on the Group Assets

As at 31 December 2005, except the Canadian dollar denominated facilities with an outstanding balance of approximately CAD 8 million secured by inventories and certain real estate properties of an overseas subsidiary, the Group had no charged asset.

## Exposure on Foreign Exchange Fluctuations

The Group maintained a conservative treasury policy to minimize exposure to foreign exchange risks. As the Group's borrowings are principally denominated in US\$, but its cash flow generated from projects is denominated mainly in Renminbi, the announcement made by the People's Bank of China on the revaluation of Renminbi in July 2005 had a positive impact on the Group's financing position. Other than that, the Group has no significant exposure to foreign exchange fluctuation.

## Material Future Capital Commitments

As at 31 December 2005, the Group's major capital commitments amounted to approximately HK\$269.42 million. Out of this total balance, HK\$56.73 million will be required in 2006, HK\$177.83 million will be required during years 2007 to 2010, and the remaining will be required after the fifth year.

## Contingent Liabilities

As at 31 December 2005, the Group provided guarantees of approximately RMB7.4 million in favour of its customers for their purchases of the Group's properties. These guarantees provided by the Group will be released when the customers pledge their real estate certificates as securities to banks for the mortgage loans granted by banks.

## Employees

Excluding the staff of joint ventures, the total number of employees in the Group was 286 as at 31 December 2005. Expenditure on staff (excluding Directors' emoluments and amounts capitalised) amounted to HK\$53 million. Employees are remunerated according to their performance and contribution. Other employee benefits include but not limited to provident fund, insurance, medical cover, training program, as well as a share option scheme. In 2005, 15,460,000 share options were granted to Directors and employees under the Group's share option scheme.

## Outlook

Toll road operation is the Group's core business. Riding on the continued economic development of mainland China, the prospect of toll road business remains positive, and it is believed that the business will continue to contribute sizable and gratifying return to the Group. To pursue a higher return from toll road projects, the Group will capitalize its past successful experiences to further improve the governance on its existing toll road projects; strengthen the management of toll collection; block the traffic diversions; and raise the standards of repair and maintenance. Meanwhile, the Group will continue to strive to identify and secure potential expressway projects so as to fortify and enlarge its toll road portfolio as well as profitability.

The Group's property development business is still in a preliminary stage. The Group gained valuable experience from the successful pre-sale of the Guangzhou project. The Group will not only continue to develop the Guangzhou and Changzhou projects, but also to search and explore new business opportunities cautiously to secure another source of profit for the Group.

## Acknowledgement

I would like to extend my gratitude to our business partners and shareholders for their enduring support, and to thank all staff for their dedication and hard work.

**Ko Yuk Bing**

*Managing Director & CEO*

Hong Kong, 31 March 2006

# MANAGEMENT DISCUSSION & ANALYSIS



Toll Road Projects



Property Development Projects

# CHINA





## Toll Road Business

### Hebei Province

Project Name	AADT	% growth	Annual Toll Revenue (RMB 'M)	% growth
1. Baojin Expressway	14,870	+0.4%	306.99	+10.8%
2. Tangjin Expressway	20,924	—	313.40*	—
3. Shijin Highway	12,423	-6.7%	47.49	-15.7%
4. Hanguan Highway	12,965	+6.0%	93.23	-2.0%

\* 11-month contribution from February to December 2005.

### Anhui Province

Project Name	AADT	% growth	Annual Toll Revenue (RMB 'M)	% growth
5. Bengbu Huaimeng Highway	6,438	-27.8%	13.21	-59.7%
6. Hehuai Highway	16,569	-4.4%	61.93	-2.8%
7. Heye Highway	32,445	+1.3%	166.19	+1.4%
8. Bengbu Huaihe Bridge Highway	10,315	-2.2%	32.23	+1.1%
9. Chaoyanglu Huaihe Bridge	6,020	-11.9%	14.28	-2.1%

### Guangdong Province

Project Name	AADT	% growth	Annual Toll Revenue (RMB 'M)	% growth
10. Jihe Expressway	51,353	+19.7%	287.10	+24.3%
11. Guangsan Expressway	39,267	+20.5%	278.94	+21.5%
12. Luochong Highway	16,928	+20.1%	54.32	+27.7%

# PROJECT REVIEW

## Hunan Province

Project Name	AADT	% growth	Annual Toll Revenue (RMB 'M)	% growth
13. Changyi Expressway	36,550	+2.8%	207.06	+10.3%
Including Expressway	14,990	+14.5%	180.28	+15.9%
Changyi Old Road	21,560	-4.0%	26.78	-16.9%

## Shanxi Province

Project Name	AADT	% growth	Annual Toll Revenue (RMB 'M)	% growth
14. Taiyu Highway	23,241	+15.4%	54.96	+14.3%
15. Yuci City Bypass	5,358	+31.6%	22.77	+43.7%
16. Dongguan Highway	6,714	+22.6%	21.75	+38.6%
17. Taigu Highway	12,141	+12.2%	33.27	+2.9%

## Jiangsu Province

Project Name	AADT	% growth	Annual Toll Revenue (RMB 'M)	% growth
18. Airport Highway	18,113	+6.9%	118.38	+15.3%

## Guangxi Zhuang Autonomous Region

Project Name	AADT	% growth	Annual Toll Revenue (RMB 'M)	% growth
19. Yulin City Ring Roads	15,830	+2.1%	35.44	+21.7%
20. Yugong Highway				

## Henan Province

Project Name	AADT	% growth	Annual Toll Revenue (RMB 'M)	% growth
21. Xunan Highway	13,242	-40.5%	91.50	-52.0%

## Hebei Province

With the approaching of the 2008 Beijing Olympics and the economic fusion of the Beijing-Tianjin-Hebei and the Bohai Economic Circles, Hebei plays a major supporting role to the economic development of the Beijing, Tianjin and even the entire Bohai Bay area. The GDP of Hebei exceeded the RMB 1,000 billion benchmark to RMB 1,011.66 billion in 2005, representing a growth of 13.4%. With the rapid growth in industrial production, the economy of Hebei grew steadily. In 2005, the total value of import and export trade soared to US\$16.07 billion, in which import trade increased by 22.9% to US\$5.14 billion and export trade increased by 17.0% to US\$10.93 billion respectively. The total value-added of industry of Hebei amounted to RMB475.9 billion which rose by 15.9%. In year 2005, RMB12.74 billion was invested in expressway construction. The length of completed expressway amounted to 2,135km at the end of 2005, whereas about 1,160km of expressway is under construction. We predict that the need for transportation will surge with the rapid economic growth of Hebei.



Although the parallel Shihuang Expressway diverted a portion of traffic from Baojin Expressway which resulted in a slow growth in traffic, the provincial vehicle reclassification exercise and toll schedule review led to a satisfactory increase in toll revenue. It is expected that Baojin Expressway will maintain steady growth in traffic and toll revenue in 2006.

Tangjin Expressway has commenced its contribution in toll revenue to the Group since February 2005. Tangjin Expressway is an important corridor connecting the northern coastal area, the northeast and the southern provinces, and has recorded gratifying results in 2005. With the accelerated economic developments of Beijing, Tianjin and Hebei, it is anticipated that the project will have a remarkable outlook.

In 2005, toll revenue of Shijin Highway slightly decreased compared with that of 2004 due to the provincial vehicle reclassification exercise and toll schedule review. Some of the traffic was diverted to Shihuang Expressway. The scale of diversion matched with our pre-investment prediction. Along with the rapid growth of Hebei province, there will be certain growth in traffic in Shijin Highway. However, due to the continued developments in the road network nearby and the increasing number of competitive roads, toll revenue of Shijin highway is expected to become more unstable.

Hanguan Highway is an important section of National Highway 309 and a major route of the eastbound coal transport. Due to the restructuring of mining industry in Shanxi in the second half of 2005, coal truck traffic reduction led to a slight decrease in toll revenue of Hanguan Highway compared with that of last year. After the completion of the restructuring in 2006 and the coal mines resume production, it is expected that traffic and toll revenue will grow gradually.

# PROJECT REVIEW

## Anhui Province

The GDP of Anhui Province reached RMB 537.58 billion, which was 11.8% higher than that of the previous year and was the second consecutive year showing a double-digit growth. Its foreign trade was booming, in 2005, total value of imports and exports reached USD 9.12 billion, with a growth of 26.4% compared to that of last year. Transportation and logistics also showed comparable developments. Turnover of freight transport by highway increased 20.8% to 42.27 billion ton-km and turnover of passenger transport by highway increased by 12.7% to 48.12 billion passenger-km. The number of private vehicles owned also soared by 17.9% to 805,000.



To facilitate the fusion into the Yangtze River Delta development, Anhui Province is devoted to speed up its expressway development. As at the end of year 2005, total mileage of expressway reached 1,500 km and there is another 1,400 km of expressway under construction.

Bengbu Huaimeng Highway was affected by the opening of Jieshou-Fuyang-Bengbu Expressway. Some cross-province traffic originally using Bengbu Huaimeng Highway was diverted and caused significant decrease in both traffic and toll revenue in 2005. The scale of diversion, however, matched with our pre-investment prediction.

Hehuai Highway was included in the central government's "5 longitudinal, 2 transverse" Green Corridor Network to grant a discounted toll rate or free passage to vehicles loaded with fresh and live agricultural products. Toll revenue of Hehuai Highway slightly decreased in 2005. To minimize the effect, the project endeavored to inspect each and every concessionary vehicle for eligibility and explore other ways to increase revenue.

Heye Highway was an important section of National Highway 312 connecting Shanghai, Nanjing, Hefei and Xian. Despite the effect of the opening of Xian-Nanjing railway, the project still acted as the strategic trunk route and showed stable growth in both traffic and toll revenue. Together with the upcoming economic development of the North-western region of mainland China, the project will continue its performance in 2006.

Bengbu Huaihe Bridge Highway and Chaoyanglu Huaihe Bridge were affected by the opening of a highway bridge nearby. The combined toll revenue of the two projects showed only a slight increase in 2005 when compared with those in year 2004.

## Guangdong Province

In 2005, the economy of Guangdong Province has continued to develop rapidly. Its GDP increased by 12.5% to RMB 2,170.1 billion. Guangdong foreign trade in 2005 made a historical record high, amounted to US\$ 427.98 billion, representing 19.8% more than that of last year. Guangdong foreign trading value accounted for 30.1% of the country's total imports and exports value, of which US\$ 238.16 billion in exports with 24.3% growth compared with that of 2004, and US\$ 189.82 billion in imports, an increase of 14.7%. The annual trading surplus of 2005 was US\$ 48.34 billion, an increase of US\$ 22.35 billion and 86% from that of the previous year. In 2005, the total value-added of industry was RMB 989.14 billion, an increase of 15.8% over that of the previous year. Automobile, petrochemical, telecommunication, and other high growth industries consolidated the economic development of the province, and facilitated the transformation of the economic and social development model of Guangzhou. Total highway length of the province reached 115,336 km, of which 3,140 km was expressway, 7,301 km was Class 1 highway, and 17,139 km was Class 2 highway. The province's road mileage, road density, and other indicators are ranked in the top tier of the whole country.



Jihe Expressway is an important component of Shenzhen highway network in east-west direction. In 2005, the project's traffic and toll revenue attained promising growth, which mainly caused by rapid development of logistic and trading centres along the highway. A few expressways will be completed in phases in 2006. It is expected that the improved transportation network system will produce synergy and traffic re-distribution and Jihe Expressway will continue to generate further growth in toll revenue.

Taking advantage of the rapid economic development of Foshan, the declining price of motor vehicle, and the accelerated growth rate of private cars, traffic flow of Guangsan Expressway in 2005 increased by 20.5% when compared with that of last year. Toll income also increased by 21.5%. It is expected that Guangsan Expressway will continue to maintain ideal growth in 2006.

Luochong Highway is the main route connecting Guangdong and Guangxi Provinces. Impacted by the Guangxi flooding during the year, part of the National Highway 321 in Guangxi was required to be re-built and some traffic was diverted to National Highway 324, causing a high growth for the project. Due to the construction of the Yunfu to Guangxi Cenxi Expressway and Yangjiang to Luoding Expressway in 2006, there will be a positive impact to traffic of Luochong Highway during the construction period.

# PROJECT REVIEW

## Hunan Province

The GDP of Hunan Province reached RMB 647.3 billion, which was 11.6% higher than that of the previous year. Provincial government revenue was RMB 73.86 billion and this revealed an actively growing economy. In 2005, a total of 61 major projects in the province including steel, medicine, tobacco, power station and expressway with total investment of RMB 50.7 billion were under construction. In addition, grain output continued to increase and reached 28.566 million tons in 2005. Transportation industry also showed a stable development. Turnover of freight transport was 165.7 billion ton-km and turnover of passenger transport was 102.3 billion passenger-km in year 2005. Turnover of freight and passenger transport by highway were 47.84 billion tons-km and 43.54 billion passenger-km respectively. At the end of year 2005, total length of highway was 88,200 km and the length of expressway therein was 1,400 km. There is about 858 km of expressway under construction.



Changyi Expressway is composed of Changsha-Yiyang Expressway and National Highway 319 Changsha-Yiyang section (Changyi old road). Toll revenue generated from the Expressway accounted to 87% of the whole project.

Changyi Expressway experienced a growth rate of 14.5% in traffic flow, resulting from the economic growth in Hunan and the diversion of traffic from Changyi old road to the Expressway due to the extensive inspection on overloading trucks along National Highway 319. In addition, the opening of Changde-Zhangjiajie Expressway in December 2005 also led to an increase in traffic and toll revenue. It is expected that the positive effect of Changde-Zhangjiajie Expressway will continue and the implementation of toll collection by weight for trucks in mid 2006 will further increase the traffic and toll revenue of the project.

## Shanxi Province

Shanxi Province recorded an increase of 12.5% in its GDP to RMB 412.12 billion in year 2005. It was also a successful year in attracting foreign investment. Total contract sum of foreign investment reached USD 1.1 billion, a 173% growth compared to year 2004. Foreign investments are mainly in industries of processing, coal mining, electricity and steel manufacturing. Shanxi Province is one of the most important coal mining provinces in Northern China. In year 2005, total sales of coal out of the province were over 400 million tons, a quarter of which were exported to other provinces through highways. As of the end of year 2005, total mileage of highways in the Province recorded 67,000 km, mileage of expressways reached 1,684 km and the "inverted Y" expressway network planning was basically established.



Taiyu Highway is one of the major entrances to Taiyuan, the capital city of Shanxi Province. Resulting from the increasing traffic of private cars and closure of surrounding parallel road networks for maintenance works, traffic and toll revenue of Taiyu Highway recorded satisfactory increase in year 2005.

Yuci City Bypass and Dongguan Highway have both benefited from the increasing demand of coal, which led to increasing traffic of medium class vehicles. Traffic and toll revenue of the two projects showed significant increase in 2005.

Taigu Highway mainly serves as a major coal transportation route between Taiyuan city and the Gujiao area. In year 2005 the suspension of production of substandard coal mines due to safety concerns led to a slow-down of increase in traffic and toll revenue of Taigu Highway. It is expected that both traffic and toll revenue will improve in year 2006 when normal coal production resumes.

## Jiangsu Province

Jiangsu Province is one of the important components of Yangtze River Delta. In 2005, GDP of Jiangsu Province reached RMB 1,827.21 billion, which was 14.5% higher than that of the previous year. Transportation industry showed rapid growth. Turnover of passenger transport by highway increased by 15.5% to 1.41 billion passengers while turnover of freight transport by highway increased by 11.2% to 768 million tons. Private motor vehicle ownership also soared by 19.3% to 1.92 million. Jiangsu Province has been devoted to the development of the port industry in recent years. Total throughput in 2005 reached 780 million tons, 23% growth compared to that of year 2004. Throughput of containers increased by 40% to 3 million TEU. Development of highway transport has been improving as well. In 2005, total length of newly constructed expressways was 463 km and total length of expressway was 2,887 km. There are about 350 km of expressway under construction.



Benefited from the remarkable economic growth of Suzhou and Shanghai and the partial closure of Nanjing-Shanghai Expressway and National Highway 312 during their widening works in the year, both traffic and toll revenue of Airport Highway recorded historical peak in year 2005. Along with the completion of the widening works on Nanjing-Shanghai Expressway and National Highway 312 in December 2005 and October 2005 respectively and the opening of new Suzhou-Shanghai Expressway in September 2005, it is expected that the project's toll revenue and traffic flow in year 2006 will restore to original level.

## Guangxi Zhuang Autonomous Region

Guangxi Zhuang Autonomous Region, located next to the prosperous Guangdong province, is the main coastal province of South-west China. In 2005, the GDP soared to RMB 406.33 billion, representing a 12.7% growth. The per capita GDP soared to RMB 8,300, exceeding US\$ 1,000. The financial strength of Guangxi was further enhanced. The annual revenue of the region increased by 16%. For tertiary industry, tourism developed rapidly. In 2005, both the number of international tourists and tourism earnings broke the historical record. The number of international tourists soared to 1.46 million with a growth of 29.9%, and the tourism earnings soared to 2.59 billion, representing a growth of 31.6%. For highway construction, total mileage of expressways in Guangxi has already reached 1,411 km.



As a result of the tighter control on registration of under-weight trucks, the annual toll revenue of the project increased by 21.7%, even though traffic only slightly increased.

Regarding to the arbitration pleas requesting the PRC joint venture partners of Yulin City projects in Guangxi Zhuang autonomous Region to honor the joint venture contracts and related agreements, the China International Economic and Trade Arbitration Commission awarded in favour of the Group in June 2005. It was held that the PRC joint venture partners were required to pay the Group the sum of approximately RMB 243million, and the local government and the related parties were also held to be responsible for part of the awarded sum in case there is any shortfall in payment. The group is following up with joint venture partners, local government and government of the Autonomous Region for the settlement of awarded sum. Nevertheless, the Group is not certain as to the extent and when the related payment will be settled.

# PROJECT REVIEW

## Henan Province

In 2005, Henan's GDP reached RMB 1,053.52 billion, which was 14.1% higher than that of the previous year. Henan has also become the fifth province with GDP over one trillion following Guangdong, Shandong, Jiangsu, Zhejiang. The per capita GDP of Henan exceeded RMB 10,000. Industrial and agricultural production hit the historical peak, and the total industrial output of the province went up to the sixth place in the nation, whereas the growth was in the fourth place, entering the top tier in the nation for the first time. With the upsurge in economic performance, the total value-added of industry of Henan amounted to RMB492.3 billion. The total length of expressway completed in 2005 was 920 km, and the total length of expressway increased to 2,678 km.



Owing to the diversion of long distance traffic to the parallel Xuchang-Pingdingshan-Nanyang Expressway, the annual toll revenue of Xunan Highway decreased significantly in 2005. This diversion effect was in line with our prediction at the time of investment. With the rapid growing economy of Henan Province and other mid-west provinces, the traffic of Xunan Highway will maintain its organic growth. Together with optimization on toll collection by weight for trucks, it is expected that the toll revenue of the project will be improved gradually.

Note:

The information and data mentioned above are abstracted from relevant Provincial Bureau of Statistics and Provincial Communications Department.



# PROJECT REVIEW

## Property Development Business

Project Name	Location	Approximate GFA (m <sup>2</sup> )	Type
Parkrise	Guangzhou	99,000	Commercial & Residential
Zhujiang New City (Site G4-1)	Guangzhou	62,000	Commercial & Residential
Zhujiang New City (Site G4-2)	Guangzhou	59,000	Commercial & Residential
Royal City	Changzhou	877,000	Residential
Vista Panorama	Changzhou	406,000	Residential
Grand Metropolis	Changzhou	100,000	Commercial

### Guangdong Province, Guangzhou

Guangzhou, as the capital city of Guangdong province, has a total population around 10 million. Its GDP in 2005 amounted to RMB512 billion with an increase of 13% compared to that of 2004. Guangzhou is ranked the third among cities in China in terms of economic performance and living standard.

The Group has secured three property development projects in Guangzhou, with total site area of approximately 30,000 m<sup>2</sup> and GFA of approximately 220,000 m<sup>2</sup>. All the projects are wholly owned by the Group.

#### Parkrise

Parkrise locates in Tianhe District. The east of Parkrise is in proximity to the Tianhe Park, which is the Natural Regional Park of Eastern Guangzhou with land area of 780,000 m<sup>2</sup>, and the south of Parkrise is adjacent to Tianhe District Government. Parkrise is surrounded by famous colleges, universities and scientific research institutions. It lies in the community of white collars middle class. Parkrise is being developed as a project with four high-rise residential buildings, a shopping mall, and carparks. It provides 728 residential units. It occupies a site area of approximately 16,000 m<sup>2</sup>, with GFA of approximately 99,000 m<sup>2</sup>. The main structure of Parkrise was completed at the end of 2005 and has been offered for pre-sale in phases since November 2005. Sale performance was excellent.



#### Zhujiang New City (Site G4-1)

The project locates at the high-end residential and commercial area in eastern Zhujiang New City of Guangzhou. Zhujiang New City is the new CBD of Guangzhou City. Its first-class facilities of finance, trading, commerce, exhibition, entertainment and leisure, external affairs, government administration, as well as housing have been developed accordingly. Zhujiang New City accommodates about 180,000 people and provides up to 300,000 jobs that leads to a very large demand of high-end housing.

The project site area is approximately 7,000 m<sup>2</sup>. and has a planned GFA of approximately 62,000 m<sup>2</sup>, which comprises six high-rise residential buildings on top of a shopping mall. 336 residential units will be provided. The construction is commenced in early of 2006 and completion is scheduled in 2007.

### Zhujiang New City (Site G4-2)

The west of this project is connected to the Site G4-1 of Zhujiang New City while the east is very close to Zhujiang Park of 230,000 m<sup>2</sup> in size. The site area is approximately 7,000 m<sup>2</sup> and has a planned GFA of approximately 59,000 m<sup>2</sup>. The shopping mall of Site G4-2 is linked to that of Site G4-1, which forms a shopping corridor between them on the ground as well as upper levels. The project is in the procedure of getting government approval on site construction.

### Outlook

Guangzhou is one of the cities with the earliest developed property market in China and the market has been becoming more and more matured over the past ten years. The shortage of land supply, soaring demand of residential buildings, increasing purchasing power of Guangzhou city population, and improvement of transport infrastructure guarantee the development of property market in the long-run.

The Group is confident of Guangzhou property market and will continue to explore suitable projects.

### Jiangsu Province, Changzhou

In the Yangtze River Delta region, Changzhou is linked up with Suzhou and Wuxi to form a rapidly developing SuXiChang region. The city of Changzhou has a total area of 4,375 sq. km, total population of 3.5 million and mobile population of 1.5 million in 2005. GDP of Changzhou in 2005 reached RMB 130.22 billion, an annual growth rate of 15%, which was the fourth among the 16 cities of the Yangtze River Delta. The total sales of consumer goods in Changzhou was RMB 44.41 billion, whereas the annual disposable income per capita was RMB 14,589, which was slightly less than that of Nanjing of RMB14,997.

The Group has three property development projects including two residential and one commercial in Wujin District of Changzhou. The total land area is approximately 680,000 m<sup>2</sup> and the total GFA is approximately 1,400,000 m<sup>2</sup>. All three projects are wholly owned by the Group.

### Royal City

Royal City is in a favourable location, surrounded by the Wujin commercial centre in the north, Wujin Government administration centre in the west, and Changzhou University Town in the south. It takes only 25 minutes to drive to downtown Changzhou. Royal City, being one of the largest residential projects in the central urban zone of Wujin, has a site area of 487,000 m<sup>2</sup> with GFA of 877,000 m<sup>2</sup>. Hsin Yieh Architects (International) Ltd. of Hong Kong was employed as architectural designer for the project. A scenic lake will be featured as the heart of the project, recreation and sport facilities such as a golf practicing course and a stadium will spot the perimeter. Greenery will cover over 50% of site. We believe the theme of a relaxed and healthy living style of the city will ensure the project as the best choice for living in Changzhou. The master layout plan has been approved by the government. The project is divided into five phases with the sale of first phase scheduled in 2006.



## PROJECT REVIEW

### Vista Panorama

The project locates at the southeast corner of Nantian Park and is adjacent to our Group's shopping mall, Grand Metropolis. The north end of the project connects to the Nantian Park, a large-scale recreational and sightseeing wetland park, with land area of 400,000 m<sup>2</sup>. Taking advantage of prominent geographical location, the project embraces both prosperity and peaceful life. The project will be developed as a prestigious high-rise residential area with a site area of 127,000 m<sup>2</sup> with total GFA of 406,000 m<sup>2</sup>. It is at the preliminary design stage.



### Grand Metropolis

Grand Metropolis locates at the central urban zone of Wujin District. Wujin Government administrative centre is on the southwest of the project, Changzhou University Town with over 100,000 faculty members and students is on its south and Nantian Park is on its north. The other two projects of the Group, Royal City and Vista Panorama, are nearby. The project covers the centre of administration, tourism, culture, commerce, and residence of the Wujin District. The project has a site area of 67,000 m<sup>2</sup> with total GFA of 100,000 m<sup>2</sup>, and the current design consists of three surface and one basement levels. Preliminary planning and design is underway.



In order to maximize the advantage of the project, the Group invited an international renowned American architectural designer, Arquitectonica, as the project architect, who was also the architect of Hong Kong Cyber Port and Festival Walk. The Group aims to develop this project as a landmark for Wujin District.

### Outlook

Wujin District is moving rapidly towards the process of urbanization, in line with the "one city, two wings" development scheme in Changzhou. In 2005, the investment in fixed assets reached RMB18.8 billion, increased by 25%. Urban construction has entered a stage of rapid development, and the ancillary facilities of the city has been refined progressively. In addition, with its well developed economy, Wujin has been in top ten of the List of 100 Most Developed County. Hutang, where our three projects locate, is recognized as the centre of government administration, economic development, culture, and residence. Hutang is also the south wing of the "two wings" of the development scheme of Changzhou. It attracts potential home buyers in Wujin and Changzhou. It is foreseeable that Wujin will have a radical change in coming five years. With the elevating living standard, the prospect of the property market in Wujin is expected to be rosy, making Wujin the best living place in Changzhou.

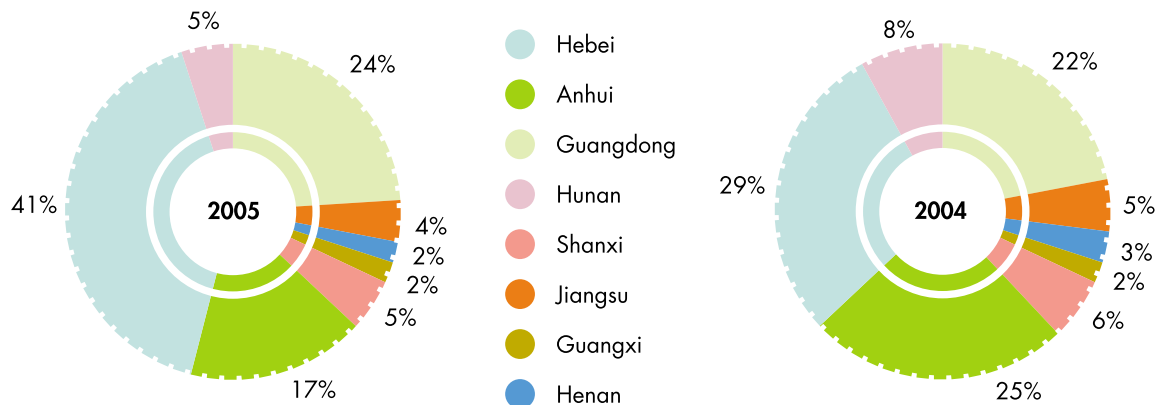
## Financial Results

### Summary of Consolidated Income Statement

<b>HK\$ million</b>	<b>2005</b>	2004	% changes
Revenue: Group and share of joint ventures			
Toll revenue	<b>1,187</b>	993	+20%
Minimum income undertakings	<b>41</b>	4	+925%
Sales of goods	<b>37</b>	45	-18%
	<b>1,265</b>	1,042	+21%
Revenue: Group	<b>78</b>	49	+59%
Impairment loss on goodwill	<b>(1)</b>	—	N/A
Net income recognized in respect of goodwill and discount on acquisition	<b>—</b>	12	N/A
Interest income	<b>8</b>	13	-38%
Other income	<b>30</b>	14	+114%
Cost of inventories sold	<b>(80)</b>	(47)	+70%
Changes in fair value of inventories at the point of harvest	<b>(20)</b>	(10)	+100%
Operating expenses	<b>(110)</b>	(80)	+38%
Share of results of joint ventures	<b>596</b>	510	+17%
Finance costs	<b>(113)</b>	(103)	+10%
Profit before taxation	<b>388</b>	358	+8%
Income tax credit	<b>28</b>	8	+250%
Profit for year	<b>416</b>	366	+14%
Attributable to:			
Profit attributable to shareholders	<b>428</b>	369	+16%
Minority interests	<b>(12)</b>	(3)	+300%
Weighted average number of issued shares	<b>588,674,000</b>	585,191,000	+1%
Basic earnings per share	<b>HK\$0.73</b>	HK\$0.63	+16%
Dividends per share in respect of current year	<b>HK\$0.43</b>	HK\$0.34	+26%
<b>HK\$ million</b>			
Dividends in respect of current year			
Interim dividend	<b>100</b>	94	6%
Proposed final dividend	<b>154</b>	106	45%

## FINANCIAL REVIEW

### Profit Contribution by Toll Road Projects Analysed by Geographic Region



### Revenue and Profit Analyses

As a result of the steady growth of traffic flow in the PRC and the addition of the Tangshan – Tianjin Expressway project in Hebei Province in early 2005, the Group's share of toll revenue and share of results of joint ventures recorded solid growth of 20% and 17% respectively over those of 2004. The Group's profit attributable to shareholders for 2005 also grew to HK\$428 million, representing an increase of 16% over that of 2004.

### Minimum Income Undertakings

The increase was primarily due to the recognition of the minimum income undertakings of Chaoyanglu Huaihe Bridge and Xunan Highway projects in 2005.

### Sales of Goods

The amount represented sales of goods from the North American ginseng business.

### Other Income

In 2005, the Group's other income, increased by 114% to HK\$30 million, mainly comprised the exchange gain resulted from the appreciation of Renminbi in July 2005, realized gains on derivative financial instruments and change in fair value on derivative financial instruments.

### Cost of Inventories Sold/Changes in Fair Value of Inventories at the Point of Harvest

These are related to the North American ginseng business. The substantial increase in these balances was due to the decline in bulk ginseng root prices resulting from the strength of Canadian dollar against Hong Kong dollar and Renminbi used by the customers; the resistance of buyers and grading houses to carry supply because of their concern about exchange rate fluctuations; higher level of rusty root (an aesthetic problem that reduces the perceived value of the root but does not affect its medical properties); and the normal volatility within the ginseng industry.

### Operating Expenses

During 2005, the Group's operating expenses rose to HK\$110 million. The increase was mainly due to the building up of staff resources to handle the property development business, and partly due to severance payments made to certain senior executives. Despite the growth in the Group's toll road business, the operating expenses thereof remained under tight control.

## Finance Costs

In 2005, the Group's finance cost increased by 10% to HK\$113 million. The increase was mainly attributable to the increase in average loan balance of 2005 as well as the rise in effective interest rate during 2005.

## Taxation

In 2005, the income tax credit reflected in the income statement was mainly due to the loss sustained by CNT, as a result of which a tax benefit was generated to offset future tax liability of CNT when it became profitable.

## Financial Position

### Summary of Consolidated Balance Sheet

HK\$ million	2005	2004	Changes
<strong>ASSETS</strong>			
Property, plant and equipment	50	65	-15
Interests in joint ventures	5,223	4,751	+472
Other non-current assets	12	(11)	+23
Current assets	2,056	2,199	-143
<strong>Total assets</strong>	<strong>7,341</strong>	7,004	+337
<strong>LIABILITIES</strong>			
Current liabilities	513	195	+318
Non-current liabilities	1,562	1,795	-233
Minority interests	35	46	-11
<strong>Total liabilities and minority interests</strong>	<strong>2,110</strong>	2,036	+74
<strong>CAPITAL</strong>			
Shareholders' funds	5,231	4,968	+263

**Property, plant and equipment** mainly comprised the fixed assets of CNT.

**Interests in joint ventures** amounted to HK\$5,223 million (2004: HK\$4,751 million) as at 31 December 2005. The increase was attributable to the net effect of the acquisition of Tangshan-Tianjin Expressway project and the disposal of Changzhou-Caoqiao Highway project in early 2005.

**Current assets** mainly comprised bank balance and cash, prepaid land leases, and properties under development for sale. As at 31 December 2005, the Group's current assets amounted to HK\$2,056 million (2004: HK\$2,199 million).

The decline in bank balance and cash was mainly attributable to payments made to acquire the Tangshan-Tianjin Expressway project and land for the Changzhou property projects. A portion of these payments was recorded as prepaid land lease.

The increase in properties under development for sale reflects the progress of the Group's property development in Guangzhou.

## FINANCIAL REVIEW

**Non-current liabilities** primarily comprised the US\$200 million guaranteed notes.

As at 31 December 2005 the Group's non-current liabilities were HK\$1,562 million (2004: HK\$1,795 million). The reduction of the Group's non-current liabilities was due to the early settlement of a term bank loan of HK\$306 million in early 2005.

**Current liabilities** increased to HK\$513 million (2004: HK\$195 million) during 2005. The increase was attributable to the utilization of syndicated bank facilities to support the working capital of the Group.

The increase in **shareholders' funds** was attributable to change of retained profit and new issue of ordinary shares through exercise of 4,774,000 share options during 2005.

### Capital Structure

During the year, both gearing ratio and interest coverage were stable and healthy.

#### Gearing Ratio

HK\$ million	2005	2004
Shareholders' funds	5,231	4,968
Bank and other borrowings	1,924	1,912
Gearing ratio	37%	38%

#### Interest Coverage

HK\$ million	2005	2004
EBITDA	804	706
Finance costs	113	103
Interest coverage (times)	7.1	6.9

With solid growth in the Group's share of results of joint ventures, together with the Group's effort on controlling the financing costs, the interest coverage ratio increased slightly from 6.9x in 2004 to 7.1x in 2005.

# DIRECTORS AND SENIOR MANAGEMENT

## Executive Directors

### **Mr. Zen Wei Pao, William**

*(aged 58, Chairman)*

Mr. Zen has been the Chairman of the Company since its establishment. He is also the Chairman of Wai Kee Holdings Limited (“Wai Kee”), the largest 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, UK. He is also an individual founder member and a fellow member of Hong Kong Institution of Highways and Transportation. He has extensive experience in civil engineering, construction material and infrastructure development in Hong Kong, Taiwan and the PRC. He is the brother of Mr. Zen Wei Peu, Derek.

### **Mr. Ko Yuk Bing**

*(aged 50, Managing Director and Chief Executive Officer)*

Mr. Ko joined the Company in early 1995. Mr. Ko holds a Master of Science degree in Engineering. He is a Chartered Engineer, and is a fellow member of The Institution of Civil Engineers, UK, The Institution of Structural Engineers, UK and The Hong Kong Institution of Engineers. He has extensive experience in infrastructure development in Hong Kong and the PRC, and has over 15 years of experience in business development and operation in the PRC.

### **Mr. Chan Kam Hung**

*(aged 47, Chief Operating Officer)*

Mr. Chan has been appointed as an Executive Director of the Company since July 2002. He holds a Bachelor of Economics degree from the University of Sydney. He is a Chartered Accountant of Australia and a fellow member of The Hong Kong Institute of Certified Public Accountants. Mr. Chan has over 25 years of auditing, accounting and corporate management experience. Prior to joining the Company, he held senior corporate management positions in multi-national companies and listed companies in Hong Kong.

### **Mr. Fong Shiu Leung, Keter**

*(aged 43, 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 member of The Hong Kong Institute of Certified Public Accountants. He has over 20 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.

### **Mr. Zen Wei Peu, Derek**

*(aged 53)*

Mr. Zen has been a Director of the Company since its establishment. He is also the Vice Chairman of Wai Kee and the Chairman of Build King Holdings Limited. He holds a Bachelor of Science degree in Engineering and a Master of Business Administration degree. He is a Chartered Engineer and is a member of The Institution of Civil Engineers, UK and a fellow member of The Institute of Quarrying, UK. Mr. Zen has over 30 years of experience in civil engineering industry. He is the brother of Mr. Zen Wei Pao, William.

## Non-Executive Directors

### **Mr. Hu Aimin**

*(aged 57)*

Mr. Hu has been appointed as a Non-Executive Director of the Company since February 2004. He is the Chairman of Shum Yip Holdings Company Limited (“Shum Yip Holdings”) and Shenzhen Investment Limited (“Shenzhen Investment”). He is also a Non-Executive Director of Ping An Insurance (Group) Company of China Limited, a listed company in Hong Kong. He graduated from the Hunan University, the PRC and holds a Master degree in Management Studies. Prior to joining Shum Yip Holdings in April 2003 and becoming the Chairman of Shenzhen Investment in June of the same year, he was the Chief Secretary of the Shenzhen Municipal Government and the Director of the Shenzhen Government Office, the Vice Chief Secretary of the

## DIRECTORS AND SENIOR MANAGEMENT

Shenzhen Government Council, the Shenzhen Futian District Standing Committee member and Head of its Staff Department, the Director of the Hubei Province leadership science and talents research office and the Managing Vice Chief Editor of the Magazine "Leadership Works Research". He has over 30 years of experience in administration and management.

### **Mr. Zhang Yijun**

*(aged 51)*

Mr. Zhang has been appointed as a Non-Executive Director of the Company since December 2004. He is an Executive Director and President of Shenzhen Investment. He graduated from South China Normal University in the PRC in 1983 with a Bachelor degree in Philosophy. He was engaged in research studies of assets and corporate management in Japan from 1991 to 1992, and attended an on-the-job postgraduate course for Global Economics professionals of Nan Kai University from 1996 to 1998. Mr. Zhang has vast working experience in government and over 10 years of experience in investment and corporate management.

### **Independent Non-Executive Directors**

#### **Mr. Chan Hing Chiu, Vincent**

*(aged 70)*

Mr. Chan joined the Company as an Independent Non-Executive Director in 1996. He was the Chairman of Scott Wilson Kirkpatrick (Hong Kong) Limited ("SWK") and is currently retired. He had been a Partner and a Director of SWK since 1981. Mr. Chan holds a Bachelor of Science degree in Engineering and a Master of Science degree. He is a member of The Institution of Civil Engineers, UK and a fellow member of The Hong Kong Institution of Engineers.

#### **Mr. Chow Shiu Kee, Stephen**

*(aged 57)*

Mr. Chow joined the Company as an Independent Non-Executive Director in 1996. He holds a Bachelor of Arts degree and a Master of Law degree. He is a solicitor admitted to practice in Hong Kong, England and Wales, and Singapore, and is a partner of the solicitors firm of

Messrs. Wong Poon Chan Law & Co. He is a Notary Public and a China Appointed Attesting Officer. Mr. Chow is a member of Solicitors Disciplinary Tribunal Panel, and a member of the Law Society Free Legal Advice Scheme.

#### **Mr. Lau Sai Yung**

*(aged 58)*

Mr. Lau joined the Company as an Independent Non-Executive Director in August 2004. He is the sole proprietor of Lau SY & Co., Certified Public Accountants, the Executive Chairman of Union Alpha CPA Limited, a council member of the Chinese University of Hong Kong and also holds honorary positions in various schools, charitable and non-profit-making organizations. He holds a Bachelor degree in Business Administration from The Chinese University of Hong Kong. Mr. Lau is a Certified Public Accountant (Practising) and has over 30 years of experience in the profession of accounting. He is also a fellow member of The Association of Chartered Certified Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants, an associate member of The Institute of Chartered Accountants in England and Wales, The Taxation Institute of Hong Kong, The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators of the United Kingdom, and a member of The Society of Chinese Accountants and Auditors, Hong Kong.

### **Senior Management**

#### **Mr. Leung Chin Wan**

*(aged 51)*

Mr. Leung is the Director of RK Properties Holdings Limited, a member of the Group, and is responsible for the Engineering Department of the Property Division. He holds a Master of Science degree in Engineering. He is a Chartered Engineer and is a member of both The Institution of Civil Engineers, UK and The Hong Kong Institution of Engineers. He has over 27 years of experience in civil engineering with more than 17 years of experience in the PRC project management.

**Mr. Yu Kam Fat, James**

*(aged 50)*

Mr. Yu is the Director of the RK Properties Holdings Limited, a member of the Group, and is responsible for the Design Department of the Property Division. He is also a General Manager of the Infrastructure Management Division. He holds a Master of Science degree in Engineering. He is a Chartered Engineer and is a member of The Association of Professional Engineers of Ontario, Canada; The Institution of Civil Engineers, UK; The Institution of Structural Engineers, UK and The Institution of Highway and Transportation, UK and is a fellow of The Hong Kong Institution of Engineers. He is also a Registered Structural Engineers, HK and a Registered Professional Engineer, HK. He has over 26 years of experience in civil engineering and project management.

**Mr. Li Sau Lung**

*(aged 52)*

Mr. Li is the Director of the RK Properties Holdings Limited, a member of the Group, and the General Manager of the Guangzhou office, looking after the property development projects over there. He holds a Master of Science in International Real Estate degree, a Bachelor of Architecture degree and a Bachelor of Arts in Architectural Studies degree. He is a member of The Hong Kong Institute of Architects and a Registered Architect. Mr. Li has over 23 years of experience in property development in Hong Kong, the PRC and Southeast Asia.

**Mr. Xu De Bao**

*(aged 67)*

Mr. Xu is a General Manager of the Infrastructure Management Division stationed in the PRC. He was the Director of a City Communication Bureau in the PRC. He has over 18 years of experience in administration, road construction and personnel management of the transportation sector in the PRC.

**Mr. Chan Sai Kuen, Daniel**

*(aged 48)*

Mr. Chan is a General Manager of the Infrastructure Management Division. He holds a Bachelor of Business Administration degree in Accounting. He has over 24 years of experience in accounting and project management.

**Ms. Chuk Wing Suet**

*(aged 34)*

Ms. Chuk is the General Manager of Business Development and Operational Control Division. She holds a Master of Business Administration degree and a Bachelor of Social Science degree. Ms. Chuk has over 12 years of experience in business investment, operation, development and promotion, especially in infrastructure projects, in Hong Kong and the PRC.

**Ms. Wong Shuk King**

*(aged 34)*

Ms. Wong is the Financial Controller. She holds a Master of Science in Finance degree and a Bachelor in Business Administration in Finance degree. She is a member of both The Association of Chartered Certified Accountants and The Hong Kong Institute of Certified Public Accountants. Ms. Wong has over 13 years of experience in the profession of finance and accounting.

**Mr. Lai Siu Keung**

*(aged 42)*

Mr. Lai is a Deputy General Manager of the Infrastructure Management Division. He holds a Bachelor of Engineering (Hons) degree in Civil Engineering. He has over 22 years of experience in civil engineering and project management.

# DIRECTORS' REPORT

The Directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31 December 2005.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the subsidiaries and infrastructure joint ventures are investment holding and the investment in, development, operation and management of toll roads and expressways in the PRC, the details of which are set out in notes 17 and 37 to the consolidated financial statements. Since 2004, the Group has also engaged in property development business in the PRC.

## MAJOR CUSTOMERS AND SUPPLIERS

The principal business of the Group is to invest in, develop, operate and manage toll roads and expressways in the PRC. There are no major customers and suppliers in view of the nature of the toll roads business.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2005 are set out in the consolidated income statement on page 53.

An interim dividend of HK17 cents per share amounting to HK\$100,380,000 was paid to the shareholders on 25 August 2005.

The directors recommend the payment of a final dividend of HK26 cents per share to the shareholders on the register of members on 12 May 2006 amounting to approximately HK\$154,269,000.

## SHARE CAPITAL AND SHARE OPTIONS

Details of the movements during the year in the share capital and share options of the Company are set out in notes 25 and 26 to the consolidated financial statements respectively.

## RESERVES

Movements during the year in the reserves of the Group are set out in the consolidated statement of changes in equity on page 55.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

## PROPERTIES UNDER DEVELOPMENT FOR SALE AND PREPAID LAND LEASES

Particulars of these properties of the Group are shown under the section of Management Discussion and Analysis - Project Review on pages 12 to 26.

## BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Group are set out in note 27 to the consolidated financial statements.

## RETIREMENT BENEFIT PLANS

Particulars of these retirement benefit plans of the Group are set out in note 32 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 108 of the annual report.

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

### Executive Directors:

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

### Non-executive Directors:

Hu Aimin  
Zhang Yijun

### Independent Non-executive Directors:

Chan Hing Chiu, Vincent  
Chow Shiu Kee, Stephen  
Lau Sai Yung

# DIRECTORS' REPORT

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS (Continued)

In accordance with Bye-laws 86 and 87 of the Company's Bye-laws, Messrs Zen Wei Pao, William, Ko Yuk Bing, Fong Shiu Leung, Keter and Zen Wei Peu, Derek shall retire by rotation and, being eligible, offer themselves for re-election. All other remaining directors continue in office.

Each of Messrs Zen Wei Pao, William and Zen Wei Peu, Derek entered into a service agreement with the Company for a term of three years commencing from 1 May 2003. Their service agreements have been reviewed by the Board and remuneration committee. It has been determined that the Company will enter into new service agreements with them for a term of three years with effect from 1 May 2006.

Each of Messrs Ko Yuk Bing and Chan Kam Hung entered into service agreements with the Group for a term of three years commencing from 1 May 2005.

Mr. Fong Shiu Leung, Keter entered into service agreements with the Group for a term of three years commencing from 1 June 2005.

The term of office for each Non-executive Director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

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

## DIRECTORS' INTERESTS IN CONTRACTS

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

## DISCLOSURE OF INTERESTS

### Directors' Interests and Short Positions

As at 31 December 2005, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange were as follows:

#### (I) THE COMPANY

Interests in shares

Name of Director	Capacity/ Nature of interest	Number of shares held		Percentage of holding (%)
		Long position	Short position	
Zen Wei Pao, William	Personal	7,500,000 (note 2)	—	1.27
Ko Yuk Bing	Personal	1,750,000 (note 1)	—	0.30
		5,700,000 (note 2)	—	0.96
Chan Kam Hung	Personal	50,000 (note 1)	—	0.01
		4,800,000 (note 2)	—	0.81
Fong Shiu Leung, Keter	Personal	3,400,000 (note 2)	—	0.58
Zen Wei Peu, Derek	Personal	2,986,000 (note 1)	—	0.51
		2,300,000 (note 2)	—	0.39
Hu Aimin	Personal	500,000 (note 2)	—	0.08
Zhang Yijun	Personal	250,000 (note 2)	—	0.04
Chan Hing Chiu, Vincent	Personal	750,000 (note 2)	—	0.13
Chow Shiu Kee, Stephen	Personal	160,000 (note 1)	—	0.03
		750,000 (note 2)	—	0.13
Lau Sai Yung	Personal	250,000 (note 2)	—	0.04

Notes:

- 1 Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
- 2 Long position in the underlying shares of the Company pursuant to unlisted equity derivatives (including physically settled, cash settled and other equity derivatives). Share options granted to Directors are included in this category, the particulars and movements of which are set out in (II) below.

# DIRECTORS' REPORT

## DISCLOSURE OF INTERESTS (Continued)

### Directors' Interests and Short Positions (Continued)

#### (II) DETAILS OF SHARE OPTIONS

The share option scheme was adopted by the Company on 12 May 2003. 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 is as follows:

Name	Issue	Number of share options				Balance at 31.12.2005	Weighted average closing price (note 4)
		Balance at 1.1.2005	Granted during the year	Exercised during the year	Cancelled during the year		
<b>Directors</b>							
Zen Wei Pao, William	note 1	2,500,000	—	—	—	2,500,000	—
	note 2	2,500,000	—	—	—	2,500,000	—
	note 3	—	2,500,000	—	—	2,500,000	—
Ko Yuk Bing	note 1	2,300,000	—	(1,200,000)	—	1,100,000	5.50
	note 2	2,300,000	—	—	—	2,300,000	—
	note 3	—	2,300,000	—	—	2,300,000	—
Chan Kam Hung	note 1	1,300,000	—	(100,000)	—	1,200,000	6.30
	note 2	1,800,000	—	—	—	1,800,000	—
	note 3	—	1,800,000	—	—	1,800,000	—
Fong Shiu Leung, Keter	note 1	1,000,000	—	—	—	1,000,000	—
	note 2	1,000,000	—	—	—	1,000,000	—
	note 3	—	1,400,000	—	—	1,400,000	—
Zen Wei Peu, Derek	note 1	650,000	—	(650,000)	—	—	5.60
	note 2	1,300,000	—	(300,000)	—	1,000,000	6.20
	note 3	—	1,300,000	—	—	1,300,000	—
Hu Aimin	note 2	250,000	—	—	—	250,000	—
	note 3	—	250,000	—	—	250,000	—
Zhang Yijun	note 3	—	250,000	—	—	250,000	—
Chan Hing Chiu, Vincent	note 1	250,000	—	—	—	250,000	—
	note 2	250,000	—	—	—	250,000	—
	note 3	—	250,000	—	—	250,000	—

## DISCLOSURE OF INTERESTS (Continued)

### Directors' Interests and Short Positions (Continued)

#### (II) DETAILS OF SHARE OPTIONS (Continued)

Name	Issue	Number of share options				Balance at 31.12.2005	Weighted average closing price (note 4)
		Balance at 1.1.2005	Granted during the year	Exercised during the year	Cancelled during the year		
Chow Shiu Kee, Stephen	note 1	250,000	—	—	—	250,000	—
	note 2	250,000	—	—	—	250,000	—
	note 3	—	250,000	—	—	250,000	—
Lau Sai Yung	note 3	—	250,000	—	—	250,000	—
James Herbert Stewart (resigned on 30 Sept 2004)	note 1	250,000	—	(250,000)	—	—	5.60
	note 2	250,000	—	—	(250,000)	—	—
Liu Zixian (resigned on 28 Dec 2004)	note 2	250,000	—	—	(250,000)	—	—
		18,650,000	10,550,000	(2,500,000)	(500,000)	26,200,000	
<b>Others</b>							
Employees	note 1	4,054,000	—	(2,044,000)	—	2,010,000	6.09
	note 2	3,940,000	—	(230,000)	(110,000)	3,600,000	6.13
	note 3	—	4,910,000	—	—	4,910,000	—
		7,994,000	4,910,000	(2,274,000)	(110,000)	10,520,000	
		26,644,000	15,460,000	(4,774,000)	(610,000)	36,720,000	

Notes:

- The share options under this issue were granted on 17 October 2003 with an exercisable period from 17 October 2003 to 16 October 2008 and an exercise price of HK\$5.15.
- The share options under this issue were granted on 26 August 2004 with an exercisable period from 26 August 2004 to 25 August 2009 and an exercise price of HK\$5.70.
- The share options under this issue were granted on 14 December 2005 with an exercisable period from 14 December 2005 to 13 December 2010 and an exercise price of HK\$5.80. The closing price of the Company's shares immediately before the date of grant was HK\$5.65.
- This represents the weighted average closing price of the Company's shares immediately before the date on which the share options were exercised.

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

Save as disclosed herein, none of the Directors nor their spouse or children under 18 years of age were granted or had exercised any rights to subscribe for any securities of the Company or any of its associated corporations.

## DIRECTORS' REPORT

### 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 shares in, or debentures of, the Company or any other body corporate.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2005, so far as is known to any Director of the Company, the following persons (other than Directors of the Company), had interests or short positions in the shares and underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Capacity/ Nature of interest	Number of shares held		Percentage of holding (%)
		Long position	Short position	
		<i>(note 1)</i>		<i>(note 10)</i>
Wai Kee Holdings Limited <i>(note 2)</i>	Corporate	275,639,428	—	46.65
Wai Kee (Zens) Holding Limited <i>(note 3)</i>	Corporate	275,639,428	—	46.65
Groove Trading Limited <i>(note 4)</i>	Personal/Beneficiary	66,000,000	—	11.17
Wai Kee China Investments (BVI) Company Limited <i>(note 4)</i>	Corporate	206,022,428	—	34.87
Wai Kee China Investments Company Limited <i>(note 5)</i>	Corporate	206,022,428	—	34.87
ZWP Investments Limited <i>(note 6)</i>	Personal/Beneficiary	206,022,428	—	34.87
Shenzhen Investment Limited <i>(note 7)</i>	Corporate	146,069,142	—	24.72
Hover Limited <i>(note 8)</i>	Personal/Beneficiary	146,069,142	—	24.72
Cheah Cheng Hye <i>(note 9)</i>	Personal	450,000	—	0.08
	Family	230,000	—	0.04
	Corporate	69,615,852	—	11.78
		70,295,852	—	11.90
Value Partners Limited	Investment Manager	70,101,852	—	11.86

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS (Continued)**

Notes:

- 1 Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
- 2 Wai Kee Holdings Limited is deemed to be interested in the shares through its interests in (i) its wholly owned subsidiaries, namely Wai Kee (Zens) Holding Limited, Groove Trading Limited and Wai Kee China Investments (BVI) Company Limited, Wai Kee China Investments Company Limited, ZWP Investments Limited and Top Horizon Holdings Limited respectively; and (ii) its subsidiaries, namely Build King Holdings Limited, Top Tactic Holdings Limited, Amazing Reward Group Limited, Absolute Achieve Holdings Limited and Smart Start Investments Limited, which beneficially held 3,617,000 shares respectively.
- 3 Wai Kee (Zens) Holding Limited is a direct wholly owned subsidiary of Wai Kee Holdings Limited.
- 4 Groove Trading Limited and Wai Kee China Investments (BVI) Company Limited are direct wholly owned subsidiaries of Wai Kee (Zens) Holding Limited.
- 5 Wai Kee China Investments Company Limited is a direct wholly owned subsidiary of Wai Kee China Investments (BVI) Company Limited.
- 6 ZWP Investments Limited is a direct wholly owned subsidiary of Wai Kee China Investments Company Limited.
- 7 Shenzhen Investment Limited is deemed to be interested in the shares through its interests in its wholly owned subsidiary, namely Hover Limited.
- 8 Hover Limited is a direct wholly owned subsidiary of Shenzhen Investment Limited.
- 9 Cheah Cheng Hye is deemed to be interested in the shares through his 31.82% interest in Value Partners Limited.
- 10 The percentage was calculated based on 590,896,566 ordinary shares in issue as at 31 December 2005.

Save as disclosed above, no other person (other than a Director of the Company) has 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 pursuant to section 336 of the SFO.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

## **PRE-EMPTIVE RIGHTS**

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

## **SUFFICIENCY OF PUBLIC FLOAT**

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

# DIRECTORS' REPORT

## CONNECTED TRANSACTION

The following transaction of the Group constituted a connected transaction (the "connected transaction") which is normally subject to the disclosure and independent shareholders' approval requirements under the Listing Rules during the financial year ended 31 December 2005:

### Property Construction Joint Venture

As announced on 28 June 2005, Sky Excel Investments Limited ("Sky Excel"), a wholly owned subsidiary of the Company and Innocity International Limited ("Innocity"), a wholly owned subsidiary of Build King Holdings Limited ("Build King") entered into an agreement ("Agreement") pursuant to which, Sky Excel and Innocity conditionally agreed to establish a wholly foreign-owned enterprise in the PRC, which would be wholly owned by Value Ahead Limited ("Value Ahead"), to engage in the business of property construction. Each of Sky Excel and Innocity subscribed for 59 shares and 40 shares respectively in Value Ahead for an aggregate cash consideration of US\$99.00 payable at completion. Prior to the acquisition, Value Ahead had one share in issue and was wholly owned by Sky Excel.

Pursuant to the Agreement at completion, Sky Excel and Innocity provided shareholders' loans in the amount of US\$1,812,300.60 and US\$1,208,200.40 to Value Ahead respectively. The aggregate of the consideration for the subscription of the shares of Value Ahead by Sky Excel and the provision of its share of the shareholders' loans would be US\$1,812,359.60.

By virtue of Wai Kee Holdings Limited ("Wai Kee"), a substantial shareholder of the Company, being the controller of Build King, the transaction contemplated under the Agreement constituted a connected transaction for the Company under Chapter 14A of the Listing Rules and was subject to the approval of the independent shareholders. Details of the Agreement were disclosed in the circular dated 19 July 2005.

In the opinion of the Directors of the Company, the terms of the Agreement were fair and reasonable and in the interests of the Company and shareholders as a whole. The transaction was duly approved by the shareholders of the Company at the special general meeting held on 5 August 2005.

## CONTINUING DISCLOSURE OF THE LISTING RULES

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

1. Pursuant to rules 13.13 and 13.16 of the Listing Rules:
  - (a) All the Group's investments in highway projects are structured in the form of Sino-foreign co-operative joint ventures. The 44 joint ventures are regarded as infrastructure joint ventures irrespective of whether the Group's interests exceed 50% or not. The investments are in the form of both registered capital and loans. The size of loans made by the Group and by the other joint venture partner(s) to each joint venture is in proportion to the respective interests in each joint venture.
  - (b) During the year, the Group established a joint venture engaging in the business of property construction in the PRC, details of which have been set out in the previous section on Connected Transaction.
  - (c) During the year, the Group has not provided guarantees in respect of bank facilities utilised by the joint ventures.
  - (d) The total amount of loans to joint ventures was HK\$3.78 billion which in aggregate exceeds 8% of the Group's adjusted total assets of HK\$7.19 billion (being the Group's total assets as at 31 December 2005 adjusted for the dividend proposed for the year ended 31 December 2005 by the Company) as at 31 December 2005 and exceeds 8% of the Company's market capitalization of HK\$3.31 billion as at 31 December 2005. The loans are actually part of the investments and are unsecured, interest free and have no definite repayment terms.
  - (e) The loans to the infrastructure joint ventures were reflected in the accounts as part of the cost of investment and were funded by equities raised at the listing of the Company or by borrowings or internal resources of the Group.



# DIRECTORS' REPORT

## CONTINUING DISCLOSURE OF THE LISTING RULES (Continued)

(f) Details of the joint ventures are as follows:

	<b>% of interest held indirectly by the Company</b>	<b>Loan to joint venture HK\$'000</b>	<b>Outstanding loan to be injected HK\$'000</b>
<b>PRC Infrastructure Joint Ventures</b>			
Anhui Road Universe Hefei Highway Development Co., Ltd.	50%	124,677	—
Anhui Road Universe Hehuai Highway Dayang Section Development Company Limited	60%	75,663	—
Anhui Road Universe Hehuai Highway Yangjin Section Development Company Limited	60%	67,252	—
Anhui Road Universe Liuan Highway Development Co., Ltd.	50%	64,705	—
Bengbu Road King Chaoyanglu Huaihe Highway Bridge Development Co., Ltd.	60%	65,277	—
Bengbu Road King Huaihe Bridge Highway Development Co., Ltd.	60%	78,083	—
Bengbu Road King Huaimeng Highway Development Co., Ltd.	60%	57,201	—
Foshan Guangsan Special-Use Automobile Highway Co., Ltd.	35%	258,377	—
Guangxi Hengjing Highway Development Co., Ltd.	70%	61,513	18,751
Guangxi Lutong Highway Development Co., Ltd.	70%	81,800	16,109
Handan Rongguang Highway Development Co., Ltd.	70%	79,223	—
Handan Xinguang Highway Development Co., Ltd.	70%	80,474	—
Hebei Baofa Expressway Co., Ltd.	40%	54,064	—
Hebei Baofeng Expressway Co., Ltd.	40%	54,111	—
Hebei Baohui Expressway Co., Ltd.	40%	53,907	—
Hebei Baojie Expressway Co., Ltd.	40%	54,994	—
Hebei Baojin Expressway Co., Ltd.	40%	54,503	—
Hebei Baoli Expressway Co., Ltd.	40%	55,049	—
Hebei Baoming Expressway Co., Ltd.	40%	50,550	—
Hebei Baosheng Expressway Co., Ltd.	40%	54,187	—
Hebei Baoyi Expressway Co., Ltd.	40%	54,445	—
Hebei Baoyu Expressway Co., Ltd.	40%	54,703	—
Hebei Tanghui Expressway Co., Ltd.	45%	182,778	—
Hebei Tangjin Expressway Co., Ltd.	45%	159,225	—
Hebei Tangrun Expressway Co., Ltd.	45%	109,749	—
Hunan Changyi (Baining) Expressway Co., Ltd.	43.17%	58,635	—
Hunan Changyi (Cangyi) Expressway Co., Ltd.	43.17%	59,832	—
Hunan Changyi (Changbai) Expressway Co., Ltd.	43.17%	59,567	—
Hunan Changyi (Hengcang) Expressway Co., Ltd.	43.17%	61,465	—
Hunan Changyi (Ningheng) Expressway Co., Ltd.	43.17%	59,510	—
Hunan Changyi (Zijiang No. 2 Bridge) Expressway Co., Ltd.	43.17%	47,346	—
Liuan Road Universe Liuye Highway Development Co., Ltd.	50%	68,487	—
Liuan Road Universe Pihe Bridge Development Co., Ltd.	50%	63,286	—
Luodingshi Luochong Highway Company Limited	61%	114,725	—

## CONTINUING DISCLOSURE OF THE LISTING RULES (Continued)

(f) Details of the joint ventures are as follows: (Continued)

	<b>% of interest held indirectly by the Company</b>	<b>Loan to joint venture HK\$'000</b>	<b>Outstanding loan to be injected HK\$'000</b>
<b>PRC Infrastructure Joint Ventures</b>			
Pingdingshan Road King Xuchang-Nanyang Highway (Xiangcheng Section) Development Co., Ltd.	50%	68,352	—
Pingdingshan Road King Xuchang-Nanyang Highway (Yexian Section) Development Co., Ltd.	50%	59,025	—
Shanxi Lutong Dongguan Highway Co., Ltd.	65%	99,693	—
Shanxi Lutong Taigu Highway Co., Ltd.	60%	76,080	—
Shanxi Lutong Taiyu Highway Co., Ltd.	65%	75,938	—
Shanxi Lutong Yuci Highway Co., Ltd.	65%	60,460	—
Shenzhen Airport-Heao Expressway (Eastern Section) Co., Ltd.	45%	377,028	—
Shijiazhuang Luhui Road & Bridge Development Co., Ltd.	60%	96,657	—
Shijiazhuang Luxin Road & Bridge Development Co., Ltd.	60%	54,040	—
Suzhou Road King Shanghai-Suzhou Airport Road Development Co., Ltd.	50%	120,874	—
<b>Property Construction Joint Venture</b>			
常州利駿建築工程有限公司 (「利駿」)	60%	14,136*	—
		3,781,646	34,860

\* The loan was advanced to the immediate holding company of 利駿, Value Ahead Limited, which then on-lent it to 利駿.

2. Pursuant to rule 13.18 of the Listing Rules:

The Group had a transferable term loan facility for the amount of HK\$350 million. Under the facility agreement, the single largest shareholder of the Company was required to maintain directly or indirectly not less than thirty-five per cent (35%) of each class of issued voting share capital of the Company throughout the continuance of the facility. The facility was fully repaid in January 2005 and the restriction was released accordingly.

# DIRECTORS' REPORT

## CONTINUING DISCLOSURE OF THE LISTING RULES (Continued)

3. Pursuant to rule 13.22 of the Listing Rules:

The summary of aggregate financial information of the infrastructure joint ventures, based on the adjusted financial statements prepared under accounting principles generally accepted in Hong Kong for the year ended 31 December 2005, is as follows:

	<b>2005</b>
<b>Balance sheet</b>	HK\$'000
Property, plant and equipment	10,267,802
Current assets	841,032
Current liabilities	(551,428)
Net current assets	289,604
Amounts due to joint venture partners	(3,063,647)
Net assets	7,493,759

Details of the Group's attributable interests in the infrastructure joint ventures are set out in note 17 to the consolidated financial statements.

4. 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.

## AUDITORS

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors.

On behalf of the Board

**Zen Wei Pao, William**

*Chairman*

Hong Kong, 31 March 2006

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to attaining good standard of corporate governance practices with an emphasis on a quality Board, better transparency and effective accountability system.

The Company has adopted the code provisions set out in the Code in Corporate Governance Practices (the "Code") listed in Appendix 14 of the Listing Rules as its own code, and has complied the Code throughout the accounting year ended 31 December 2005, except for Code Provision A.4.1 and A.4.2 of which the deviation will be explained in the following section.

## BOARD OF DIRECTORS

The Board is bound to manage the Group in a responsible and effective manner, with an objective of enhancing shareholders' value. The Board members are fully committed to their roles and duties to maximize the shareholders' interest, and have aligned the Group's goals and directions with the prevailing economic and market conditions. The Board has delegated the day-to-day management and operation of the Group's business to management.

The Board, led by the Chairman, currently consists of 10 members. Among them, 5 are Executive Directors, 2 are Non-executive Directors and 3 are Independent Non-executive Directors. The Independent Non-executive Directors are professionals from the field of law, engineering and accounting. The extensive experience and knowledge of the Board members contribute significantly to corporate development. The Directors' biographical information is set out under the heading "Directors and Senior Management" on pages 31 to 32. The Company has arranged for appropriate liability insurance for the Directors for indemnifying their liabilities arising out of corporate activities.

To illustrate the attention given by the Board to the Company's affairs, we set out below details of the Directors' attendance at the Board meetings during the year.

<b>Date of Board Meeting</b>	<b>Total no. of Directors</b>	<b>No. of Directors Present</b>	<b>Attendance Rate</b>
25 January 2005	10	10	100%
1 April 2005	10	9	90%
29 July 2005	10	9	90%
25 November 2005	10	7	70%
Average			87.5%

# CORPORATE GOVERNANCE

<b>Directors</b>	<b>No. of Board Meeting Attended/Held in 2005</b>	<b>Attendance %</b>
<b>Executive Directors</b>		
Zen Wei Pao, William	4/4	100%
Ko Yuk Bing	3/4	75%
Chan Kam Hung	4/4	100%
Fong Shiu Leung, Keter	4/4	100%
Zen Wei Peu, Derek	4/4	100%
<b>Non-executive Directors</b>		
Hu Aimin	2/4	50%
Zhang Yijun	3/4	75%
<b>Independent Non-executive Directors</b>		
Chan Hing Chiu, Vincent	3/4	75%
Chow Shiu Kee, Stephen	4/4	100%
Lau Sai Yung	4/4	100%

At least 14 days' advance notice is given to all Directors and the relevant information is despatched to them at least 3 days before the meeting. Senior management who are responsible for the preparation of the Board papers are usually invited to present and to take any questions or address queries that the Board members may have. All Board members have unrestricted access to information and may seek independent professional advice where appropriate. Minutes of the Board meeting are kept by the Company Secretary and copies thereof are despatched to all Directors.

## APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Board is responsible for the appointment and removal of Directors.

The Company's Bye-laws were amended on 13 May 2005 to provide that at each annual general meeting, one-third of the Directors shall retire from office by rotation. If the number of Board members is not a multiple of three, then the number nearest to but not less than one-third shall retire by rotation. Retired Directors are eligible for re-election at each annual general meeting. No Director has a term of appointment longer than three years.

Code Provision A.4.1 stipulates that Non-executive Directors should be appointed for a specific term, subject to re-election. Non-executive Directors (including Independent Non-executive) of the Company do not have a specific term of appointment. This constitutes a deviation from the Code Provision A.4.1. However, all the Directors of the Company are subject to the retirement provisions under Bye-law 87 of the Bye-laws of the Company, accordingly, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practice are no less exacting than those provided in the Code.

The Chairman of the Board and the Managing Director of the Company were not subject to retirement by rotation. This constitutes a deviation from the Code Provision A.4.2 of the Code. To comply with the code provision, relevant amendment to Bye-laws of the Company was approved by the shareholders at the annual general meeting held on 13 May 2005 whereby the Chairman of the Board and the Managing Director of the Company are now subject to retirement by rotation.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

## **CHAIRMAN AND CHIEF EXECUTIVE OFFICER (“CEO”)**

The roles of the Chairman of the Board and the CEO are separate and are held by different individuals to ensure their independent responsibility and accountability. Their roles and duties are published on the Company's website.

The Chairman of the Board, Mr. Zen Wei Pao, William, is responsible for overseeing the functioning of the Board and ensuring the establishment of strategic direction of the Group. With the assistance of Executive Directors and Company Secretary, he ensures that good corporate governance practices are established.

The CEO, Mr. Ko Yuk Bing, is responsible for managing the Group's businesses, implementing the Board's approved strategies and policies and the day-to-day operations.

## **BOARD COMMITTEES**

There are two Committees established by the Board, the Remuneration Committee and the Audit Committee. Their terms of reference are published on the Company's website.

### **REMUNERATION COMMITTEE**

The Remuneration Committee was established in January 2005. It comprises four members, three of whom are Independent Non-executive Directors, namely Mr. Chan Hing Chiu, Vincent (Chairman of the Remuneration Committee), Mr. Chow Shiu Kee, Stephen and Mr. Lau Sai Yung, and the Chairman of the Board, Mr. Zen Wei Pao, William.

The Remuneration Committee is responsible for determination of specific remuneration packages of all Executive Directors (except the Chairman of the Board) and senior management, including benefits-in-kind, pension rights, and compensation payments, including any compensation payable for loss or termination of their office or appointment. The Remuneration Committee shall consult with the Chairman of the Board and CEO on its proposals and recommendations. The Remuneration Committee shall consider factors such as salaries paid by comparable companies; time commitment, responsibilities of the individuals; employment conditions; and prevailing market conditions.

The remuneration of the Chairman of the Board is determined by the Board and procedures have been established that no Director is involved in deciding his own remuneration.

In 2005, the Remuneration Committee held 4 meetings with attendance rate of 100%.

During 2005, the Remuneration Committee reviewed and approved the remuneration packages of certain Executive Directors and senior management, and approved the granting of staff options. Information relating to the remuneration of each Director for 2005 is set out in note 11 to the consolidated financial statements.

# CORPORATE GOVERNANCE

## AUDIT COMMITTEE

The Audit Committee was established in 1998 and is accountable to the Board. It comprises three members who are Independent Non-executive Directors, namely Mr. Lau Sai Yung (Chairman of the Audit Committee), Mr. Chow Shiu Kee, Stephen and Mr. Chan Hing Chiu, Vincent.

The Audit Committee reviews and discusses with management and the external auditors about the accounting principles and policies adopted by the Group, the interim and annual financial statements, the scope of audit, and the assessment of the Group's internal controls.

The Audit Committee held 3 meetings in 2005 with attendance rate of 100%.

During 2005, the Audit Committee reviewed the external audit fees, discussed with the external auditors the nature and scope of the audit, reviewed the interim and annual financial statements; and reviewed the external auditors' management letter and management's responses. Members of the Audit Committee had met with external auditors directly without the presence of any Executive Directors.

For the year ended 31 December 2005, amounts of HK\$1,815,000 and HK\$21,000 were paid to Deloitte Touche Tohmatsu for their statutory audit service, and tax and consultancy services respectively.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group and ensure the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the publication of the financial statements of the Group is in a timely manner.

As at 31 December 2005, the Directors, to the best of their knowledge, information and belief, having made all reasonable 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 financial statements on a going concern basis.

## **INTERNAL CONTROL AND RISK MANAGEMENT**

The Board recognizes its responsibility for maintaining an adequate system of internal control to safeguard the Group's assets and shareholders' interests.

Internal control, including a defined management structure with limits of authority, is designed to help achieve business objectives, safeguard assets against unauthorized use, maintain proper accounting records for the provision of reliable financial information for internal use or for publication. The system is set up to provide reasonable, but not absolute, assurance against material mis-statement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

Management maintains and monitors the system of controls on an ongoing basis.

During 2005, based on the evaluations made by management and external auditors, the Audit Committee was satisfied that nothing has come to its attention to cause the Audit Committee to believe that the system of internal control is inadequate, and there is an ongoing process to identify, evaluate and manage significant risks faced by the Group.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. Specific enquiry has been made with all Directors and the Directors have complied with the required standard set out in the Model Code for the year ended 31 December 2005.

Employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with provisions of the Model Code.

## **COMMUNICATION WITH SHAREHOLDERS**

The Group discloses relevant information to shareholders through the Group's annual report and financial statements, the interim report, periodic company announcements as well as the Annual General Meeting ("AGM"). The status and progress of each project are presented under the section of "Management Discussion and Analysis - Project Review" of the annual reports to facilitate the shareholders' understanding of the Company's activities. The AGM allows the Directors to meet and communicate with shareholders.

The Company's financial statements and each of the required disclosure of information are dispatched within the prescribed period imposed by laws and regulations and are all posted on the Company's website at [www.roadking.com.hk](http://www.roadking.com.hk).

## **COMPLIANCE**

The Company realizes the importance of corporate governance. The Board shall ensure from time to time to comply with the Code, to increase its accountability and transparency and to achieve a high standard of corporate governance.

# Deloitte.

## 德勤

### TO THE SHAREHOLDERS OF ROAD KING INFRASTRUCTURE LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Road King Infrastructure Limited (the "Company") and its subsidiaries (collectively the "Group") on pages 53 to 107 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of consolidated financial statements which give a true and fair view. In preparing consolidated financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those consolidated financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the consolidated financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the consolidated financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the consolidated financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

### Opinion

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2005 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong, 31 March 2006

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2005

	NOTES	2005 HK\$'000	2004 HK\$'000
<b>Revenue</b>	6	<b>78,250</b>	48,299
Impairment loss on goodwill	15	<b>(1,343)</b>	—
Net income recognised in respect of goodwill and discount on acquisition	15	—	12,023
Interest income		<b>8,248</b>	12,696
Other income		<b>30,060</b>	14,068
Cost of inventories sold		<b>(79,583)</b>	(46,754)
Change in fair value of inventories at the point of harvest	21	<b>(20,480)</b>	(9,980)
Operating expenses		<b>(110,183)</b>	(80,285)
Share of results of joint ventures	8	<b>596,428</b>	509,819
Finance costs	9	<b>(112,945)</b>	(102,604)
<b>Profit before taxation</b>		<b>388,452</b>	357,282
Income tax credit	12	<b>27,649</b>	8,117
<b>Profit for the year</b>		<b>416,101</b>	365,399
<b>Attributable to:</b>			
Shareholders of the Company		<b>428,300</b>	368,803
Minority interests		<b>(12,199)</b>	(3,404)
		<b>416,101</b>	365,399
<b>Dividends</b>	13	<b>206,193</b>	152,246
<b>Earnings per share</b>	14		
- Basic		<b>HK\$0.73</b>	HK\$0.63
- Diluted		<b>HK\$0.73</b>	HK\$0.63

# CONSOLIDATED BALANCE SHEET

At 31 December 2005

	NOTES	2005 HK\$'000	2004 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	15	—	1,343
Discount on acquisition	15	—	(12,172)
Property, plant and equipment	16	49,964	64,689
Interests in joint ventures	17	5,223,191	4,751,332
Deferred tax assets	28	12,243	—
		<b>5,285,398</b>	4,805,192
<b>Current assets</b>			
Properties under development for sale	19	429,494	193,793
Prepaid land leases	20	849,329	76,934
Inventories and ginseng crops	21	173,554	202,879
Available-for-sale investment	22	—	7,800
Derivative financial instruments	30	4,836	—
Debtors, deposits and prepayments	23	166,735	148,503
Pledged deposits	24	—	44,223
Bank balances and cash		421,192	1,524,891
		<b>2,045,140</b>	2,199,023
Non-current assets held for sale	16	10,236	—
		<b>2,055,376</b>	2,199,023
<b>Total assets</b>		<b>7,340,774</b>	7,004,215
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to shareholders of the Company</b>			
Share capital	25	59,090	58,612
Reserves		5,172,188	4,909,501
		<b>5,231,278</b>	4,968,113
<b>Minority interests</b>		<b>35,215</b>	45,778
<b>Total equity</b>		<b>5,266,493</b>	5,013,891
<b>Non-current liabilities</b>			
Bank and other borrowings - due after one year	27	1,561,916	1,779,213
Deferred tax liabilities	28	—	15,777
		<b>1,561,916</b>	1,794,990
<b>Current liabilities</b>			
Creditors and accrued charges	29	149,977	62,646
Bank and other borrowings - due within one year	27	362,388	132,688
		<b>512,365</b>	195,334
<b>Total equity and liabilities</b>		<b>7,340,774</b>	7,004,215

The financial statements on pages 53 to 107 were approved and authorised for issue by the Board of Directors on 31 March 2006 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 2005

	Attributable to shareholders of the Company								
	Share capital	Share premium	Translation reserve	Special reserve	Share option reserve	Retained profits	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note 26)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2004	58,414	1,532,519	27,848	1,260,000	—	1,850,219	4,729,000	45,287	4,774,287
Exchange differences arising on translation of foreign operations recognised directly in equity	—	—	12,330	—	—	—	12,330	3,895	16,225
Profit for the year	—	—	—	—	—	368,803	368,803	(3,404)	365,399
Total recognised income and expense for the year	—	—	12,330	—	—	368,803	381,133	491	381,624
Issue of ordinary shares	198	10,028	—	—	—	—	10,226	—	10,226
Dividends	—	—	—	—	—	(152,246)	(152,246)	—	(152,246)
Balance at 31 December 2004	58,612	1,542,547	40,178	1,260,000	—	2,066,776	4,968,113	45,778	5,013,891
Balance at 1 January 2005									
- As originally stated	58,612	1,542,547	40,178	1,260,000	—	2,066,776	4,968,113	45,778	5,013,891
- Effects of changes in accounting policies upon adoption of HKFRS 3 (Note 2)	—	—	—	—	—	12,172	12,172	—	12,172
- Effects of changes in accounting policies upon adoption of HKAS 39 (Note 2)	—	—	—	—	—	(4,679)	(4,679)	—	(4,679)
- As restated	58,612	1,542,547	40,178	1,260,000	—	2,074,269	4,975,606	45,778	5,021,384
Exchange differences arising on translation of foreign operations recognised directly in equity	—	—	5,076	—	—	—	5,076	1,636	6,712
Profit for the year	—	—	—	—	—	428,300	428,300	(12,199)	416,101
Total recognised income and expense for the year	—	—	5,076	—	—	428,300	433,376	(10,563)	422,813
Recognition of equity-settled share based payments	—	—	—	—	3,611	—	3,611	—	3,611
Issue of ordinary shares	478	24,400	—	—	—	—	24,878	—	24,878
Dividends	—	—	—	—	—	(206,193)	(206,193)	—	(206,193)
Balance at 31 December 2005	59,090	1,566,947	45,254	1,260,000	3,611	2,296,376	5,231,278	35,215	5,266,493

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2005

	NOTES	2005 HK\$'000	2004 HK\$'000
<b>Operating activities</b>			
Profit before taxation		<b>388,452</b>	357,282
Adjustments for			
Depreciation of property, plant and equipment		<b>2,389</b>	2,177
Write-down of inventories		<b>26,021</b>	3,598
Write-down of ginseng crops		<b>17,363</b>	—
Interest income		<b>(8,248)</b>	(12,696)
Finance costs		<b>112,945</b>	102,604
Share-based payments		<b>3,611</b>	—
Impairment loss on goodwill		<b>1,343</b>	—
Net income recognised in respect of goodwill and discount on acquisition		—	(12,023)
Gain on disposal of interest in an infrastructure joint venture	31	<b>(252)</b>	—
Gain on disposal of investment in listed equity securities		—	(1,322)
Impairment loss on non-current assets held for sale		<b>1,578</b>	—
Change in fair value of inventories at the point of harvest		<b>20,480</b>	9,980
Change in fair value of derivative financial instruments		<b>(7,800)</b>	—
Realised gain on derivative financial instruments		<b>(2,655)</b>	(6,618)
Share of results of joint ventures		<b>(596,428)</b>	(509,819)
Gain on disposal of property, plant and equipment		<b>(63)</b>	(79)
Operating cash flows before movements in working capital		<b>(41,264)</b>	(66,916)
Increase in inventories and ginseng crops		<b>(21,015)</b>	(18,625)
Decrease in debtors, deposits and prepayments		<b>7,699</b>	83,549
Increase (decrease) in creditors and accrued charges		<b>83,398</b>	(724)
<b>Net cash generated from (used in) operating activities</b>		<b>28,818</b>	(2,716)
<b>Investing activities</b>			
Interest received		<b>10,180</b>	10,784
Dividends received from infrastructure joint ventures		<b>230,596</b>	321,802
Proceeds on redemption of available-for-sale investment		<b>7,800</b>	—
Proceeds on disposal of derivative financial instruments		<b>61,630</b>	631,309
Proceeds on disposal of property, plant and equipment		<b>178</b>	581
Proceeds on disposal of infrastructure joint venture		<b>74,490</b>	—
Purchases of property, plant and equipment		<b>(5,309)</b>	(27,040)
Purchases of derivative financial instruments		<b>(59,442)</b>	(623,369)
Additional investments in joint ventures		<b>(755,675)</b>	(10,756)
Reduction of cost of investments in infrastructure joint ventures		<b>542,767</b>	391,997
Increase in properties under development for sale		<b>(172,930)</b>	(191,752)
Increase in prepaid land leases		<b>(825,811)</b>	(76,934)
Decrease in pledged deposits		<b>44,223</b>	11,574
<b>Net cash (used in) generated from investing activities</b>		<b>(847,303)</b>	438,196

	NOTES	2005 HK\$'000	2004 HK\$'000
<b>Financing activities</b>			
New loans raised		<b>449,665</b>	1,593,695
Repayment of loans		<b>(438,906)</b>	(699,044)
Issue of ordinary shares		<b>24,878</b>	10,226
Interest paid		<b>(114,676)</b>	(95,304)
Dividends paid		<b>(206,193)</b>	(152,246)
<b>Net cash (used in) generated from financing activities</b>		<b>(285,232)</b>	657,327
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(1,103,717)</b>	1,092,807
<b>Cash and cash equivalents at beginning of the year</b>		<b>1,524,891</b>	431,833
Effect of foreign exchange rate changes		<b>18</b>	251
<b>Cash and cash equivalents at end of the year</b>		<b>421,192</b>	1,524,891
Represented by:			
<b>Bank balances and cash</b>		<b>421,192</b>	1,524,891

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2005

## 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, Church Street, Hamilton HM11, 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 is an investment holding company. The principal activities of the subsidiaries and joint ventures are investment holding and the investment in, development, operation and management of toll roads and expressways in the People's Republic of China (the "PRC"). Since 2004, the Group has also engaged in property development business in the PRC.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting years beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and the consolidated statement of changes in equity. In particular, the presentation of minority interests and share of tax of jointly controlled entities have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has also resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and/or prior accounting years are prepared and presented:

### Business combinations

In the current year, the Group has applied HKFRS 3 "Business combinations" which is effective for business combinations for which the agreement date is on or after 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

### Goodwill

In previous years, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. With respect to goodwill previously capitalised on the balance sheet, the Group on 1 January 2005 eliminated the carrying amount of the related accumulated amortisation of HK\$1,642,000 with a corresponding decrease in the cost of goodwill, the Group discontinued amortising such goodwill from 1 January 2005 onwards and goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition.

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES (Continued)

### Business combinations (Continued)

#### Goodwill (Continued)

As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2004 have not been restated. The change in this accounting policy has no significant impact on the current year's result.

In the current year, the Group has also applied HKAS 21 "The Effects of Change in Foreign Exchange Rates" which requires goodwill to be treated as assets and liabilities of the foreign operation and translated at closing rate at each balance sheet date. Previously, goodwill arising on acquisitions of foreign operations was reported at the historical rate at each balance sheet date. In accordance with the relevant transitional provision in HKAS 21, goodwill arising on acquisitions prior to 1 January 2005 is treated as a non-monetary foreign currency item. Therefore, no prior period adjustment has been made.

#### Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the year which the acquisition takes place. In previous years, negative goodwill arising on acquisitions was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group derecognised all negative goodwill at 1 January 2005, which had previously been presented as a deduction from assets, with a corresponding increase to retained earnings. As a result of the adoption of HKFRS 3, the retained profits of the Group at 1 January 2005 had been increased by HK\$12,172,000. Negative goodwill of the Group at 1 January 2005 had been reduced by HK\$12,172,000.

### Share-based payments

In the current year, the Group has applied HKFRS 2 "Share-based payments" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has not applied HKFRS 2 to share options that were granted after 7 November 2002 and had vested before 1 January 2005 in accordance with the relevant transitional provisions. Therefore, no comparative figures have been restated. The change in policy has resulted in a decrease of profit of HK\$3,611,000 and increase of share option reserve of HK\$3,611,000 in the current year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2005

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES (Continued)

### Financial instruments

In the current year, the Group has applied HKAS 32 "Financial instruments: disclosure and presentation" and HKAS 39 "Financial instruments: recognition and measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for accounting years beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

#### **Classification and measurement of financial assets and financial liabilities**

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31 December 2004, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 (SSAP 24). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gain or losses included in the profit or loss. "Held-to-maturity investments" are carried at amortised cost less impairment loss (if any). From 1 January 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity, respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition.

#### **Financial assets and financial liabilities other than debt and equity securities**

From 1 January 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss ("the other financial liabilities")". Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition.

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### Derivatives and hedging

From 1 January 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the year in which they arise.

The Group has applied the relevant transitional provisions in HKAS 39. For derivatives that are not for hedging purposes, on 1 January 2005, the Group recognised the difference between the previous carrying amount recognised on the balance sheet and the fair value on 1 January 2005 in the Group's retained earnings. As a result of adoption of HKAS 39, the retained profits of the Group at 1 January 2005 had been reduced by HK\$4,679,000. Interest receivable of the Group at 1 January 2005 had been reduced by HK\$1,248,000. Financial liabilities of the Group at 1 January 2005 had been increased by HK\$3,431,000.

#### Interests in jointly controlled entities

In previous years, interests in jointly controlled entities were accounted for using the equity method. HKAS 31 "Interests in jointly controlled entities" allows entities to use either proportionate consolidation or the equity method to account for its interests in jointly controlled entities. Upon the application of HKAS 31, the Group has elected to continue using the equity method to account for its interests in jointly controlled entities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2005

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES (Continued)

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The directors of the Company have considered the following standards and interpretations but anticipate that the application of these new HKFRSs will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures <sup>1</sup>
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures <sup>2</sup>
HKAS 21 (Amendment)	Net investment in a foreign operation <sup>2</sup>
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions <sup>2</sup>
HKAS 39 (Amendment)	The fair value option <sup>2</sup>
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts <sup>2</sup>
HKFRS 6	Exploration for and evaluation of mineral resources <sup>2</sup>
HKFRS 7	Financial instruments: Disclosures <sup>1</sup>
HK(IFRIC) - INT 4	Determining whether an arrangement contains a lease <sup>2</sup>
HK(IFRIC) - INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds <sup>2</sup>
HK(IFRIC) - INT 6	Liabilities arising from participating in a specific market - waste electrical and electronic equipment <sup>3</sup>
HK(IFRIC) - INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2006.

<sup>3</sup> Effective for annual periods beginning on or after 1 December 2005.

<sup>4</sup> Effective for annual periods beginning on or after 1 March 2006.

## 3. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for the ginseng crops at the point of harvest and financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

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 and by the Companies Ordinance.

### 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

Minority interests in the net assets of consolidated subsidiaries are presented within the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

#### Goodwill

Goodwill arising on an acquisition of a subsidiary or a jointly controlled entity for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary or jointly controlled entity at the date of acquisition.

For previously capitalised goodwill, the Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet. Capitalised goodwill arising on an acquisition of a jointly controlled entity (which is accounted for using the equity method) is included in the cost of the investment of the relevant jointly controlled entity.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has be allocate is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2005

## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Goodwill (Continued)

Any impairment loss for goodwill is recognized directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

### Excess of an acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisitions")

A discount on acquisition arising on an acquisition of a subsidiary for which an agreement date is on or after 1 January 2005 represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in profit or loss.

As explained in Note 2 above, all negative goodwill as at 1 January 2005 has been derecognised with a corresponding adjustment to the Group's retained earnings.

### Revenue recognition

Minimum income undertakings are recognised in accordance with the joint venture agreements.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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

### Toll highway operation right

Depreciation of toll highway operation rights of the Group's infrastructure joint ventures is provided to write off their cost on a units-of-usage basis whereby depreciation is provided based on the ratio of traffic volume for a particular year over the projected total traffic volume throughout the operating years of the respective toll roads. If it is considered appropriate, independent professional traffic studies will be obtained. Appropriate adjustments will be made should there be a material change.

### 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost or fair value of items of property, plant and equipment other than properties under development over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, on the following basis per annum:

Freehold land	Nil
Land and buildings	Over the term of the lease from 20 to 25 years
Leasehold improvements	Over the term of the lease or 3 years, whichever is shorter
Furniture, fixtures and equipment	10% - 25%
Plant and machinery	5% - 10%
Motor vehicles	12.5% - 25%

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

#### Joint venture

Joint venture arrangements which involve the establishment of a separate entity in which the Group and other ventures have joint control over the investment in and development, operation and management of toll roads and expressways and in which each ventures has an interest are referred to as infrastructure joint ventures.

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 and the share of net assets upon 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.

Where the Group's interest in the joint venture is such that it establishes joint control over the economic activity of the joint venture with other ventures, the Group's interest in the joint ventures are carried at cost plus its share of post-acquisition undistributed reserves of the joint ventures in accordance with the defined cash/profit sharing ratios less any identified impairment loss and borrowing costs capitalised in accordance with the Group's accounting policy. Borrowing costs capitalised will be amortised from the date of the opening of the relevant highways and expressways over the remaining terms of the relevant joint ventures or where shorter, the useful lives of relevant highways and expressways.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2005

## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' (disposal groups') previous carrying amount and fair value less costs to sell.

### Impairment of tangible assets excluding goodwill

At each balance sheet date, 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 the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

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

### Properties under development for sale

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

### Inventories and ginseng crops

Inventories are calculated using the first-in, first-out method.

Given the uncertainty in the process of producing ginseng crops and the lack of a market for immature ginseng, the ginseng crops are stated at cost less accumulated impairment until the time of harvest. The Company uses the full absorption costing method to value its ginseng crops. Included in crop costs are seeds, labour, applicable overheads and supplies. Costs are allocated each year based on the total number of acres under cultivation during the year.

At the point of harvest, ginseng crops are stated at their fair value less estimated point-of-sale costs. The gain or loss arising from a change in fair value less estimated point-of-sale costs at the point of harvest is included in the profit or loss for the year in which it arises.

### 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when 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 each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, 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 as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2005

## 3. PRINCIPAL 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.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

### Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged to the income statement as they fall due.

### 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 net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement 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 balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits 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 negative 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 arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

### 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet 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 and financial 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**

Financial assets are classified into one of the following categories, including financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. All regular way of any purchases or sales of financial assets are recognised and derecongised on a trade date basis. The Group's financial assets comprise loans and receivables and available-for-sale 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. At each balance sheet date subsequent to initial recognition, loans and receivables including debtors and other receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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.

#### ***Available-for-sale financial assets***

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2005

## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual agreements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The Group's financial liabilities comprise other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

#### Other financial liabilities

Other financial liabilities including bank and other borrowings and creditors and are subsequently measured at amortised cost, using the effective interest rate method.

#### Equity instruments

Equity instruments issued by the Company are recorded of the proceeds revised, net of direct issue costs.

#### Derivatives

Derivatives that do not qualify for hedge accounting are deemed as financial assets held for trading or financial liabilities held for trading. Changes in fair values of such derivatives are recognised in profit or loss.

#### Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's consolidated balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration received or receivable is recognised in profit or loss.

### 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### Share-based payment transactions

For share options granted to directors and employees of the Company, 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). For share options that were granted after 7 November 2002 and had vested before 1 January 2005, the Group did not recognise the financial impact of these share options until they were exercised.

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. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include available-for-sale investment, derivative financial instruments, borrowings, debtors, creditors and bank balances and short-term deposits. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### Credit risk

The Group's credit risk is primarily attributable to the minimum income undertakings due from several PRC joint venture partners. Management has closely monitored the overdue debts. In addition, the Group reviews the recoverable amount of the minimum income undertakings at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

#### Currency risk

Several subsidiaries of the Company and a number of infrastructure joint ventures of the Group have foreign currency sales and borrowing, which expose the Group to foreign currency risk.

Certain trade debtors and creditors of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

#### Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate guaranteed notes. Details of the Group's interest rate exposure are disclosed in note 27.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2005

## 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Cash flow interest rate risk

The Group's cash flow interest rate risk relates to bank borrowings with floating interest rate. The management closely monitors cash flow interest rate risk and will consider hedging significant interest rate exposure should the need arises.

### Price risk

The Group's derivative financial instruments and inventories at the point of harvest are measured at fair value at each balance sheet date. Therefore, the Group is exposed to derivatives and inventories price risk.

## 5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, management makes various estimates based on past experience, expectations of the future and other information. The key sources of estimation uncertainty that can significantly affect the amounts recognised in the financial information are disclosed below.

### Depreciation of toll highway operation rights

Depreciation of toll highway operation rights of the Group's infrastructure joint ventures is provided to write off their cost on a units-of-usage basis whereby depreciation is provided based on the share of traffic volume for a particular year over projected total traffic volume throughout the operating years of the respective toll road. If it is considered appropriate, independent professional traffic studies will be obtained. These projections require the use of judgments and estimates.

### Ginseng Crops

The Group uses the full absorption costing method to value its ginseng crops and periodically reviews their carrying value for evidence of impairment. Included in the cost of crops are seed, labour, applicable overhead, interest and supplies required to bring them to harvest. The determination of impairment requires complex calculations and significant management estimation with respect to future costs to bring crops to harvest; demand for and the market price of harvested ginseng roots; and expectations as to the yield and quality of ginseng roots harvested. The estimation process is further complicated by the relatively long growing cycle of three to four years and the fact that roots remain underground. Although the Group's assumptions reflect management's best estimates, future events may result in materially different outcomes with respect to the recoverability of ginseng crop costs and the time required to bring the crops to harvest.

### Deferred tax assets

As at 31 December 2005, a deferred tax asset of HK\$12,243,000 has been recognised in the Group's balance sheet. Estimating the amount for deferred tax assets requires a process that involves forecasting future years taxable income and assessing the Group's ability to utilise tax benefit through future earnings. In cases where the actual future profits generated are less than expected, can affect the recoverability of this deferred tax assets.

## 6. REVENUE

Revenue represented minimum income undertakings and net amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances for the year.

	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Minimum income undertakings	<b>40,964</b>	3,749
Sales of goods	<b>37,286</b>	44,550
<b>Total revenue of the Group</b>	<b>78,250</b>	48,299
<b>Share of infrastructure joint ventures</b>		
Toll revenue	<b>1,186,528</b>	992,744
<b>The Group and share of infrastructure joint ventures</b>	<b>1,264,778</b>	1,041,043

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2005

## 7. SEGMENTAL INFORMATION

The Group's turnover and profit for the year by business activities and geographical markets are as follows:

### By business segments:

	<b>Toll road</b>	<b>Property development</b>	<b>Ginseng</b>	<b>Unallocated</b>	<b>Consolidated</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>2005</b>					
<b>Revenue</b>	40,964	—	37,286	—	78,250
Segment result	30,435	(10,608)	(75,963)	—	(56,136)
Impairment loss on goodwill	(1,343)	—	—	—	(1,343)
Interest income	1,336	455	8	6,449	8,248
Corporate income	—	—	—	11,842	11,842
Corporate expenses	—	—	—	(57,642)	(57,642)
Share of results of joint ventures	596,859	(431)	—	—	596,428
Finance costs	(9,754)	—	(2,209)	(100,982)	(112,945)
<b>Profit before taxation</b>	<b>617,533</b>	<b>(10,584)</b>	<b>(78,164)</b>	<b>(140,333)</b>	<b>388,452</b>
Income tax credit	—	—	27,649	—	27,649
<b>Profit for the year</b>	<b>617,533</b>	<b>(10,584)</b>	<b>(50,515)</b>	<b>(140,333)</b>	<b>416,101</b>
<b>Consolidated Balance Sheet</b>					
<b>Assets</b>					
Segment assets	268,505	1,445,980	240,934	—	1,955,419
Interests in joint ventures	5,209,485	13,706	—	—	5,223,191
Unallocated corporate assets	—	—	—	162,164	162,164
Total assets	5,477,990	1,459,686	240,934	162,164	7,340,774
<b>Liabilities</b>					
Segment liabilities	5,814	78,505	62,773	—	147,092
Unallocated corporate liabilities	—	—	—	1,927,189	1,927,189
Total liabilities	5,814	78,505	62,773	1,927,189	2,074,281
<b>Other information</b>					
Capital additions	206	1,975	2,462	666	5,309
Depreciation and amortisation	425	174	303	1,487	2,389
Impairment loss on goodwill	1,343	—	—	—	1,343
Other non-cash expenses	9,369	—	43,384	3,262	56,015

## 7. SEGMENTAL INFORMATION (Continued)

### By business segments: (Continued)

	<b>Toll road</b>	<b>Properties development</b>	<b>Ginseng</b>	<b>Unallocated</b>	<b>Consolidated</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>2004</b>					
<b>Revenue</b>	3,749	—	44,550	—	48,299
Segment result	(12,266)	(2,394)	(22,596)	—	(37,256)
Net income recognised in respect of goodwill and discount on acquisition	(150)	—	12,173	—	12,023
Interest income	2,071	62	20	10,543	12,696
Corporate income	—	—	—	8,388	8,388
Corporate expenses	—	—	—	(45,784)	(45,784)
Share of results of joint ventures	509,819	—	—	—	509,819
Finance costs	(14,569)	—	(671)	(87,364)	(102,604)
<b>Profit before taxation</b>	<b>484,905</b>	<b>(2,332)</b>	<b>(11,074)</b>	<b>(114,217)</b>	<b>357,282</b>
Income tax credit	—	—	8,117	—	8,117
<b>Profit for the year</b>	<b>484,905</b>	<b>(2,332)</b>	<b>(2,957)</b>	<b>(114,217)</b>	<b>365,399</b>
<b>Consolidated Balance Sheet</b>					
<b>Assets</b>					
Segment assets	433,628	284,918	251,837	—	970,383
Interests in joint ventures	4,751,332	—	—	—	4,751,332
Unallocated corporate assets	—	—	—	1,282,500	1,282,500
Total assets	5,184,960	284,918	251,837	1,282,500	7,004,215
<b>Liabilities</b>					
Segment liabilities	309,936	681	65,925	—	376,542
Unallocated corporate liabilities	—	—	—	1,613,782	1,613,782
Total liabilities	309,936	681	65,925	1,613,782	1,990,324
<b>Other information</b>					
Capital additions	275	892	23,796	2,077	27,040
Depreciation and amortisation	598	161	304	1,264	2,327
Other non-cash expenses	7,667	—	—	3,037	10,704

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2005

## 7. SEGMENTAL INFORMATION (Continued)

By geographical segments:

	<b>PRC</b> HK\$'000	<b>Hong Kong</b> HK\$'000	<b>Canada</b> HK\$'000	<b>Consolidated</b> HK\$'000
<b>2005</b>				
<b>Revenue</b>	40,964	29,569	7,717	78,250
<b>Segment result</b>	19,827	(944)	(75,019)	(56,136)
<b>Carrying amount of segment assets</b>				
Segment assets	1,714,485	462	240,472	1,955,419
Interests in joint ventures	5,223,191	—	—	5,223,191
Unallocated corporate assets	—	162,164	—	162,164
Total assets	6,937,676	162,626	240,472	7,340,774
<b>Other information</b>				
Capital additions	2,126	723	2,460	5,309
<b>2004</b>				
<b>Revenue</b>	3,749	36,974	7,576	48,299
<b>Segment result</b>	(14,660)	(18,710)	(3,886)	(37,256)
<b>Carrying amount of segment assets</b>				
Segment assets	718,546	2,276	249,561	970,383
Interests in joint ventures	4,751,332	—	—	4,751,332
Unallocated corporate assets	—	1,282,500	—	1,282,500
Total assets	5,469,878	1,284,776	249,561	7,004,215
<b>Other information</b>				
Capital additions	1,167	2,079	23,794	27,040

## 8. SHARE OF RESULTS OF JOINT VENTURES

	2005 HK\$'000	2004 HK\$'000
Share of post-acquisition profits of infrastructure joint ventures before depreciation and taxation	<b>884,732</b>	750,094
Less: depreciation of toll highway operation rights	<b>(237,460)</b>	(190,479)
Less: current tax	<b>(42,734)</b>	(40,596)
Less: deferred taxation	<b>(7,679)</b>	(9,200)
	<b>596,859</b>	509,819
Share of post-acquisition loss of a property construction joint venture	<b>(431)</b>	—
	<b>596,428</b>	509,819

## 9. FINANCE COSTS

	2005 HK\$'000	2004 HK\$'000
Interest on:		
Borrowings wholly repayable:		
within five years	<b>9,936</b>	36,437
over five years	<b>97,378</b>	43,833
Add: discount on guaranteed notes	<b>170</b>	959
Total borrowing costs	<b>107,484</b>	81,229
Amortisation of capitalised borrowing costs on financing the construction of the joint ventures' toll highways and expressways (note 18)	<b>6,593</b>	6,627
Other finance costs	<b>7,968</b>	15,843
	<b>122,045</b>	103,699
Less: amount capitalised	<b>(9,100)</b>	(1,095)
	<b>112,945</b>	102,604

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2005

## 10. PROFIT BEFORE TAXATION

	2005 HK\$'000	2004 HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	9,679	10,588
Less: capitalised in inventories and ginseng crops	(6,993)	(8,399)
Less: capitalised in properties under development for sale	(297)	(12)
	<u>2,389</u>	<u>2,177</u>
Operating lease rentals in respect of leasehold land, premises and equipment	10,153	8,647
Less: capitalised in inventories and ginseng crops	(6,333)	(5,959)
Less: capitalised in properties under development for sale	(617)	(16)
	<u>3,203</u>	<u>2,672</u>
Auditors' remuneration	1,845	1,471
Impairment loss on non-current assets held for sale	1,578	—
Share-based payments	3,611	—
Staff costs (excluding directors' emoluments)	82,268	63,539
Retirement scheme contributions (excluding director' contributions), net of forfeited contributions of HK\$169,000 (2004: HK\$22,000)	1,641	1,682
Less: capitalised in inventories and ginseng crops	(25,798)	(24,383)
Less: capitalised in properties under development for sale	(4,922)	(512)
Total staff costs	<u>53,189</u>	<u>40,326</u>
and after crediting:		
Gain on disposal of interest in an infrastructure joint venture (note 31)	252	—
Gain on disposal of property, plant and equipment	63	79
Gain on disposal of investment in listed equity securities	—	1,322
Change in fair value on derivative financial instruments	7,800	—
Realised gain on derivative financial instruments	2,655	6,618
Net exchange gain	<u>13,889</u>	<u>3,971</u>

## 11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### Directors' Emoluments

	Directors' fees	Salaries and allowances	Bonus	Retirement scheme contributions	Other benefits	2005 Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note)	HK\$'000
<b>Executive Directors</b>						
Zen Wei Pao, William	20	3,053	—	12	584	3,669
Ko Yuk Bing	—	3,344	4,116	334	537	8,331
Chan Kam Hung	—	1,920	1,408	130	420	3,878
Fong Shiu Leung, Keter	—	1,167	376	101	327	1,971
Zen Wei Peu, Derek	—	907	—	12	304	1,223
<b>Non-executive Directors</b>						
Hu Aimin	165	—	—	—	58	223
Zhang Yijun	165	—	—	—	58	223
<b>Independent Non-executive Directors</b>						
Chan Hing Chiu, Vincent	265	—	—	—	58	323
Chow Shiu Kee, Stephen	265	—	—	—	58	323
Lau Sai Yung	265	—	—	—	58	323
	1,145	10,391	5,900	589	2,462	20,487

	Directors' fees	Salaries and allowances	Bonus	Retirement scheme contributions	Other benefits	2004 Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Executive Directors</b>						
Zen Wei Pao, William	—	3,053	—	12	—	3,065
Ko Yuk Bing	—	3,427	3,245	330	—	7,002
Chan Kam Hung	—	1,680	1,062	92	—	2,834
Fong Shiu Leung, Keter	—	488	—	12	—	500
Zen Wei Peu, Derek	—	907	—	120	—	1,027
<b>Non-executive Directors</b>						
Hu Aimin	165	—	—	—	—	165
Zhang Yijun	165	—	—	—	—	165
James Herbert Stewart	165	—	—	—	—	165
<b>Independent Non-executive Directors</b>						
Chan Hing Chiu, Vincent	245	—	—	—	—	245
Chow Shiu Kee, Stephen	245	—	—	—	—	245
	985	9,555	4,307	566	—	15,413

Details of share options held by individual directors at 31 December 2005 are shown in the directors' report.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2005

## 11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

### Employees' Emoluments

During the year, the five highest paid individuals included three directors (2004: three directors), details of whose emoluments are set out above. The emoluments of the remaining two (2004: two) highest paid individuals were as follows:

	2005 HK\$'000	2004 HK\$'000
Salaries and allowances	2,906	3,984
Bonus	359	240
Retirement scheme contributions	213	227
Contractual severance payment	4,230	—
Other benefits (Note)	41	—
	<u>7,749</u>	<u>4,451</u>

The emoluments were paid to the employees within the following bands:

	2005 Number of employees	2004 Number of employees
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$2,500,001 to HK\$3,000,000	—	1
HK\$5,500,001 to HK\$6,000,000	1	—
	<u>2</u>	<u>2</u>

Note: Other benefits represent share-based payments recognised in the income statement during the year.

## 12. INCOME TAX CREDIT

During the year, deferred taxation attributable to overseas subsidiaries of HK\$27,649,000 (2004: HK\$8,117,000) has been credited to income statement.

Deferred tax has been provided for temporary differences arising from overseas subsidiaries as set out in note 28.

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

## 12. INCOME TAX CREDIT (Continued)

The income tax credit for the year can be reconciled to profit before taxation in the income statement as follows:

	2005 HK\$'000	2004 HK\$'000
Profit before taxation	<u>388,452</u>	<u>357,282</u>
Tax at the domestic income tax rate of 15% (2004: 15%) (Note)	58,268	53,592
Tax effect of expenses that are not deductible in determining taxable profit	31,656	26,130
Tax effect of income that is not taxable in determining taxable profit	(12,465)	(6,684)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	(15,644)	(4,682)
Tax effect of share of results of joint ventures	<u>(89,464)</u>	<u>(76,473)</u>
Income tax credit for the year	<u>(27,649)</u>	<u>(8,117)</u>
Effective tax rate for the year	<u>(7.1%)</u>	<u>(2.3%)</u>

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

## 13. DIVIDENDS

	2005 HK\$'000	2004 HK\$'000
Final dividend of HK\$0.18 paid in respect of 2004 (2003: HK\$0.1) per share	105,813	58,467
Interim dividend of HK\$0.17 paid in respect of 2005 (2004: HK\$0.16) per share	<u>100,380</u>	<u>93,779</u>
	<u>206,193</u>	<u>152,246</u>

A final dividend in respect of 2005 of HK\$0.26 per share amounting to a total of HK\$154,269,000 is proposed by the Board. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The amount will be accounted for as an appropriation of reserves in the year ended 31 December 2006.

The amount of the final dividend proposed has been calculated on the basis of 593,343,566 shares in issue as at 31 March 2006.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2005

## 14. EARNINGS PER SHARE

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

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Earnings for the purposes of basic and diluted earnings per share	<b>428,300</b>	368,803
	<b>2005</b> <b>Number</b> <b>of shares</b>	2004 Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>588,674,000</b>	585,191,000
Effect of dilutive potential ordinary shares: Share options	<b>1,138,000</b>	1,167,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>589,812,000</b>	586,358,000

## 15. GOODWILL/DISCOUNT ON ACQUISITION

	<b>Goodwill</b> <b>HK\$'000</b>	<b>Discount on</b> <b>acquisition</b> <b>HK\$'000</b>
Gross amount		
At 1 January 2004 and 2005	2,985	(87,096)
Elimination of accumulated amortisation upon adoption of HKFRS 3	(1,642)	87,096
At 31 December 2005	1,343	—
Amortisation/released to income and impairment		
At 1 January 2004	(1,492)	62,751
(Amortised) released for the year	(150)	12,173
At 31 December 2004	(1,642)	74,924
Elimination of accumulated amortisation upon adoption of HKFRS 3	1,642	(74,924)
Impairment loss on goodwill	(1,343)	—
At 31 December 2005	(1,343)	—
Carrying values		
At 31 December 2005	—	—
At 31 December 2004	1,343	(12,172)



## 15. GOODWILL/DISCOUNT ON ACQUISITION (Continued)

Prior to 1 January 2005, goodwill was amortised using the straight-line method over its estimated useful life of 20 year.

As explained in note 2, discount on acquisition arising on business combination prior to 1 January 2005 was derecognised as a result of the application HKFRS 3.

During the year, the Group recognised an impairment loss of HK\$1,343,000 in relation to goodwill arising on acquisition of interests in an infrastructure joint venture after reviewing the traffic flow projections of the toll road project.

Discount on acquisition arose on the Group's acquisition of Chai-Na-Ta Corp. ("CNTC") in 2000 and the Group's conversion of 10,000,000 preference shares of CNTC to an equivalent number of common shares in 2003. It was recognised as income over a period of not more than 3 years, being the remaining weighted average useful life of the non-monetary assets acquired by the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2005

## 16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Land and buildings	Leasehold improvements	Furniture, fixtures and equipment	Plant and machinery	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost</b>							
At 1 January 2004	6,917	9,779	3,217	7,956	129,045	6,127	163,041
Additions	3,910	7,989	120	1,619	9,836	3,566	27,040
Disposals	—	(1,319)	(94)	(998)	(2,039)	(1,031)	(5,481)
Exchange adjustments	587	731	11	211	10,937	212	12,689
At 31 December 2004	11,414	17,180	3,254	8,788	147,779	8,874	197,289
Additions	—	75	522	1,405	2,337	970	5,309
Disposals	—	—	—	(63)	(76)	(1,396)	(1,535)
Reclassified as held for sale	(6,690)	(4,687)	—	(173)	(913)	—	(12,463)
Exchange adjustments	357	506	5	110	4,618	140	5,736
At 31 December 2005	5,081	13,074	3,781	10,067	153,745	8,588	194,336
<b>Depreciation</b>							
At 1 January 2004	—	2,028	1,712	6,688	103,060	3,708	117,196
Charge for the year	—	730	795	611	7,459	993	10,588
Eliminated on disposals	—	(980)	—	(997)	(2,035)	(967)	(4,979)
Exchange adjustments	—	195	11	198	9,233	158	9,795
At 31 December 2004	—	1,973	2,518	6,500	117,717	3,892	132,600
Charge for the year	—	828	784	823	5,987	1,257	9,679
Eliminated on disposals	—	—	—	(62)	(44)	(1,314)	(1,420)
Reclassified as held for sale	—	(425)	—	(23)	(152)	—	(600)
Exchange adjustments	—	77	5	86	3,866	79	4,113
At 31 December 2005	—	2,453	3,307	7,324	127,374	3,914	144,372
<b>Carrying values</b>							
At 31 December 2005	5,081	10,621	474	2,743	26,371	4,674	49,964
At 31 December 2004	11,414	15,207	736	2,288	30,062	4,982	64,689

## 16. PROPERTY, PLANT AND EQUIPMENT (Continued)

	2005 HK\$'000	2004 HK\$'000
The Group's land and buildings are situated:		
- overseas and freehold	5,081	11,414
- overseas and held under medium term leases	9,935	14,482
- in the PRC and held under medium term leases	686	725
	<u>15,702</u>	<u>26,621</u>

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

At 31 December 2005, the Group had pledged land and buildings situated overseas with a carrying amount of HK\$15,016,000 (2004: HK\$25,896,000) to secure certain banking facilities.

In November 2005, the Group entered into a sale and purchase agreement to dispose of certain non-current assets in Canada which included freehold land, land and buildings, furniture, fixtures and equipment and plant and machinery. Accordingly, these assets with a total carrying value of HK\$11,863,000 was classified as non-current assets held for sale. The net proceeds of disposal were expected to be less than the carrying amount and an impairment loss of HK\$1,578,000 was recognised in income statement. The details can be summarised as follows:

### Non-current assets held for sale

	HK\$'000
Reclassified from property, plant and equipment	11,863
Impairment loss	(1,578)
Exchange adjustments	(49)
	<u>10,236</u>
Carrying amount at 31 December 2005	<u>10,236</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2005

## 17. INTERESTS IN JOINT VENTURES

	2005 HK\$'000	2004 HK\$'000
Interests in infrastructure joint ventures		
Cost of investments	<b>6,028,301</b>	5,426,598
Reduction of cost of investments	<b>(3,078,170)</b>	(2,584,826)
Share of post-acquisition undistributed profits	<b>2,158,482</b>	1,801,175
Net borrowing cost capitalised on financing the construction of the infrastructure joint ventures' toll highways and expressways (note 18)	<b>100,872</b>	108,385
	<b>5,209,485</b>	4,751,332
Interest in a property construction joint venture		
Cost of investment	<b>1</b>	—
Loan to the joint venture	<b>14,136</b>	—
Share of post-acquisition loss	<b>(431)</b>	—
	<b>5,223,191</b>	4,751,332

All infrastructure joint ventures are co-operative joint ventures established and operate in the PRC, details of which at 31 December 2005 are as follows:

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Anhui Road Universe Hefei Highway Development Co. Ltd. 安徽路宇合肥公路開發有限公司	RMB133,530,000	50% #	Construction and management of Hefei - Liuan Highway, Hefei Section in Anhui, PRC
Anhui Road Universe Hehuai Highway Dayang Section Development Company Limited 安徽省路宇合淮公路大楊段開發有限公司	RMB90,000,000	60% * #	Investment in and development, operation and management of National Highway 206 Hefei - Huainan Highway Dayang Section in Anhui, PRC
Anhui Road Universe Hehuai Highway Yangjin Section Development Company Limited 安徽省路宇合淮公路楊金段開發有限公司	RMB80,000,000	60% * #	Investment in and development, operation and management of National Highway 206 Hefei - Huainan Highway Yangjin Section in Anhui, PRC
Anhui Road Universe Liuan Highway Development Co. Ltd. 安徽路宇六安公路開發有限公司	RMB92,400,000	50% #	Construction and management of Hefei - Liuan Highway, Liuan Section in Anhui, PRC

## 17. INTERESTS IN JOINT VENTURES (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Bengbu Road King Huaihe Bridge Highway Development Co., Ltd. 蚌埠路勁淮河公路橋開發有限公司	RMB92,880,000	60% * #	Investment in and development, operation and management of Provincial Highway 307 Bengbu Huaihe Bridge in Anhui, PRC
Bengbu Road King Huai - Meng Highway Development Co., Ltd. 蚌埠路勁懷蒙公路開發有限公司	RMB68,040,000	60% * #	Investment in and development, operation and management of Provincial Highway 307 Bengbu Huaiyuan - Mengcheng Highway in Anhui, PRC
Bengbu Road King Chaoyanglu Huaihe Highway Bridge Development Co., Ltd. 蚌埠路勁朝陽路淮河公路橋開發有限公司	RMB73,592,000	60% * #	Investment in and construction, operation and management of Bengbu Chaoyanglu Huaihe Highway Bridge in Anhui, PRC
Foshan Guangsan Special-Use Automobile Highway Co., Ltd. 佛山廣三汽車專用公路有限公司	RMB293,364,000	35% (i)	Construction and management of Foshan Guangzhou - Sanshui Expressway in Guangdong, PRC
Guangxi Hengjing Highway Development Co., Ltd. 廣西恆勁公路開發有限公司	RMB81,520,000	70% * #	Investment in and development, operation and management of Yulin - Gongguan Highway, Yulin Section, in Guangxi Zhuang Autonomous Region, PRC
Guangxi Lutong Highway Development Co., Ltd. 廣西路通公路開發有限公司	RMB99,562,000	70% * #	Investment in and development, operation and management of Yulin City Ring Roads, in Guangxi Zhuang Autonomous Region, PRC
Handan Rongguang Highway Development Co., Ltd. 邯鄲榮光公路開發有限公司	RMB78,200,000	70% * #	Construction and management of National Highway 309, Handan - Feixiang Highway (Hanfei Section) in Hebei, PRC
Handan Xinguang Highway Development Co., Ltd. 邯鄲新光公路開發有限公司	RMB81,800,000	70% * #	Construction and management of National Highway 309, Feixiang - Guantao Highway (Feiguan Section) in Hebei, PRC

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2005

## 17. INTERESTS IN JOINT VENTURES (Continued)

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	RMB38,515,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Bazhou Dong) in Hebei, PRC
Hebei Baofeng Expressway Co., Ltd 河北保豐高速公路有限公司	RMB38,280,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Rong Cheng - Xiong Xian) in Hebei, PRC
Hebei Baohui Expressway Co., Ltd 河北保惠高速公路有限公司	RMB38,403,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Bazhou Zhong) in Hebei, PRC
Hebei Baojie Expressway Co., Ltd 河北保捷高速公路有限公司	RMB38,905,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Xiongxian - Bazhou) in Hebei, PRC
Hebei Baojin Expressway Co., Ltd 河北保津高速公路有限公司	RMB38,737,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Xushui - Rongcheng) in Hebei, PRC
Hebei Baoli Expressway Co., Ltd 河北保利高速公路有限公司	RMB38,944,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Xiongxian Dong) in Hebei, PRC
Hebei Baoming Expressway Co., Ltd 河北保明高速公路有限公司	RMB36,012,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Bazhou - Tianjinjie) in Hebei, PRC
Hebei Baosheng Expressway Co., Ltd 河北保昇高速公路有限公司	RMB38,603,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Xiongxian Xi) in Hebei, PRC
Hebei Baoyi Expressway Co., Ltd 河北保怡高速公路有限公司	RMB38,630,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Rong Cheng) in Hebei, PRC

## 17. INTERESTS IN JOINT VENTURES (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Hebei Baoyu Expressway Co., Ltd 河北保裕高速公路有限公司	RMB38,971,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Bazhouxi) in Hebei, PRC
Hebei Tanghui Expressway Co., Ltd 河北唐惠高速公路有限公司	RMB129,296,000	45% #	Investment in and operation and management of Hebei Tangjin Expressway (Chenzhuang - Fengnan) in Hebei, PRC
Hebei Tangjin Expressway Co., Ltd 河北唐津高速公路有限公司	RMB112,635,000	45% #	Investment in and operation and management of Hebei Tangjin Expressway (Fengnan - Jijinjie) in Hebei, PRC
Hebei Tangrun Expressway Co., Ltd 河北唐潤高速公路有限公司	RMB77,636,000	45% #	Investment in and operation and management of Hebei Tangjin Expressway (Shuangmiao - Chenzhuang) in Hebei, PRC
Hunan Changyi (Baining) Expressway Co., Ltd. 湖南長益（白寧）高速公路有限公司	RMB97,012,000	43.17% #	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Baining Section) in Hunan, PRC
Hunan Changyi (Cangyi) Expressway Co., Ltd. 湖南長益（滄益）高速公路有限公司	RMB98,985,000	43.17% #	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Cangyi Section) in Hunan, PRC
Hunan Changyi (Changbai) Expressway Co., Ltd. 湖南長益（長白）高速公路有限公司	RMB98,554,000	43.17% #	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Changbai Section) in Hunan, PRC
Hunan Changyi (Hengcang) Expressway Co., Ltd. 湖南長益（衡滄）高速公路有限公司	RMB101,695,000	43.17%#	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Hengcang Section) in Hunan, PRC

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2005

## 17. INTERESTS IN 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	RMB98,458,000	43.17% #	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Ningheng Section) in Hunan, 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	RMB78,328,000	43.17% #	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Zijiang No. 2 Bridge) in Hunan, PRC
Liuan Road Universe Liuye Highway Development Co., Ltd. 六安路宇六葉公路開發有限公司	RMB97,800,000	50% #	Construction and management of Liuan - Yeji Highway (Western Section) in Anhui, PRC
Liuan Road Universe Pihe Bridge Development Co., Ltd. 六安路宇淝河大橋開發有限公司	RMB90,364,000	50% #	Construction and management of Pihe Bridge in Anhui, PRC
Luodingshi Luochong Highway Company Limited 羅定市羅沖一級公路有限公司	RMB96,800,000	61% * #	Construction and management of National Highway 324 Luoding - Chonghua Highway in Guangdong, PRC
Pingdingshan Road King Xuchang - Nanyang Highway (Xiangcheng Section) Development Co., Ltd. 平頂山路勁許南公路（襄城段）開發有限公司	RMB73,400,000	50%#	Investment in and development, operation and management of National Highway 311 & Provincial Highway 01 Xuchang - Nanyang Highway, Xiangcheng section in Henan, PRC
Pingdingshan Road King Xuchang - Nannang Highway (Yexian Section) Development Co., Ltd. 平頂山路勁許南公路（葉縣段）開發有限公司	RMB63,400,000	50% #	Investment in and development, operation and management of Provincial Highway 01 Xuchang - Nanyang Highway, Yexian Section in Henan, PRC
Shanxi Lutong Dongguan Highway Co., Ltd. 山西路通東觀公路有限公司	RMB82,340,000	65% * #	Investment in and development, operation and management of National Highway 108 Yuci Dongchangshou - Qixian Dongguan Highway in Shanxi, PRC
Shanxi Lutong Taigu Highway Co., Ltd. 山西路通太古公路有限公司	RMB90,480,000	60% * #	Construction and management of Provincial Highway 104 Taiyuan Ximing - Gujiao Highway in Shanxi, PRC

## 17. INTERESTS IN JOINT VENTURES (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Shanxi Lutong Taiyu Highway Co., Ltd. 山西路通太榆公路有限公司	RMB83,414,000	65% * #	Construction and management of National Highway 108 Taiyuan - Yuci Highway in Shanxi, PRC
Shanxi Lutong Yuci Highway Co., Ltd. 山西路通榆次公路有限公司	RMB66,412,000	65% * #	Construction and management of National Highway 108 Yuci City Bypass in Shanxi, PRC
Shenzhen Airport - Heao Expressway (Eastern Section) Co., Ltd. 深圳機荷高速公路東段有限公司	RMB440,000,000	45%	Construction and management of Shenzhen Airport-Heao Expressway Eastern Section in Shenzhen, PRC
Shijiazhuang Luhui Road & Bridge Development Co., Ltd. 石家莊路輝道橋開發有限公司	RMB88,000,000	60% * #	Construction and management of National Highway 307, Shijiazhuang-Gaocheng Highway in Hebei, PRC
Shijiazhuang Luxin Road & Bridge Development Co., Ltd. 石家莊路信道橋開發有限公司	RMB44,000,000	60% * #	Construction and management of National Highway 307, Gaocheng-Jinzhou Highway in Hebei, PRC
Suzhou Road King Shanghai-Suzhou Airport Road Development Co., Ltd. 蘇州路勁蘇滬機場路發展有限公司	RMB130,000,000	50%	Construction and management of Suzhou-Shanghai Airport Highway in Jiangsu, PRC

\* The Group does not have effective control over these companies, and accordingly, these companies have not been accounted for as subsidiaries.

# The profit/cash sharing ratios in these 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 usually 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. Until such time as specified in the joint venture agreements, the other venturers of the joint ventures may be entitled to profit/cash sharing ratios higher than their respective proportion of registered capital held by them over a specific year of time under the joint venture agreements. Thereafter, the profit sharing ratios of the Group may be the same as the proportion of the registered capital held by the Group or in accordance with a predetermined ratio stipulated in the joint venture agreements.

(i) In 2004, the Group entered into a letter of commitment with the PRC joint venture partner of the Foshan Guangsan Special-Use Automobile Highway Company, Limited to settle the minimum income undertakings due by the PRC partner and the original profit distribution was re-arranged in return. Under this arrangement, the outstanding minimum income undertakings of HK\$60,233,000 was treated as an additional investment in the nature of loan to the infrastructure joint venture. The Group's profit sharing ratio was increased from 35% to 85% for the period from April 2004 to 2007 or until such time that a pre-agreed cash distribution had been received by the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2005

## 17. INTERESTS IN JOINT VENTURES (Continued)

The summary of aggregate financial information of the infrastructure joint ventures, based on the adjusted financial statements prepared under the new HKFRSs is as follows:

	2005 HK\$'000	2004 HK\$'000
<b>Income statement</b>		
Net toll revenue	<b>2,021,738</b>	1,661,552
Depreciation charges	<b>476,635</b>	384,857
Profit before taxation	<b>1,049,962</b>	884,165
The Group's share of profit before taxation less losses	<b>647,272</b>	559,615
	<b>2005 HK\$'000</b>	2004 HK\$'000
<b>Balance sheet</b>		
Property, plant and equipment	<b>10,267,802</b>	9,080,357
Current assets	<b>841,032</b>	625,236
Current liabilities	<b>(551,428)</b>	(529,755)
Net current assets	<b>289,604</b>	95,481
Amounts due to joint venture partners	<b>(3,063,647)</b>	(2,929,154)
Net assets	<b>7,493,759</b>	6,246,684

During the year, the Group entered into an agreement with a subsidiary of Build King Holdings Limited, a listed company in Hong Kong in which certain directors of the Company have beneficial interests, to establish a joint venture engaging in the business of property construction in the PRC, details of which as at 31 December 2005 are as follows:

Name of jointly controlled entity	Form of business structure	Place of incorporation	Principal place of operation	Attributable interest to the Group	Principal activity
常州利駿建築工程有限公司	Incorporated	PRC	PRC	60%	Building construction in the PRC

## 18. NET BORROWING COSTS CAPITALISED ON FINANCING THE CONSTRUCTION OF THE INFRASTRUCTURE JOINT VENTURES' TOLL HIGHWAYS AND EXPRESSWAYS

	2005 HK\$'000	2004 HK\$'000
Gross amount		
At 1 January	154,729	154,729
Released on disposal of infrastructure joint ventures	(1,554)	—
As 31 December	<u>153,175</u>	<u>154,729</u>
Amortisation		
At 1 January	46,344	39,717
Charge for the year	6,593	6,627
Released on disposal of infrastructure joint ventures	(634)	—
At 31 December	<u>52,303</u>	<u>46,344</u>
Carrying amount		
At 31 December	<u><u>100,872</u></u>	<u><u>108,385</u></u>

## 19. PROPERTIES UNDER DEVELOPMENT FOR SALE

	2005 HK\$'000	2004 HK\$'000
At Cost	<u><u>429,494</u></u>	<u><u>193,793</u></u>
Cost consisted of:		
Land cost	276,153	160,901
Construction expenditure	143,188	31,797
Borrowing costs capitalised	10,153	1,095
	<u><u>429,494</u></u>	<u><u>193,793</u></u>

Properties under development for sale are situated at Lot 3A, Supplementary Army Camp of Guangzhou, Shi Pai, the Tianhe District, Guangzhou, Guangdong, the PRC and Lot G4-1, District G, Zhujiang New City, Guangzhou, Guangdong, the PRC.

## 20. PREPAID LAND LEASES

During the year, the Group secured the acquisitions of certain pieces of land either through auctions or by assignment arrangements. As at 31 December 2005, a total prepayment of HK\$849,329,000 (2004: HK\$76,934,000) was made for these acquisitions. Upon completion of the acquisition and delivery of relevant land title document to the Group, the prepaid amount will be transferred to the account of Properties Under Development for Sale.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2005

## 21. INVENTORIES AND GINSENG CROPS

	2005 HK\$'000	2004 HK\$'000
Inventories at fair value (Note (i))	47,514	74,148
Ginseng crops, at cost less accumulated impairment (Note (ii))	126,040	128,731
	<u>173,554</u>	<u>202,879</u>

Ginseng plants reach maturity and normally can be harvested at the end of their third year of growth. However, the Group may extend the harvest time to allow for higher yields and additional seed harvests.

During the year, the directors have considered the expected net realisable value of inventories and ginseng crops. As a result, a write-down of inventories and ginseng crops of HK\$26,021,000 (2004:HK\$3,598,000) and HK\$17,363,000 (2004: Nil) respectively has been recognised and are included in cost of sales during the year.

Notes:

- (i) Reconciliation of carrying amounts of inventories:

	2005 HK\$'000	2004 HK\$'000
Carrying amount at 1 January	74,148	80,867
Carrying amount transfer from ginseng crops upon harvest	56,402	42,703
Increase due to purchases	3,669	4,051
Loss arising from change in fair value at the point of harvest	(20,480)	(9,980)
Decrease due to sales	(39,370)	(43,156)
Write-down of inventories	(26,021)	(3,598)
Exchange adjustment	(834)	3,261
Carrying amount at 31 December	<u>47,514</u>	<u>74,148</u>

- (ii) Due to the uncertainty in the process of producing ginseng crops and the lack of a market for immature ginseng, the ginseng crops are stated at cost less accumulated impairment until the time of harvest.

## 22. AVAILABLE-FOR-SALE INVESTMENT

	2005 HK\$'000	2004 HK\$'000
Unlisted certificate of deposit at quoted market price with floating interest and maturity date on 7 October 2005	<u>—</u>	<u>7,800</u>

## 23. DEBTORS, DEPOSITS AND PREPAYMENTS

	2005 HK\$'000	2004 HK\$'000
Aged analysis of debtors:		
Within 60 days	9,442	23,949
60 to 90 days	1,074	1,317
More than 90 days	66,591	84,097
	<hr/>	<hr/>
	77,107	109,363
Interest receivable	164	2,096
Deposits and prepayments and other receivables	89,464	37,044
	<hr/>	<hr/>
	166,735	148,503
	<hr/> <hr/>	<hr/> <hr/>

Included in debtors of the Group is an amount of HK\$74,049,000 (2004: HK\$104,962,000) representing minimum income undertakings due from the PRC joint venture partners. Minimum income undertakings have been recognised in accordance with the terms set out in the relevant joint venture agreements and are settled according to the schedules agreed with the relevant PRC joint venture partners.

Included in deposits and prepayments of the Group is an amount of HK\$31,429,000 (2004: Nil) representing the consideration receivable from disposal of an infrastructure joint venture as mentioned in note 31.

The directors consider that the fair value of the Group's debtors, interest receivable and other receivables at 31 December 2005 approximates to the corresponding carrying amount.

## 24. PLEDGED DEPOSITS

The balances were applied towards the debt repayment in 2005.

At 31 December 2004, bank balances of HK\$44,223,000 were pledged as security for the Group's indebtedness due within one year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2005

## 25. SHARE CAPITAL

	2005 Number of shares	2004 Number of shares	2005 HK\$'000	2004 HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each	<b>20,000,000,000</b>	20,000,000,000	<b>2,000,000</b>	2,000,000
7.5% convertible preference shares ("CP shares") of HK\$0.1 each	<b>518,380</b>	518,380	<b>52</b>	52
Issued and fully paid:				
Ordinary shares				
At 1 January	<b>586,122,566</b>	584,136,566	<b>58,612</b>	58,414
Ordinary shares issued	<b>4,774,000</b>	1,986,000	<b>478</b>	198
At 31 December	<b>590,896,566</b>	586,122,566	<b>59,090</b>	58,612

As a result of the exercise of the Company's share options during the year, 4,774,000 (2004: 1,986,000) ordinary shares were issued by the Company as detailed in note 26.

## 26. SHARE OPTION SCHEME

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

The total number of shares which may be issued under the share option scheme and any other schemes of the Company must not in aggregate exceed 10% (the "10% Limit") of the shares in issue as at the date of adoption of the share option scheme less the aggregate of exercised, cancelled and outstanding options. On 12 May 2004, renewal of the 10% share option scheme mandate limit was approved by the shareholders. Since then, a number of options were granted to eligible participants and the total number of shares available for issue under the share option scheme is 28,917,256 representing approximately 4.87% of the Company's issued share capital as at the date this report. The 10% Limit may be refreshed with the approval of shareholders of the Company. The maximum number of shares that may be issued upon exercise of all outstanding options granted and are yet to be exercised under the share option scheme and any other schemes must not exceed 30% of the shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares in issue unless the same is approved by the shareholders.

## 26. SHARE OPTION SCHEME (Continued)

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

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

The share option scheme shall be valid and effective for a period of 10 years commencing on the adoption date, i.e. 12 May 2003.

During the year, 15,460,000 (2004: 14,090,000) share options were granted under the share option scheme to directors and employees for an aggregate consideration of HK\$83 (2004: HK\$62). The estimated fair value of the options granted during the year were HK\$3,611,000. These fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	<b>2005</b>
Exercise price	<b>HK\$5.80</b>
Expected volatility	<b>11.25%</b>
Expected life	<b>5 years</b>
Risk-free rate	<b>4.23%</b>
Expected dividend yield	<b>6.02%</b>

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

In applying HKFRS 2, the Group recognised these fair values as expense for the year ended 31 December 2005. The Group has not applied HKFRS 2 to share options that were granted after 7 November 2002 and had vested before 1 January 2005 in accordance with the relevant transitional provisions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2005

## 26. SHARE OPTION SCHEME (Continued)

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

### 2005

Date of grant	Exercisable period	Exercise price HK\$	Balance at 1.1.2005	Granted during the year	Exercised during the year	Cancelled during the year	Balance at 31.12.2005
<b>Directors</b>							
17 October 2003	17 October 2003 to 16 October 2008	5.15	8,500,000	—	(2,200,000)	—	6,300,000
26 August 2004	26 August 2004 to 25 August 2009	5.70	10,150,000	—	(300,000)	(500,000)	9,350,000
14 December 2005	14 December 2005 to 13 December 2010	5.80	—	10,550,000	—	—	10,550,000
			<u>18,650,000</u>	<u>10,550,000</u>	<u>(2,500,000)</u>	<u>(500,000)</u>	<u>26,200,000</u>
<b>Employees</b>							
17 October 2003	17 October 2003 to 16 October 2008	5.15	4,054,000	—	(2,044,000)	—	2,010,000
26 August 2004	26 August 2004 to 25 August 2009	5.70	3,940,000	—	(230,000)	(110,000)	3,600,000
14 December 2005	14 December 2005 to 13 December 2010	5.80	—	4,910,000	—	—	4,910,000
			<u>7,994,000</u>	<u>4,910,000</u>	<u>(2,274,000)</u>	<u>(110,000)</u>	<u>10,520,000</u>
			<u>26,644,000</u>	<u>15,460,000</u>	<u>(4,774,000)</u>	<u>(610,000)</u>	<u>36,720,000</u>

## 26. SHARE OPTION SCHEME (Continued)

2004

Date of grant	Exercisable period	Exercise price HK\$	Balance at 1.1.2004	Granted during the year	Exercised during the year	Cancelled during the year	Balance at 31.12.2004
<b>Directors</b>							
17 October 2003	17 October 2003 to 16 October 2008	5.15	9,850,000	—	(1,350,000)	—	8,500,000
26 August 2004	26 August 2004 to 25 August 2009	5.70	—	10,150,000	—	—	10,150,000
			<u>9,850,000</u>	<u>10,150,000</u>	<u>(1,350,000)</u>	<u>—</u>	<u>18,650,000</u>
<b>Employees</b>							
17 October 2003	17 October 2003 to 16 October 2008	5.15	4,690,000	—	(636,000)	—	4,054,000
26 August 2004	26 August 2004 to 25 August 2009	5.70	—	3,940,000	—	—	3,940,000
			<u>4,690,000</u>	<u>3,940,000</u>	<u>(636,000)</u>	<u>—</u>	<u>7,994,000</u>
			<u>14,540,000</u>	<u>14,090,000</u>	<u>(1,986,000)</u>	<u>—</u>	<u>26,644,000</u>

The weighted average closing price of the Company's shares immediately before the date on which share options were exercised during 2005 was HK\$5.86.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2005

## 27. BANK AND OTHER BORROWINGS

	2005 HK\$'000	2004 HK\$'000
Guaranteed notes (Note (i))	1,558,847	1,558,678
Bank loans (Note (ii))	362,234	350,612
Other loans	3,223	2,611
	<u>1,924,304</u>	<u>1,911,901</u>

The maturity of the above loans is as follows:

	2005 HK\$'000	2004 HK\$'000
Unsecured loans repayable:		
Within one year	312,000	—
More than five years	1,558,847	1,558,678
	<u>1,870,847</u>	1,558,678
Secured loans repayable:		
Within one year	50,388	132,688
More than one year but not exceeding two years	2,355	87,559
More than two years but not exceeding five years	714	132,976
	<u>53,457</u>	<u>353,223</u>
Total borrowings	1,924,304	1,911,901
Less: Amount due within one year shown under current liabilities	<u>(362,388)</u>	<u>(132,688)</u>
Amount due over one year shown under non-current liabilities	<u>1,561,916</u>	<u>1,779,213</u>

The Group's borrowings are denominated in currencies, which are the same as the functional currencies of the relevant group entities in both years. They are guaranteed either by the Company and/or certain of its subsidiaries. Some of the bank loans are also secured by plant and machinery.

Notes:

- (i) The guaranteed notes bear interest at a fixed rate of 6.25% per annum and will mature in July 2011. The fair value of the guaranteed notes based on the quoted market price at 31 December 2005 was HK\$1,555,013,000 (2004: HK\$1,627,556,000).
- (ii) Interest rates on the bank loans are floating and determined with reference to either LIBOR or HIBOR.

## 28. DEFERRED TAX LIABILITIES/(DEFERRED TAXATION ASSETS)

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

	<b>Accelerated tax depreciation</b> HK\$'000	<b>Tax losses</b> HK\$'000	<b>Inventories and ginseng crops</b> HK\$000	<b>Total</b> HK\$'000
At 1 January 2004				
– as originally stated	(773)	(1,546)	15,211	12,892
– prior year adjustment in respect of change in accounting policies	—	—	9,634	9,634
– as restated	(773)	(1,546)	24,845	22,526
Credit for the year	(630)	(780)	(6,707)	(8,117)
Exchange adjustments	(108)	(183)	1,659	1,368
At 31 December 2004 and 1 January 2005	(1,511)	(2,509)	19,797	15,777
Charge (credit) for the year	173	(448)	(27,374)	(27,649)
Exchange adjustments	(42)	(92)	(237)	(371)
At 31 December 2005	(1,380)	(3,049)	(7,814)	(12,243)

At 31 December 2005, the Group has unused tax losses of HK\$16,427,000 (2004: HK\$11,545,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK\$15,096,000 (2004: HK\$10,214,000) of such losses. No deferred tax asset has been recognised in respect of the remaining losses of HK\$1,331,000 (2004: HK\$1,331,000) due to the unpredictability of future taxable profit streams. All losses may be carried forward indefinitely.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2005

## 29. CREDITORS AND ACCRUED CHARGES

	2005 HK\$'000	2004 HK\$'000
Aged analysis of creditors:		
Within 60 days	4,162	704
60 to 90 days	2,393	—
	<u>6,555</u>	704
Interest payable	45,712	45,106
Deposits from pre-sale of properties under development	66,196	—
Accrued charges	31,514	16,836
	<u>149,977</u>	<u>62,646</u>

The directors consider that the fair value of the Group's creditors, interest payable and deposits from pre-sale of properties under development at 31 December 2005 approximates to the corresponding carrying amount.

## 30. DERIVATIVE FINANCIAL INSTRUMENTS

The Group entered into foreign currency interest rates swaps contracts to swap the periodic fixed rate US\$ interest payments to the fixed rate HK\$ interest payments. At the maturity dates, the Group is required to exchange the US\$ notional amounts into equivalent HK\$ at a fixed exchange rate of 7.8. Major terms of the foreign currency interest rates swaps are as follows:

### At 31 December 2005

Notional amount	Maturity	Swaps	Fair value gain at 31 December 2005 HK\$'000
US\$50,000,000	13 January 2006	Received USD interest at 6.25% Paid HK\$ interest at 4.98%	4,836

### At 31 December 2004

Notional amount	Maturity	Swaps	Fair value losses at 1 January 2005 HK\$'000
US\$50,000,000	13 January 2006	Received USD interest at 6.25% Paid HK\$ interest at 4.98%	2,964
US\$20,000,000	14 July 2005	Received USD interest at 6.25% Paid HK\$ interest at 4.59%	467
			<u>3,431</u>

The above derivatives are measured at fair values as provided by banks at balance sheet date. All of these swaps are not qualified for hedge accounting and the change in fair value of HK\$7,800,000 was credited to income statement.

### 31. DISPOSAL OF INTEREST IN AN INFRASTRUCTURE JOINT VENTURE

The Group's disposal of its interest in an infrastructure joint venture during the year had the following effects:

	<b>2005</b> <b>HK\$'000</b>
Interests in an infrastructure joint venture:	
Cost of investment	<b>139,930</b>
Share of post-acquisition undistributed profits	<b>8,957</b>
Reduction of cost of investment	<b>(47,140)</b>
Net borrowing cost capitalised	<b>920</b>
	<hr/> <b>102,667</b>
Net consideration	<b>102,919</b>
	<hr/> <b>252</b>
Gain on disposal of interest in an infrastructure joint venture	<hr/> <hr/> <b>252</b>
Satisfied by:	
Sales proceeds received	<b>74,490</b>
Consideration receivable	<b>31,429</b>
Accrued expenses incurred in respect of the disposal	<b>(3,000)</b>
	<hr/> <b>102,919</b>
Net proceeds on disposal of interest in an infrastructure joint venture	<hr/> <hr/> <b>102,919</b>

In 2005, the disposal of infrastructure joint venture contributed investing cash inflow of HK\$74,490,000 to the Group. The disposed joint venture did not make any contribution to the Group's net operating and financing cash flow, turnover and profit attributable to shareholders during the year.

### 32. RETIREMENT BENEFIT PLANS

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

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 obligations of the Group with respect to the retirement scheme is to make the specified contributions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2005

## 33. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2005 HK\$'000	2004 HK\$'000
Within one year	9,038	8,721
In the second to fifth year inclusive	11,822	12,372
After the fifth year	—	102
	<u>20,860</u>	<u>21,195</u>

The commitments represent rentals payable by the Group for its offices and agricultural land use rights with the lease periods ranging from two to five years.

## 34. CAPITAL COMMITMENTS

At the balance sheet date, the Group had material capital commitments as follows:

	2005 HK\$'000	2004 HK\$'000
<b>Contracted but not provided for</b>		
Investment cost to be injected into a subsidiary		
Within one year	56,729	39,579
In the second of fifth year inclusive	177,826	—
	<u>234,555</u>	<u>39,579</u>
Investment costs to be injected into infrastructure joint ventures		
After the fifth year	34,860	34,177
	<u>269,415</u>	<u>73,756</u>

## 35. CONTINGENT LIABILITIES

Contingent liabilities not provided for in the accounts are as follows:

	2005 HK\$'000	2004 HK\$'000
Guarantees given to bank for mortgage facilities granted to certain buyers of the Group's properties	7,029	—

At the balance sheet date, the Company had provided guarantees of HK\$1,872,000,000 (2004: HK\$1,866,250,000) in respect of guaranteed notes and bank loans raised by its subsidiaries.

### 36. RELATED PARTY TRANSACTIONS

During the year, the Group had significant transactions with the following related parties, details of which are as follows:

<b>Related parties</b>	<b>Nature</b>	<b>2005 HK\$'000</b>	<b>2004 HK\$'000</b>
Infrastructure joint ventures	Dividend received	<b>230,596</b>	321,802
Infrastructure joint ventures	Other income	<b>3,586</b>	—
PRC joint venture partners	Minimum income undertakings received and receivable	<b>40,964</b>	3,749

#### **Compensation of key management personnel**

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

	<b>2005 HK\$'000</b>	<b>2004 HK\$'000</b>
Salaries and allowances	<b>21,815</b>	17,284
Bonus	<b>7,131</b>	4,727
Retirement scheme contributions	<b>1,322</b>	1,067
Contractual severance payment	<b>4,230</b>	—
Other benefits	<b>2,841</b>	—
	<b>37,339</b>	23,078

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2005

## 37. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2005 are as follows:

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary shares capital/registered capital held by the Company		Principal activities
				Directly	Indirectly	
				%	%	
Chai-Na-Ta Corp.	Canada	Canada	CAD\$31,170,628	—	78	Production and sale of North American ginseng
Changzhou Great Gallop Properties Developments Limited*	PRC	PRC	US\$30,145,300	—	100	Development and sale of properties
Changzhou Greatmind Properties Developments Limited*	PRC	PRC	US\$1,812,290	—	100	Development and sale of properties
Guangzhou Junyue Real Estate Limited*	PRC	PRC	HK\$48,009,000	—	100	Development and sale of properties
Herb King International Limited	Barbados	#	US\$7,510,000	—	100	Investment holding
Road King (China) Infrastructure Limited	British Virgin Islands	PRC	HK\$1,300,000,000	100	—	Investment holding
Road King Infrastructure Finance Limited	British Virgin Islands	#	US\$1	100	—	Provision of financial services
Road King Infrastructure Finance (2004) Limited	British Virgin Islands	#	US\$1	100	—	Provision of financial services
Road King Infrastructure Management Limited	Hong Kong	Hong Kong	HK\$2	—	100	Provision of management services

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

\* The subsidiary is a wholly foreign owned enterprise.

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.

### 38. SUMMARISED BALANCE SHEET OF THE COMPANY

	2005 HK\$'000	2004 HK\$'000
Investments in subsidiaries	<b>1,388,042</b>	1,388,042
Amounts due from subsidiaries	<b>2,018,548</b>	891,667
Other current assets	<b>151,469</b>	1,257,736
Other current liabilities	<b>(4,735)</b>	(5,705)
	<b>3,553,324</b>	3,531,740
Share capital	<b>59,090</b>	58,612
Reserves	<b>3,494,234</b>	3,473,128
	<b>3,553,324</b>	3,531,740

# FINANCIAL SUMMARY

## RESULTS

	2005 HK\$'000	For the Year Ended 31 December			
		2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
<b>Revenue</b>	<b>78,250</b>	48,299	119,344	163,740	245,501
Impairment loss on goodwill	(1,343)	—	—	—	—
Net income recognised in respect of goodwill and discount on acquisition	—	12,023	6,823	20,768	18,627
Gain on disposal of interests in infrastructure joint ventures	—	—	—	—	34,033
Other income	<b>38,308</b>	26,764	19,080	20,198	18,380
Cost of inventories sold	<b>(79,583)</b>	(46,754)	(96,511)	(75,935)	(80,302)
Allowance for doubtful receivables	—	—	—	(25,000)	(125,765)
Change in fair value of inventories	<b>(20,480)</b>	(9,980)	37,948	23,722	—
Operating expenses	<b>(110,183)</b>	(80,285)	(82,967)	(95,382)	(109,203)
Share of results of joint ventures	<b>596,428</b>	509,819	396,376	385,521	342,966
Finance costs	<b>(112,945)</b>	(102,604)	(65,933)	(80,615)	(111,290)
<b>Profit before taxation</b>	<b>388,452</b>	357,282	334,160	337,017	232,947
Taxation	<b>27,649</b>	8,117	(7,389)	(5,182)	2,302
<b>Profit for the year</b>	<b>416,101</b>	365,399	326,771	331,835	235,249
Minority interests	<b>12,199</b>	3,404	(4,106)	(11,149)	1,980
Profit attributable to shareholders	<b>428,300</b>	368,803	322,665	320,686	237,229

## ASSETS AND LIABILITIES

	2005 HK\$'000	As at 31 December			
		2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
Total assets	<b>7,340,774</b>	7,004,215	5,855,166	5,745,280	5,625,733
Total liabilities	<b>(2,074,281)</b>	(1,990,324)	(1,080,879)	(1,210,633)	(1,257,439)
Minority interests	<b>(35,215)</b>	(45,778)	(45,287)	(86,805)	(80,785)
Shareholders' funds	<b>5,231,278</b>	4,968,113	4,729,000	4,447,842	4,287,509

## General Terms

“AADT”	Annual average daily traffic
“CAD”	Canadian dollar
“CBD”	Central business district
“Company” or “Road King”	Road King Infrastructure Limited, an exempted company incorporated with limited liability in Bermuda
“GDP”	Gross domestic product of a country, province or region
“GFA”	Gross Floor Area
“Group”	The Company and its subsidiaries
“Infrastructure Joint Ventures”	The Sino-foreign co-operative joint ventures registered in PRC which develop or construct or operate and manage the road projects in which the Group has an interest
“Listing Rules”	Rules governing the listing of securities on The Stock Exchange of Hong Kong Limited
“m <sup>2</sup> ”	Square metre
“PRC”	The People’s Republic of China
“SFO”	Securities and Futures Ordinance
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	A company in which the Company directly or indirectly controls more than 50% of the voting rights or issued share capital or otherwise controls the composition of a majority of the board of directors or, in the case of a co-operative joint venture, such joint venture as to which the Company can control the composition of the board of directors

# GLOSSARY

## Financial Terms

“Earnings Per Share (EPS)”	$\frac{\text{Profit attributable to shareholders}}{\text{Weighted average number of shares in issue during the year}}$
“EBITDA”	Earnings before interest, tax, depreciation and amortisation
“Gearing Ratio”	$\frac{\text{Total borrowings}}{\text{Shareholders' funds}}$
“Interest Coverage”	$\frac{\text{EBITDA}}{\text{The aggregate of interest and financing costs}}$
“Total Borrowings”	The aggregate of long-term and short-term portion of total borrowings

## Project Names

### Anhui Province

“Bengbu Huaihe Bridge Highway”	Provincial Highway 307 Bengbu Huaihe Bridge Highway
“Bengbu Huaimeng Highway”	Provincial Highway 307 Bengbu Huaiyuan-Mengcheng Highway
“Chaoyanglu Huaihe Bridge”	Bengbu Chaoyanglu Huaihe Highway Bridge
“Hehuai Highway”	National Highway 206 Hefei-Huainan Highway
“Heye Highway”	Hefei-Yeji Highway

### Guangdong Province

“Guangsan Expressway”	Foshan Guangzhou-Sanshui Expressway
“Jihe Expressway”	Shenzhen Airport-Heao Expressway, Eastern Section
“Luochong Highway”	National Highway 324 Luoding-Chonghua Highway

### Guangxi Zhuang Autonomous Region

“Yugong Highway”	Yulin-Gongguan Highway, Yulin Section
“Yulin City Ring Roads”	Yulin City Ring Roads

### Hebei Province

“Baojin Expressway”  
“Hanguan Highway”  
“Shijin Highway”  
“Tangjin Expressway”

Baoding-Tianjin Expressway  
National Highway 309 Handan-Guantao Highway  
National Highway 307 Shijiazhuang-Jinzhou Highway  
Tangshan-Tianjin Expressway

### Henan Province

“Xunan Highway”

National Highway 311 and Provincial Highway 01 Xuchang-Nanyang Highway

### Hunan Province

“Changyi Expressway”

Changsha-Yiyang Expressway

### Jiangsu Province

“Airport Highway”  
“Changcao Highway”

Provincial Highway 343 Suzhou-Shanghai Airport Highway  
Provincial Highway 232 Changzhou-Caoqiao Highway

### Shanxi Province

“Dongguan Highway”  
“Taigu Highway”  
“Taiyu Highway”  
“Yuci City Bypass”

National Highway 108 Yuci Dongchangshou-Qixian Dongguan Highway  
Provincial Highway 104 Taiyuan Ximing-Gujiao Highway  
Taiyuan-Yuci Highway  
National Highway 108 Yuci City Bypass

# CORPORATE INFORMATION

## Executive Directors

Zen Wei Pao, William (Chairman)  
Ko Yuk Bing (Managing Director & CEO)  
Chan Kam Hung (Chief Operating Officer)  
Fong Shiu Leung, Keter (Finance Director)  
Zen Wei Peu, Derek

## Non-Executive Directors

Hu Aimin  
Zhang Yijun

## Independent Non-Executive Directors

Chan Hing Chiu, Vincent  
Chow Shiu Kee, Stephen  
Lau Sai Yung

## Audit Committee

Lau Sai Yung (Chairman)  
Chan Hing Chiu, Vincent  
Chow Shiu Kee, Stephen

## Remuneration Committee

Chan Hing Chiu, Vincent (Chairman)  
Zen Wei Pao, William  
Chow Shiu Kee, Stephen  
Lau Sai Yung

## Auditors

Deloitte Touche Tohmatsu

## Solicitors

Richards Butler  
Sidley Austin Brown & Wood  
Conyers, Dill & Pearman

## Principal Bankers

Bank of China (Hong Kong) Limited  
CITIC Ka Wah Bank Limited  
Calyon Corporate and Investment Bank  
Industrial and Commercial Bank of China (Asia) Limited  
KBC Bank N.V.  
The Bank of East Asia, Limited  
The Hongkong and Shanghai Banking Corporation Limited

## Qualified Accountant

Fong Shiu Leung, Keter

## Company Secretary

Fong Shiu Leung, Keter

## Principal Share Registrars and Transfer Office

Butterfield Fund Services (Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke, Bermuda

## Hong Kong Branch Share Registrars and Transfer Office

Secretaries Limited  
26/F Tesbury Centre  
28 Queen's Road East  
Hong Kong

## Registered Office

Clarendon House  
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

## Internet Address

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

## Share Listing

The Company's shares are listed on  
The Stock Exchange of Hong Kong Limited

The stock codes are:  
The Stock Exchange of Hong Kong Limited – 1098  
Reuters – 1098.HK  
Bloomberg – 1098 HK

## Investor Relations

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