



# Road King Infrastructure Limited

*(incorporated in Bermuda with limited liability)*

# 04

*annual report*



Positive *Thinking*  
Active *Participation*

# 04

## 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 roads and bridges spanning approximately 1,100 kilometers and over 60 toll stations in 8 provinces of China.

Financial Highlights	2
Corporate Structure	4
Chairman's Statement	6
Chief Executive Officer's Report	8
Management Discussion & Analysis – Project Review	13
Management Discussion & Analysis – Financial Review	22
Directors and Senior Management	26
Directors' Report	30
Auditors' Report	45
Financial Statements	
Consolidated Income Statement	46
Consolidated Balance Sheet	47
Balance Sheet	48
Consolidated Statement of Changes in Equity	49
Consolidated Cash Flow Statement	50
Notes to the Financial Statements	52
Financial Summary	94
Glossary	96
Corporate Information	98

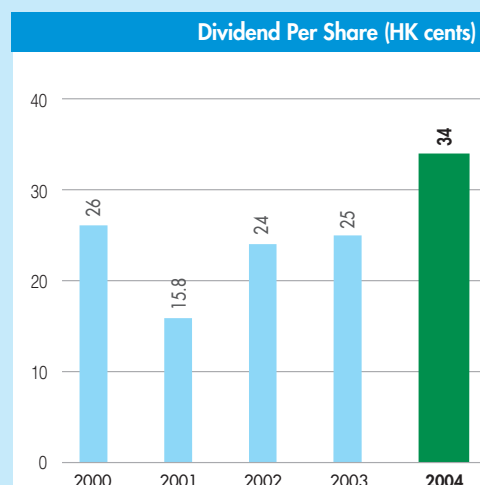
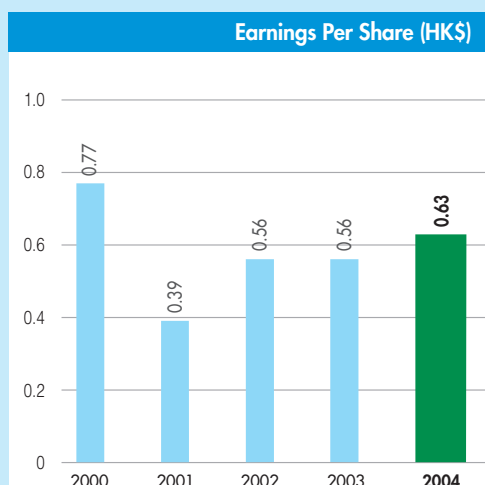
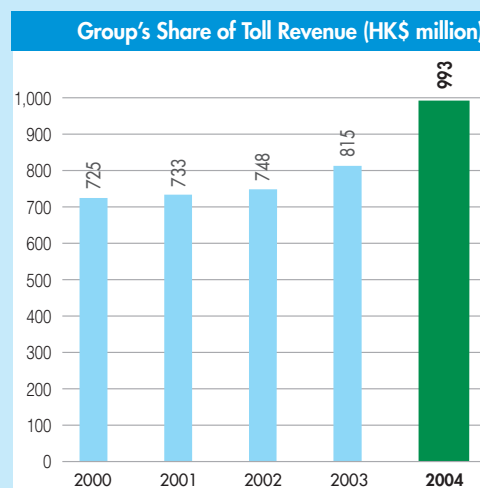
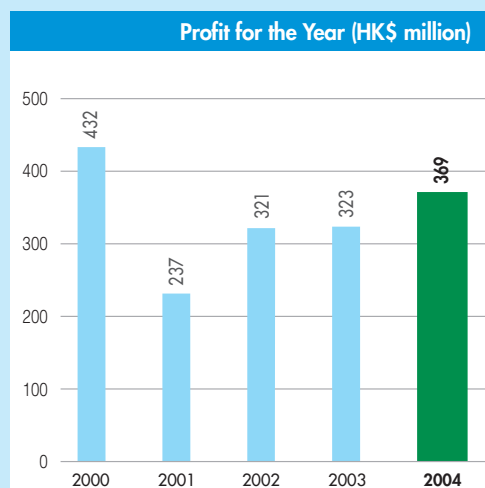
# FINANCIAL HIGHLIGHTS

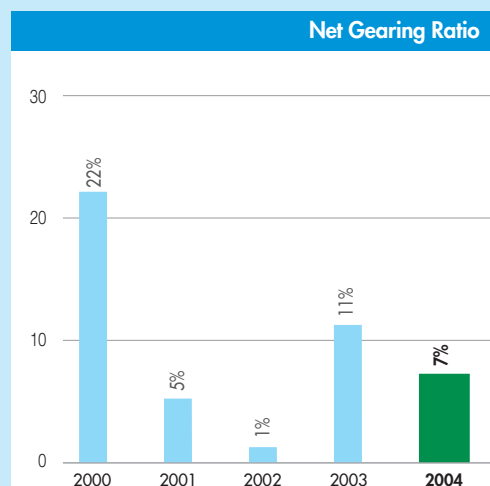
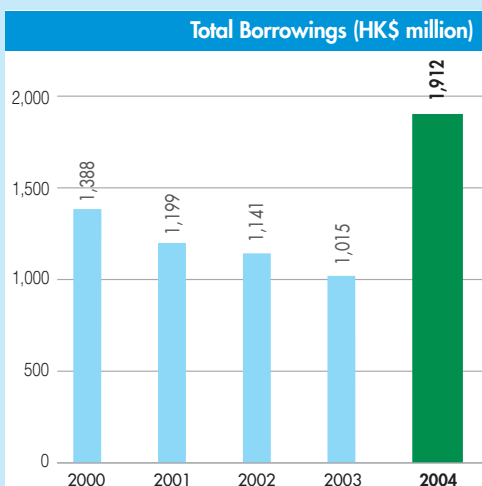
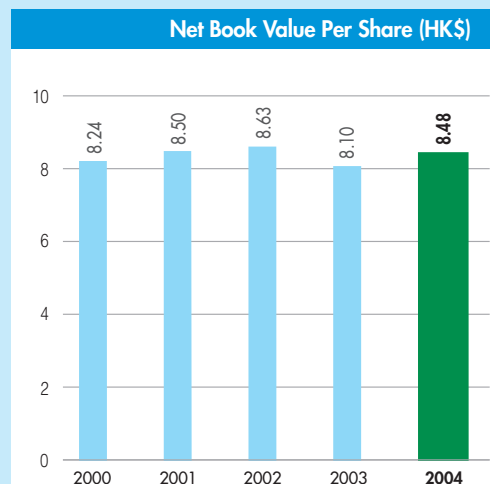
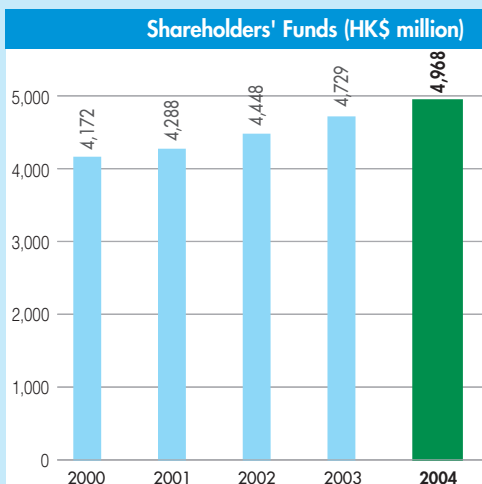
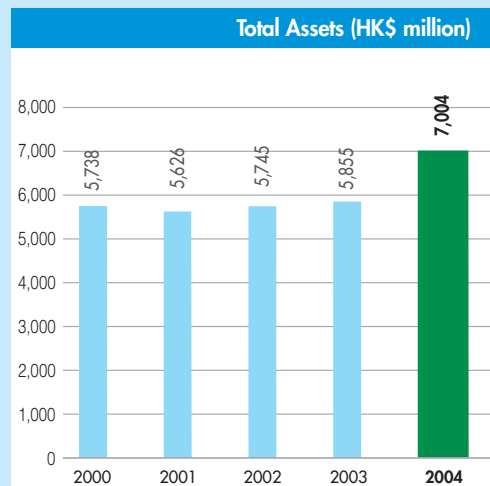
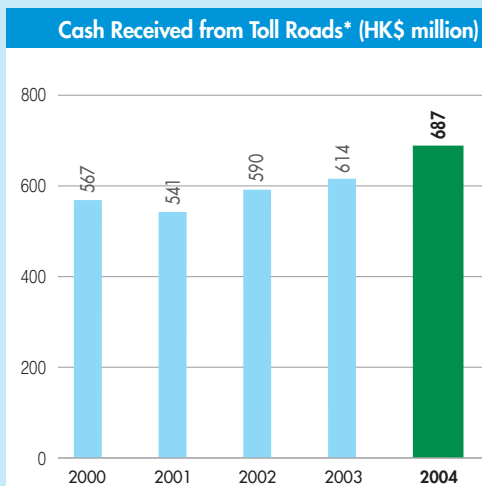
## Consolidated Income Statement

(HK\$ million)	2004	Year ended 31 December			
		2003	2002	2001	2000
Group's share of toll revenue	993	815	748	733	725
Share of operating profit of joint ventures	560	433	417	399	403
Profit before taxation	407	371	368	289	459
Profit for the year	369	323	321	237	432

## Consolidated Balance Sheet

(HK\$ million)	2004	As at 31 December			
		2003	2002	2001	2000
Total assets	7,004	5,855	5,745	5,626	5,738
Total liabilities	(1,990)	(1,081)	(1,210)	(1,257)	(1,479)
Minority interests	(46)	(45)	(87)	(81)	(87)
Shareholders' funds	4,968	4,729	4,448	4,288	4,172





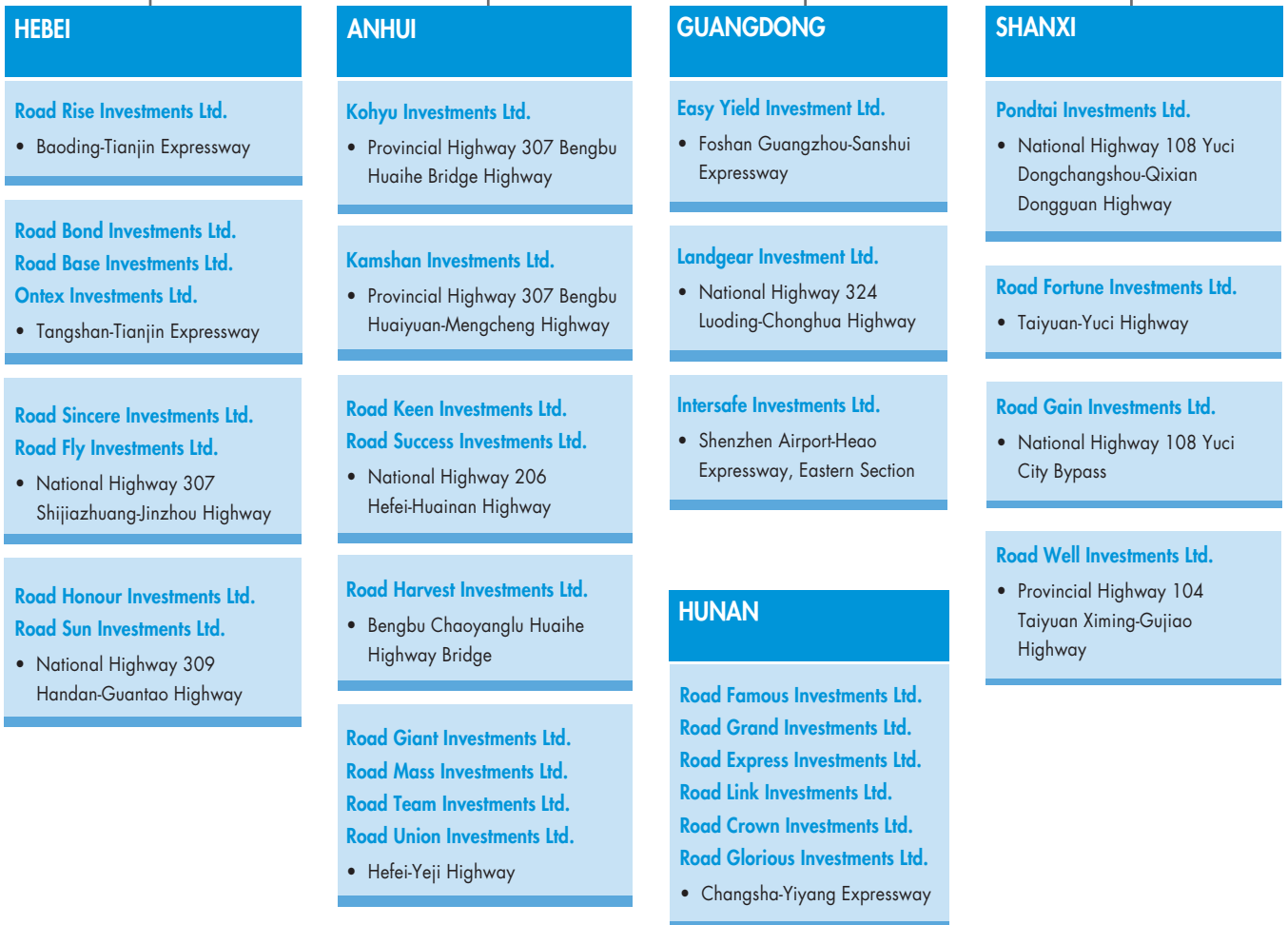
Certain comparative figures have been restated due to a prior year adjustment.

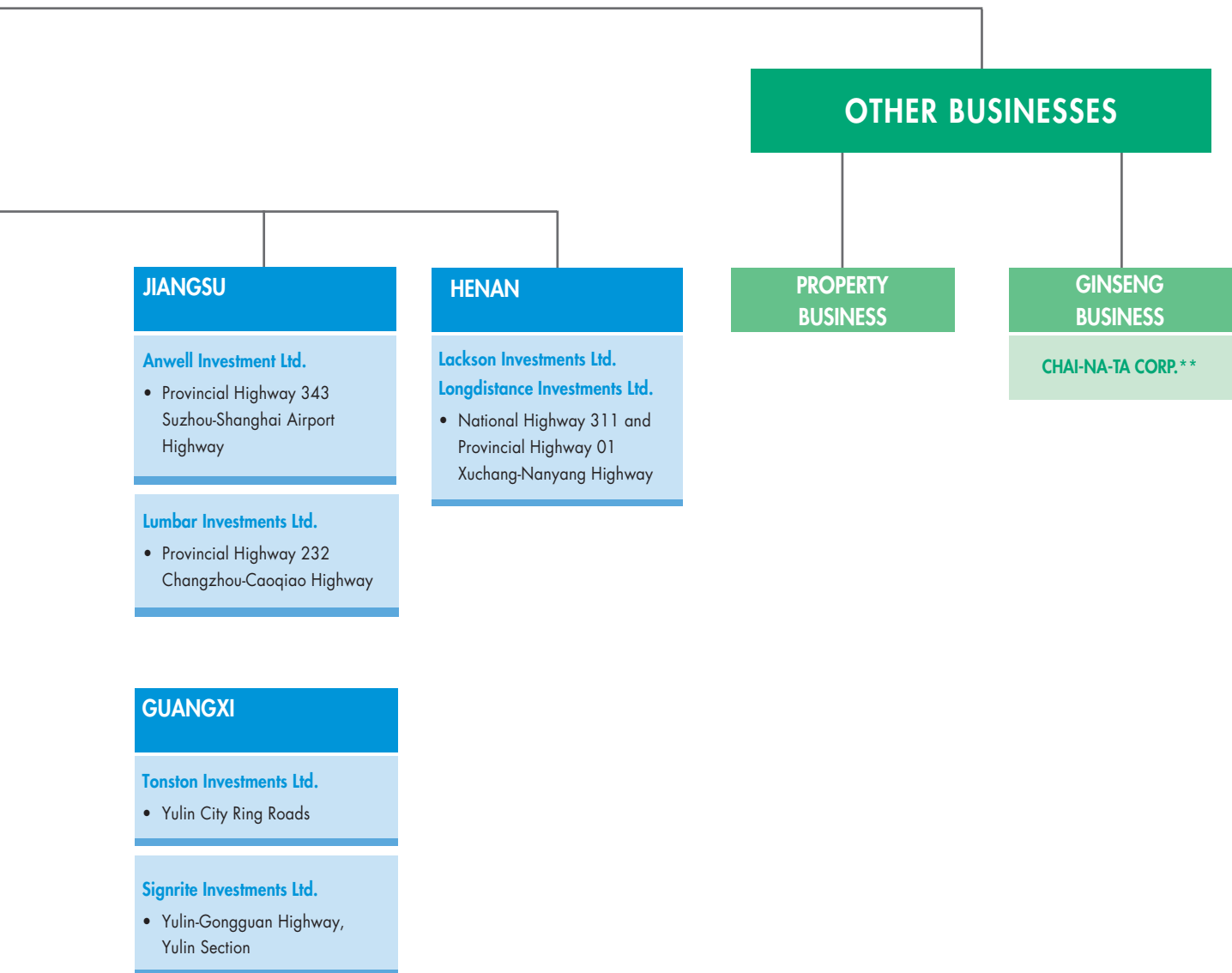
\*Excluding cash received from disposal of interests in infrastructure joint venture(s)/subsidiary



## ROAD KING INFRASTRUCTURE LIMITED\*

### HIGHWAY BUSINESS





\* listed on the Hong Kong Stock Exchange

\*\*listed on the Toronto Stock Exchange and traded on the NASDAQ OTC Bulletin Board

Note: including principal business operating subsidiaries only



**ZEN Wei Pao, William**  
Chairman

### **Dear Shareholders,**

*In 2004, the performance and development of the Group were encouraging: net profit increased persistently, the performance of the Group's existing toll road projects was outstanding, the development of new toll road projects was gratifying, and the property development business was also developing smoothly.*

*The Group's profit attributable to shareholders in 2004 was HK\$368.8 million, a growth of 14.3% over that of 2003. Earnings per share was HK63 cents. The Board of Directors has resolved to propose a final dividend of HK18 cents per share. Together with the interim dividend of HK16 cents per share, total dividend per share for 2004 will be HK34 cents, representing an increase of 36% over that of 2003.*

During 2004, with significant growth in traffic volume of toll roads in China, the Group registered a substantial increase in its toll revenue and recorded a total cash flow of HK\$687 million. During the year, the Group has actively explored and solicited potential expressway projects with lucrative returns, and has achieved positive result. The newly acquired project of Tangshan-Tianjin Expressway in Hebei Province started contributing profit to the Group in February 2005.

Having studied and carefully planned for years, the Group started property development business in China in 2004 and acquired land-use rights of several pieces of land at competitive prices. It is expected that the Group's property development business will contribute profit to the Group in 2006.

The Group continues to be optimistic about China's toll road business. The recent announcement of the RMB2,000 billion plan for road construction by the Chinese government has further enhanced the future potential for toll road business. With its outstanding track records, solid experiences and well-established reputation, the Group will endeavor to further develop this core business. It is expected that the number of the Group's expressway projects will continue to increase in the coming years.

Property development business is a new attempt to the Group. With the accumulated knowledge and experience in China, as well as the establishment of a professional team and the proactive and practical management style, the Group believes that the property development business will prosper and bring new source of profits to the shareholders. In 2005, the Group will take a cautious, serious and positive approach to develop this business.

2004 marked the year of the Group's leap over of its first 10-year anniversary. The Board of Directors is confident that 2005 will be the beginning of the Group's another golden decade.

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

**William Zen**

*Chairman*

Hong Kong, 1 April 2005



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

## 2004 Results

In 2004, the Group's net profit amounted to HK\$368.8 million (2003: HK\$322.7 million), representing an increase of 14.3% (as restated). Earnings per share increased by 12.5% to HK63 cents.

## Business Review

The principal activity that the Group engaged in is investment, development and management of toll road projects in China.

In 2004, the total traffic volume and toll revenue of the Group's projects were 128 million vehicles and RMB1.89 billion respectively, representing an increase of 19% and 31% compared to those in 2003. Excluding the contribution from the Baoding-Tianjin Expressway project (this project commenced operation since October 2003), the 2004 total traffic volume and toll revenue of the Group both reported a growth of 17% over those of 2003.

Along with the robust economic growth and the surging car ownership in China, the traffic flow in China's toll roads increased vigorously in 2004. Despite the mounting of diversion from some of the Group's open-ended toll roads, traffic volume and toll revenue of those projects recorded moderate growth and satisfactory results. The performance of the Group's expressway projects was even delightful. The Group believed that this high growth phenomenon would persist. During the year, in some regions, strict measures on circumventing overloading vehicles were carried out; policies to raise road safety standard were implemented; toll-by-weight tariff systems were employed; or toll adjustments on heavy vehicles were required. All these policies and measures have affected the performance of some of the toll roads in the short run. But in the long run, these policies would benefit the operation and management of toll roads.

During the year, the Group and the PRC party of the Guangzhou-Sanshui Expressway project reached an agreement to amend the terms regarding the payment of minimum income undertakings owed by the PRC party in accordance with the joint venture agreement. According to the new arrangement, the Group enjoys a higher profit sharing ratio than its equity interest in this project in the coming three years. This arrangement secured the Group's required return in this project.

Following the Group's long-term development strategy, the Group has been conducting synergistic studies on some of its existing projects. In January 2005, the Group disposed its interest of Changzhou-Caoqiao highway project in Jiangsu Province to a PRC third party. The disposal was approved, and the transaction and its related procedures are expected to be completed in the first half of 2005.

In relation to the Group's 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, it is expected that the arbitration result will be announced in the first half of 2005.

In 2004, the Group reached an agreement with the PRC joint venture partners to acquire 45% equity interest in Tangshan-Tianjin Expressway in Hebei Province. The transaction has already obtained relevant government authorities' approval. The project has started contributing profit to the Group since February 2005.

During the year, the Group signed a preliminary conditional agreement to construct, operate and manage the Hefei-Yeji Expressway in Anhui Province. The Group is now in the process of preparing the detailed co-operative terms and conditions of the contract. The conclusion of this project would be subject to reaching agreement with the PRC party on all the details of the co-operation and the final approval from the Board of Directors.

After extensive explorations and preparations, the Group commenced its China property development business in Guangzhou. The first property project was already under construction. Other projects were also under preparation. At the same time, the Group successfully secured several projects in Wujin District, Changzhou, Jiangsu Province. It is expected that the Group's property business will start contributing profit to the Group in 2006.

The Group's non-core business – Chai-Na-Ta Corp, the world's largest supplier of North American ginseng was also making healthy progress.

## Financial Review

### Liquidity and Financial Resources

As at 31 December 2004, the net asset value of the Group increased to HK\$4.97 billion (2003: HK\$4.73 billion) and the net asset value per share was HK\$8.48 (2003: HK\$8.10). The Group's total assets reached HK7 billion (2003: HK\$5.86 billion) and the cash and bank balance amounted to HK\$1.57 billion (2003: HK\$488 million). During 2004, the Group's cash flows generated from toll road business amounted to HK\$687 million.

### Financing Activities

The Group continued to adopt prudent financial policies in cash management and bank borrowing. During 2004, the Group underwent certain debt refinancing exercises to achieve better cash management objective and to reduce the cost of borrowings. In April 2004, the Group arranged a 5-year US dollar denominated revolving and term facility of US\$120 million. In July 2004, the Group redeemed its US dollar denominated guaranteed notes due in 2007, with coupon rate 9.50% p.a. At the same time, the Group successfully issued the 7-year US dollar denominated guaranteed notes of US\$200 million, with coupon rate of 6.25% p.a..

### Capital and Liabilities Structure

As at 31 December 2004, the Group's consolidated borrowings and net borrowings were HK\$1.91 billion and HK\$343 million respectively. Gearing ratio was 38%, while the net gearing ratio was 7%. The Group's major outstanding borrowings included US dollar denominated guaranteed notes with outstanding balance equivalents to HK\$1.56

billion, HK dollar denominated loan facilities with an outstanding balance of HK\$306 million (already fully repaid in January 2005), and Canadian dollar denominated loan facilities with an outstanding balance equivalent to HK\$47 million. As at 31 December 2004, the total loan facilities available to the Group amounted to HK\$1.04 billion. The maturity profile of the Group's borrowings as at 31 December 2004 is as follows:

Year of Maturity	HK\$ million
Within one year	133
In 1 to 2 years	87
In 2 to 5 years	133
More than 5 years	1,559

In 2004, a Baa2 rating was first assigned to the Group by Moody's. Standard and Poor's also reaffirmed the Group's BBB- corporate rating with a stable outlook.

## Finance Costs and Interest Rate

The total finance costs of the Group in 2004 amounted to HK\$103 million. Other than the fixed-rate US dollar denominated guaranteed notes, all borrowings of the Group are on floating-rate basis.

## Capital Commitments and Contingent Liabilities

As at 31 December 2004, the Group's major capital commitments were approximately HK\$74 million. Of which, HK\$40 million is required in 2005, and the remaining will be required after the fifth year.

As at 31 December 2004, the Group had no contingent liabilities.

## Charges on the Group Assets

As at 31 December 2004, total charged deposits of the Group were approximately HK\$44 million, which were mainly for the HK Dollar denominated facilities.

For the Canadian dollar financing, the credit facilities were secured by inventories and certain real properties of an overseas subsidiary.

## Foreign Exchange Exposure

The Group maintained a conservative treasury policy to minimize exposure to foreign exchange risks. As the Group's reporting currency is HK Dollar and borrowing is mainly denominated in US dollar, the Group held majority of bank deposits in US and HK dollars. Meanwhile, the cash flow generated from the projects is denominated mainly in Renminbi. Under current condition, it is beneficial to the Group's treasury situation.

## Litigation and Arbitration

Other than 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, there was no material litigation and arbitration for the Company, its subsidiaries and jointly controlled entities.

## Corporate Governance

The Company believes that a high standard of corporate governance and transparency is of vital importance. The Group's Audit Committee and Remuneration Committee are mainly constituted by Independent Non-executive Directors. They supervised the Group's management and control on the matters of finance, operation, as well as the employees' and Directors' remuneration.

## Employees

Excluding the staff of joint ventures, the total number of employees in the Group was 214 as at 31 December 2004. Expenditure on staff (excluding emoluments of the directors) amounted to HK\$40 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 2004, 14,090,000 share options were granted to employees under the Group's share option scheme.

## Outlook

In 2004, the excellent result of the Group's toll road business is encouraging. It is believed that this good result will persist in the year of 2005. The Group will continue to put emphasis on the efficiency and effectiveness of toll collection management and road maintenance, in order to secure both the Group's short and long-term returns.

The contribution of road network to China's economic development is undeniable. The announcement of the RMB2,000 billion plan for China's road network system by the Chinese Government was a gratifying signal to toll road investors. In 2005, the Group will even be more active in searching and securing potential expressway projects with lucrative returns. Simultaneously, the Group will continue to make suitable adjustments on its existing project portfolio to synchronize with the Group's long-term business development strategy.

After thorough analyses and thoughts, the Group believes that it is well prepared to start the property development business in China. In 2005, the Group is committed to put its best efforts on the development of the acquired property projects. By developing a competent and professional property development team and by the building of an operating model, the Group will develop the property development business cautiously and prudently to ensure its profit contribution commencing from 2006.

The Group's management is delighted for the Group's achievements. As in the past, the Group will continue to work hard with strong determination to strive for the future development.


## Acknowledgement

I would like to extend my gratitude to our business partners, shareholders and my colleague for their continuous support and contribution to the Group.

**Ko Yuk Bing**

*Managing Director & CEO*

Hong Kong, 1 April 2005



**MANAGEMENT DISCUSSION & ANALYSIS**

## Hebei Province

Hebei is an important member of both Beijing-Tianjin-Hebei Economic Circle and Bohai Economic Rim. It plays a major supporting role to the economic development of the Beijing, Tianjin and even the entire Bohai Bay area. The GDP of Hebei rose to RMB 883.69 billion in 2004, representing a 12.9% growth, the highest since 1997. Total value added of industry expanded by 15.1% to RMB 415.46 billion. The value added by steel, textile, petroleum refining, chemical, medicine, building materials and foodstuff industries altogether accounted for 55.4% of the total value added of industry and contributed to 62.0% of the growth of the industrial output value. The Hebei government has been aggressive in infrastructure investment in recent years to match with the high pace of economic development; investment in fixed assets in the area of transportation reached RMB 21.9 billion in 2004, representing a 45.9% growth; as at end of 2004, length of highways reached 70,002 km, including 1,706 km of expressways. With the approach of the 2008 Beijing Olympics and the swift economic development of the Beijing-Tianjin-Hebei Economic Circle, we predict that the need for transportation will surge.



The Group's investment in Hebei Province:

	Project Name	AADT	% growth	Annual Toll Revenue (RMB'M)	% growth
1.	Baojin Expressway	14,814	+28.7%	279.06	* +25.4%
2.	Shijin Highway	13,313	+5.7%	56.32	+27.7%
3.	Hanguan Highway	12,228	+20.7%	93.79	+31.0%

\* Since the contribution of toll revenue from Baojin Expressway project in 2003 was from October to December only, the comparison here is based on average daily revenue in 2003 and 2004.

Baojin Expressway has started contributing to the toll revenue of the Group since October 2003. Its daily toll revenue has shown an increasing trend. Average daily revenue grew 25.4% in 2004, and far exceeds our expectations. Supported by the constant economic growth in the Northeastern and Northern China, maintain the rapid growth of freight and coal transport will continue. Baojin Expressway, as one of the major routes connecting the Northeastern and Northern China, with the merge of economies of Beijing, Tianjin and Hebei and the swift economic development of cities such as Tianjin, Shijiazhuang and Baoding, we believe the growth of traffic and toll revenue will keep its pace with the regional economic development.

Toll revenue of Shijin Highway in 2004 revealed a high growth rate, owing to the infrastructure and urban constructions undergoing in Cangzhou and Huanghua Port in 2004 which induced a large amount of transport of building materials on Shijin Highway, the increase in coal transport which elevated heavy truck traffic, and the effect of strengthened measures which reduced traffic bypassing the toll station.

Hanguan Highway is a major route for eastward coal transport from Shanxi. The heavy traffic of coal truck induced by the energy shortage in 2004 and the effect of measures to regulate truck overloading resulted in the remarkable growth in traffic and toll revenue of the project in 2004.

## Anhui Province

Anhui is the back yard of Jiangsu and Zhejiang in the Yangtze River Delta. It is hastening its process of merging with the economy of the Yangtze River Delta with a more active profile, for the sake of its pace of development. The GDP in the year of 2004 reached RMB 481.27 billion, representing a 12.5% growth, the first double-digit growth since 1998. Growth of investment in fixed asset was rapid; investments in the areas of agriculture, energy, transportation, water conservancy, environment and utilities management were strengthened. In the meantime, highway investment was also rolling fast. In 2004, investment in transportation infrastructure expanded 26.2% to RMB17.85 billion. Length of completed expressway mounted to 1,294 km, whereas roughly 1,300 km of expressway is under construction. Growth continued in highway transport; turnover of passenger and freight transport by highway in 2004 reached 42.6 billion passenger-km and 34.9 billion ton-km, expanded by 7.1% and 10.1% respectively. We expect that with the enhancement of economic strength, the demand for transportation will soar.

The Group's investment in Anhui Province:

Project Name	AADT	% growth	Annual Toll Revenue (RMB'M)	% growth
4. Bengbu Huaihe Bridge Highway	10,551	+21.8%	31.88	+4.0%
5. Bengbu Huaimeng Highway	8,912	-15.5%	32.76	-40.4%
6. Hehuai Highway	17,329	+0.2%	63.71	-6.4%
7. Heye Highway	32,018	+16.3%	163.98	+8.5%
8. Chaoyanglu Huaihe Bridge	6,836	-1.0%	14.58	-34.7%

Bengbu Huaihe Bridge Highway, Bengbu Huaimeng Highway and Chaoyanglu Huaihe Bridge supplements each other, forming an inseparable highway network. The complete opening to traffic of Hefei-Xuzhou Expressway in December 2003 and Jieshou-Fuyang-Bengbu Expressway in October 2004 diverted the through traffic originally using the Bengbu highway network; the scale of the actual diversion matches with our predictions at the time of investment.

Following the change in municipality boundary of Hefei and Huainan which affected the Caoan toll station of Hehuai Highway, a portion of traffic originally using the highway on pay-per-pass basis has been made eligible to purchase monthly tickets. This caused the toll revenue from Hehuai highway to fall short of our expectation. Corresponding measures have been taken to minimize loss of toll revenue, therefore we expect the performance of Hehuai Highway in 2005 will be stabilized.

Heye Highway is a section of the National Highway 312 which connects Shanghai, Nanjing, Hefei and Xian. It has continued its role as an important route in 2004. Besides, repairing works undergoing in 2004 on several diversion roads forced traffic to return to Heye Highway. Therefore, traffic and toll revenue of Heye highway showed ideal growth.

## Guangdong Province

In 2004, the GDP of Guangdong Province soared 14.2% to RMB 1,603.9 billion, thus the target of the economic growth mentioned in the “Tenth Five-Year Plan” was achieved one year ahead of schedule. The cooperation within Pan-Pearl River Delta (Pan-PRD) achieved a satisfactory commencement. Benefited from the Closer Economic Partnership Arrangement between Hong Kong and Chinese mainland (CEPA) as well as the success of the first Pan-PRD Regional Economic and Trade Cooperation Fair, the economic connection and development of Guangdong and Hong Kong was further strengthened. The opening of Guangzhou New Baiyun International Airport and the completion of phase one of the Shenzhen Metro have enhanced the internal and external transportation development of Guangdong. At the end of 2004, the province attained the target of connecting the provincial capital with other municipalities in the province through expressways. During the year the mileage of newly constructed expressways hit 216.5 km, while total expressway mileage reached 2,519.5 km. In accordance with the continuous cooperation between Guangdong and other regions in Pan-PRD as well as the swift development of the logistics industry, we expect the speedy growth of transport can be maintained.



The Group's investment in Guangdong Province:

	Project Name	AADT	% growth	Annual Toll Revenue (RMB'M)	% growth
9.	Jihe Expressway	42,906	+19.8%	230.98	+26.7%
10.	Guangsan Expressway	32,576	+18.5%	229.63	+17.6%
11.	Luochong Highway	14,100	+18.2%	42.53	+9.2%

Being an important component of the Shenzhen highway network, the east-west Jihe Expressway achieved promising growth of traffic and toll revenue, along with the continuous development of Shenzhen economy in 2004. The markdown of car prices in Shenzhen induced continuous growth in volume of private passenger vehicle ownership. Traffic of heavy trucks grew more than 50%, which further improved the growth rate of toll revenue. It is anticipated that the project will maintain its satisfactory performance in 2005.

Benefited from the flourishing economic development and the saturation of the parallel National Highway 321, traffic and toll revenue of Guangsan Expressway performed prominently. At the end of November 2004, all the toll stations in open system highways in Foshan restored the two-way toll collection practice towards non-local vehicles. At the same time, a new toll station on National Highway 321 was reset. These factors have positive influences on traffic and toll revenue of the project in 2005.

Luochong Highway is the main route connecting Guangdong and Guangxi. Benefited from the rapid economic growth of both provinces, measures to regulate truck overloading, as well as the opening to traffic of connecting highways in the year, the traffic and toll revenue of Luochong Highway project grew 18% and 9% respectively. It is expected that the opening of Guangzhou-Wuzhou Expressway Zhaoqing to Yunfu Section at the end of 2004 will divert a portion of the traffic originally using the National Highway 321 to Luochong Highway. All the preceding factors will improve the traffic of Luochong Highway project.

## Hunan Province

Being a big agricultural province, Hunan recorded a strong and continuous economic growth. The GDP of the province reached RMB 561.2 billion in 2004, representing a growth of 12%, the highest among the past eight years. Grain obtained good harvest; the total output of grain was 28.1 million tons, rose by 15%. Industrial development was speedy. The top ten superior industries, including equipment manufacturing, nonferrous metal, tobacco, electronic information and new material industries, constituted RMB 91.2 billion of total value-added of industry. The total growth of the top ten superior industries in the year was 26.5%. Turnover of freight transport by highway soared 12.7% to 51.3 billion ton-km, while turnover of passenger transport by highway increased 16.9% to 45 billion passenger-km. In 2004, expressway mileage of the province was 1,218 km. Increase in grain output and industrial development boost the need for transportation.



The Group's investment in Hunan Province:

Project Name		AADT	% growth	Annual Toll Revenue (RMB'M)	% growth
12.	Changyi Expressway	35,560	+12.9%	187.78	+15.7%
In which	Expressway	13,092	+23.9%	155.56	+26.9%
	Changyi old road	22,468	+7.4%	32.22	-19.0%

The Changyi Expressway project comprises the Changsha to Yiyang Expressway and National Highway 319 Changsha to Yiyang Section ("Changyi old road"). The expressway contributed approximately 83% of toll revenue of the project in 2004.

The traffic and toll revenue of Changyi Expressway was remarkable in 2004. The natural growth rate of traffic and toll revenue of the expressway, which reflected to the swift economic growth of Hunan, revealed the importance of the expressway in transportation. In consequence of the extensive inspection on regulating truck overloading and the execution of preferential policy towards specific agricultural product vehicles in 2004, the annual toll revenue of Changyi old road declined. In 2005, the toll revenue of Changyi Expressway will benefit from the implementation of the policy of "restoration of under-scaled trucks" since the second half of 2004. Toll collected from under-scaled trucks will rise correspondingly with their upward adjustment in toll class. In addition, Changde to Zhangjiajie Expressway is expected to post positive effect on Changyi Expressway when it is open to traffic in the end of 2005.



## Shanxi Province

Shanxi is one of the major coal mining provinces in Northern China. The extensive power shortage in mainland China in 2004 caused a great demand in coal, which powered up the swift economic development of Shanxi. The GDP of Shanxi in 2004 rose 14.1% to RMB 304.24 billion and the GDP per capita exceeded US\$1,100. Coal production speeded up; 493 million tons of coal were produced in 2004, increased by more than 40 million tons compared to that of 2003, and constituted 25.2% of national coal production. At the same pace with the expansion of the coal industry, the transportation sector also continues its healthy development. Turnover of passenger and freight transport by highway reached 18.14 billion passenger-km and 36.56 billion ton-km, representing growth of 11.8% and 8.7% respectively. Out of the 65,813 km of highways built, 1,347 km were expressways by the end of 2004. It would be difficult to solve the problem of energy shortage in mainland China in the near future, hence, the demand for coal transport will remain high. We expect the demand for transport in Shanxi will continue to rise.

The Group's investment in Shanxi Province:

	Project Name	AADT	% growth	Annual Toll Revenue (RMB'M)	% growth
13.	Dongguan Highway	5,476	+16.4%	15.69	+22.7%
14.	Taiyu Highway	20,141	+24.0%	48.08	+25.8%
15.	Yuci City Bypass	4,073	+23.9%	15.84	+26.0%
16.	Taigu Highway	10,820	+27.7%	32.33	+31.5%

All 4 projects in Shanxi showed extraordinary performances in 2004.

Taiyu Highway is a major entrance to the provincial capital of Taiyuan. Traffic on Taiyu Highway composes mainly of small passenger vehicles. Small passenger vehicle traffic, badly hit in 2003 by SARS, restored to normal volume and enhanced the development of the project performance in 2004.

The adverse effect of the opening of Taiyuan to Qixian Expressway in 2003 to both Yuci City Bypass and Dongguan Highway has basically stabilized. Measures regulating truck overloading led to the healthy development of the freight transport market. In addition, power shortage induced a large amount of coal transport out of and within the province. These factors resulted in the disproportionate increase of heavy truck traffic, which pushed forward the performances of the two projects.

As Taigu Highway is a major route for coal transport, and interactions between the cities of Gujiao and Taiyuan have been closer, the numbers of both heavy trucks and small passenger vehicles using the highway recorded significant increases. With the strengthened regulation of the use of monthly tickets in the year, Taigu Highway became the fastest growing project among the 4 projects in Shanxi in terms of traffic and toll revenue.

## Jiangsu Province

The Jiangsu Province, a major region of the Yangtze River Delta, recorded its GDP of RMB1,551.2 billion in 2004, which was 14.9% higher than that of the previous year. The industrial structure of the Jiangsu Province has been under continual readjustment and optimization in recent years. The electronic, textile, chemical and metallurgical industries have been the four pillar industries of the province. In 2004, the output value of the four pillar industries soared 40.8% to RMB1,072.1 billion, which accounted for 43.2% of the total output value of the province. Passenger transportation vehicles, especially private vehicles, grew rapidly. As at the end of 2004, ownership of private vehicles soared 54.4% to 406,000, while newly registered private vehicles for the year increased 31.9% to 143,000. Expressway mileage reached 2,424 km, which was the third highest in the nation. Mileage of newly constructed expressway was 421 km, which was the highest in the nation. The need for transportation and development of the four pillar industries will grow in accord.



The Group's investment in Jiangsu Province:

Project Name	AADT	% growth	Annual Toll Revenue (RMB'M)	% growth
17. Airport Highway	16,944	+38.2%	102.71	+58.4%
18. Changcao Highway	8,356	+41.1%	29.88	+24.7%

In consequence of the remarkable economic performance of Suzhou and the widening works on Nanjing-Shanghai Expressway and National Highway 312, both traffic and toll revenue of Airport Highway grew strongly in 2004. In accordance with the completion of the widening works on Nanjing-Shanghai Expressway and the parallel section of National Highway 312 after mid-2005, it is expected that the project's income will return to normal level.

The group entered into the Share Transfer Agreement with Changzhou Wujin Transport Development Company Limited on 21st January 2005 to transfer its entire interest in Changcao Highway. The transfer was subsequently approved by the Changzhou Foreign Trade and Economic Cooperation Bureau on 5th February 2005. This transaction meets the Group's business strategy and it is expected to be completed in the first half of 2005.

## Guangxi Zhuang Autonomous Region



Guangxi Zhuang Autonomous Region is the main coastal province of South-west China. Benefited from the establishment of China-ASEAN free trade zone and the Pan-Pearl River Delta Cooperation in 2004, Guangxi showed the best development posture among the last 10 years. The GDP in 2004 soared 11.8% to RMB 332 billion, thus the target set in the “Tenth Five-year Plan” was completed one year ahead of schedule. Total value of import and export trade soared 34.3% to US\$4.3 billion, while the export market was further expanded and the number of foreign exportation countries surpassed 160, which broke the historical record. Value added of industry mounted to RMB 104.5 billion, which rose 17.0%, the highest growth rate since 1995. In terms of highway transportation, the turnover of freight transport and passenger transport escalated by 8.2% and 15.7% respectively. In 2004, newly constructed expressway mounted to 145 km, the total expressway mileage of the region reached 1,162 km. It is expected that the commercial and trading activities of Guangxi with ASEAN and Pan-Pearl River Delta will grow speedily, which is beneficial to the increase in traffic.

The Group's investment in Guangxi Zhuang Autonomous Region:

Project Name	AADT	% growth	Annual Toll Revenue (RMB'M)	% growth
19. Yulin City Ring Roads	15,500	+23.6%	29.10	-1.8%
20. Yugong Highway				

In consequence of the transformation of toll vehicle structure, both the traffic of Yulin City Ring Roads and Yugong Highway increased obviously, while the annual toll revenue decreased slightly. The Group, through its subsidiaries, requested arbitration pleas to the China International Economic and Trade Arbitration Commission in order to resolve the issues that the Yulin Government as well as the PRC joint venture partners breached the joint venture contracts and related agreements. Hearings were held in June 2004. It is expected that the arbitration results will be announced in mid-2005.

## Henan Province

Economy of Henan Province develops speedily. Other than further revelation of the province's superiority in agriculture, industrial investment was also boosted. In 2004, Henan's GDP reached RMB 881.5 billion, which was 13.7% higher than that of the previous year. The annual grain yield reached 42.6 million ton, with a growth rate of 19.3%. The increase in grain yield was the highest in the nation. Industrial investment mounted to RMB 108.6 billion; the growth rate was 53.5% which surpassed the development of other sectors. The speedy growth of the industrial sector revealed the notable outcome of economic restructuring. Foreign trade activities increased swiftly; total value of import and export trade reached US\$6.6 billion, rising 40.2% during 2004. The scope of utilizing foreign capital has been expanding. There were 478 foreign investment enterprises approved throughout the year, which was 48.0% higher compared to that of the previous year. There were 19 expressway construction projects commenced during year 2004. Expressway mileage increased 341 km, while the total expressway mileage reached 1,758 km. We are optimistic about the prospect of transportation based on the view of the increasing output of grain and the accelerating growth of industry.



The Group's investment in Henan Province:

Project Name	AADT	% growth	Annual Toll	
			Revenue (RMB'M)	% growth
21. Xunan Highway	22,246	+3.4%	191.31	+29.5%

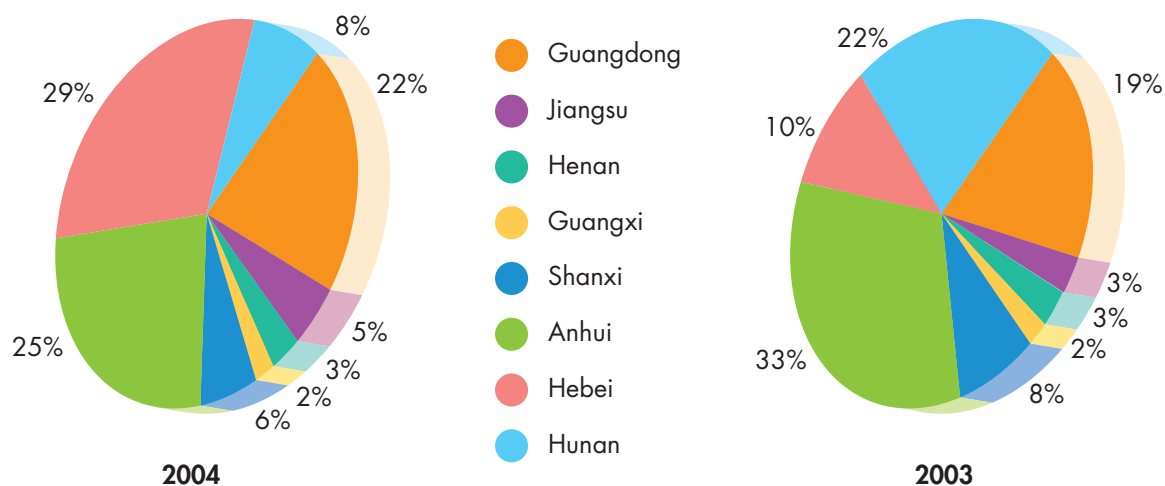
The annual toll revenue of 2004 soared 29.5% owing to the toll rate adjustment in October 2003, the implementation of toll collection by weight as well as the tightening of toll collection management. The parallel Xuchang-Pingdingshan-Nanyang Expressway was open to traffic in December 2004; its diversion effect will gradually be unveiled. The diversion effect of the expressway was already taken into consideration at the time of investment.

## (A) Financial Results

### Summary of Consolidated Income Statement

HK\$ million	2004	2003 (Restated)	% changes
Turnover: Group and share of infrastructure joint ventures			
Toll revenue	993	815	+22%
Minimum income undertakings	4	14	-71%
Sales of goods	45	93	-52%
	<b>1,042</b>	922	+13%
Less: Share of infrastructure joint ventures' toll revenue	(993)	(803)	+24%
Turnover: Group	49	119	-59%
Net income recognised in respect of goodwill and negative goodwill	12	7	+71%
Other operating income	27	19	+42%
Cost of inventories sold	(47)	(96)	-51%
Change in fair value of inventories	(10)	38	-126%
Operating expenses	(80)	(83)	-4%
Share of operating profit of infrastructure joint ventures	560	433	+29%
Operating profit: Group and share of infrastructure joint ventures	511	437	+17%
Finance costs	(103)	(66)	+56%
Profit before taxation	408	371	+10%
Taxation	(42)	(44)	-5%
Minority interests	3	(4)	-175%
Profit for the year	369	323	+14%
Weighted average number of issued shares	585,191,156	551,738,081	+6%
Basic earnings per share	HK\$0.63	HK\$0.56	+13%
Dividend per share in respect of current year	HK34 cents	HK25 cents	+36%
<b>HK\$ million</b>			
Dividend in respect of current year			
Interim dividend	94	86	+9%
Proposed final dividend	106	59	+80%
Dividend on convertible preference shares	–	14	N/A

## Toll Road Projects' Profit Contribution by Geographic Region



## Group's share of toll revenue and share of operating profit of infrastructure joint ventures

During the year, with significant growth in traffic volume of toll roads and the full year contribution from the Baoding-Tianjin Expressway project in Hebei Province (this project commenced operation since October 2003), the Group's share of toll revenue and share of operating profit increased by 22% and 29% respectively.

## Minimum income undertakings

The decrease of minimum income undertakings was mainly due to the fact that some of the Group's projects had already reached the stage to recover their original investment amounts and, therefore, the provision of minimum income undertakings for some projects had been expired.

## Sales of goods

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

## Net income recognised in respect of goodwill and negative goodwill

The amount mainly represented the amortisation of negative goodwill arising from the acquisition of Chai-Na-Ta Corp ("CNTC") and the Group's conversion of 10,000,000 preferred shares of CNTC to equivalent number of common shares in 2003. It is recognised as income for not more than three years which is the remaining weighted average useful life of the acquired non-monetary assets.

## Other operating income

Other operating income mainly consisted of interest income and gain on investment in securities.

## Operating expenses

A saving of operating expenses was mainly attributable to cost savings following disposal of a toll road subsidiary in 2003.

## Finance costs

In 2004, the Group underwent certain financing activities to attain a better cash management and to prepare for the Group's new development. During the year, the Group arranged a revolving and term facility of US\$120 million; redeemed its guaranteed notes with coupon rate 9.50% p.a. and issued new guaranteed notes of US\$200 million in principal value due 2011 with coupon rate 6.25% p.a. The increase in finance costs in 2004 was mainly due to increase in total borrowings from HK\$1,015 million to HK\$1,912 million, but mitigated by an average lower interest rate.

## Taxation

Taxation mainly represented share of PRC income tax attributable to the PRC infrastructure joint ventures. Deferred tax is provided mainly on temporary differences between the carrying amounts and the corresponding tax bases of the Group's toll road operation rights in PRC and the ginseng crops of an overseas subsidiary using applicable tax rates of different jurisdictions.

## (B) Financial Position

### Summary of Consolidated Balance Sheet

HK\$ million	2004	2003 (Restated)	Changes
<b>ASSETS</b>			
Property, plant and equipment	65	46	+19
Interests in infrastructure joint ventures	4,751	4,891	-140
Other non-current assets	(11)	(17)	+6
Current assets	2,199	935	+1,264
Total assets	7,004	5,855	+1,149
<b>LIABILITIES</b>			
Current liabilities	195	98	+97
Long-term liabilities	1,795	983	+812
Minority interests	46	45	+1
Total liabilities	2,036	1,126	+910
<b>CAPITAL</b>			
Shareholders' funds	4,968	4,729	+239

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

**Interests in infrastructure joint ventures** decreased to HK\$4,751 million mainly due to net surplus of repayment of loans from infrastructure joint ventures over the share of post-acquisition undistributed results during the year.

**Other non-current assets** mainly comprised negative goodwill and debtors due after one year.

**Current assets** mainly comprised bank balances and cash, charged deposits, receivables, inventories and ginseng crops and properties under development for sale. As at 31 December 2004, bank balances, cash and charged deposits aggregated to HK\$1,569 million (last year: HK\$488 million).

**Current liabilities** mainly comprised HK\$133 million of the short-term portion of the total borrowings (last year: HK\$54 million) and HK\$45 million (last year: HK\$26 million) of interest payables.

**Non-current liabilities** comprised the long-term portion of the Group's bank loans and guaranteed notes of HK\$1,779 million (last year: HK\$961 million).

The increase in **shareholders' funds** was attributable to change of retained profit and new issue of ordinary shares through exercise of 1,986,000 share options during the year.

## Capital Structure

HK\$ million	2004	2003 (Restated)
Shareholders' funds	4,968	4,729
Bank and other borrowings	1,912	1,015
Total capital employed	6,880	5,744
Gearing ratio	38%	21%

The increase of the Group's gearing ratio from 21% to 38% was mainly due to the redemption of the 9.50% p.a. guaranteed notes of HK\$623 million and a new issue of 6.25% p.a. guaranteed notes due 2011 of HK\$1,559 million. Following the refinancing, bank balances, cash and charged deposits aggregated to HK\$1,569 million (last year: HK\$488 million). The Group's net gearing ratio decreased to 7% (last year: 11%).

## Interest Coverage

HK\$ million	2004	2003
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")	706	570
Finance costs	103	66
Interest coverage	6.9 times	8.6 times

## Executive Directors



Mr. Chan Kam Hung   Mr. Zen Wei Peu, Derek   Mr. Zen Wei Pao, William   Mr. Ko Yuk Bing   Mr. Fong Shiu Leung, Keter

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

*(aged 57, 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 49, 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 46, Finance Director)*

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 20 years of auditing, accounting and corporate management experience. Prior to joining the Company, he has held senior corporate management positions in multi-national companies and listed companies in Hong Kong.

**Mr. Zen Wei Peu, Derek**

*(aged 52)*

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 25 years of experience in civil engineering industry. He is the brother of Mr. Zen Wei Pao, William.

**Mr. Fong Shiu Leung, Keter**

*(aged 42, Company Secretary)*

Mr. Fong has been appointed as an Executive Director of the Company since July 2000. He is also an Executive Director of Wai Kee. Mr. Fong holds a Bachelor degree in Arts. He is a Certified Practising Accountant in Australia and a fellow member of The Hong Kong Institute of Certified Public Accountants. He has over 15 years of experience in auditing, accounting and business advisory profession.

**Non-Executive Directors****Mr. Hu Aimin**

*(aged 56)*

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 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 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 50)*

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 engaged in research studies of assets and corporate management in Japan from 1991 to 1992, and he also 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 69)*

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 was 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 56)*

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 57)*

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 Company 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. Tse Sai Tung, Stones**

*(aged 46)*

Mr. Tse is the Managing Director and CEO of RK Properties Holdings Limited, a member of the Group. He holds a Bachelor degree in Engineering and a Master of Business Administration degree. He is a member of both Hong Kong Institute of Engineers and Chartered Institute of Buildings, UK. He has over 24 years of experience in real estate investment, property development, project management, sales and marketing and is also the Vice President of Guangzhou Real Estate Association.

#### **Dr. Siu Miu Man, Simon**

*(aged 47)*

Dr. Siu is the Director and General Manager of Sky Excel Investments Limited, a member of the Group. He holds a Doctorate Degree in Laws, a Master Degree in Business Administration and a Master of Science Degree in Electronic Commerce. He is a member of the Hong Kong Institute of Engineers, Royal Institution of Chartered Surveyors, Hong Kong Institute of Surveyors and the Chartered Institute of Arbitrators. He is a Registered Professional Engineer, a Registered Professional Surveyor and an Authorized Person under the Hong Kong Building Ordinance. He has over 24 years of experience in property development sector both in Hong Kong and the PRC.

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

*(aged 50)*

Mr. Leung is the Engineering Director of the property development business. 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 26 years of experience in civil engineering with more than 16 years of experience in the PRC project management.

#### **Mr. Yu Kam Fat, James**

*(aged 49)*

Mr. Yu is a General Manager of the Project 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 Engineer. He is also a Registered Structural Engineer, HK and a Registered Professional Engineer, HK. He has over 25 years of experience in civil engineering and project management.

**Mr. Xu De Bao**

*(aged 66)*

Mr. Xu is a General Manager of the Project Management Division stationed in the PRC. He was the Director of a City Communication Bureau in the PRC. He has over 17 years of experience in administration, road construction and personnel management of the transportation sector in the PRC.

**Mr. Chan Sai Kuen, Daniel**

*(aged 47)*

Mr. Chan is a Deputy General Manager of the Project Management Division. He holds a Bachelors of Business Administration degree in Accounting. He has over 23 years of experience in accounting and project management.

**Mr. Lai Siu Keung**

*(aged 41)*

Mr. Lai is a Deputy General Manager of the Project Management Division. He holds a Bachelor of Engineering (Hons) degree in Civil Engineering. He has over 21 years of experience in civil engineering and project management.

**Mr. Chan Chun Kuen**

*(aged 41)*

Mr. Chan is a Senior Project Manager stationed in the PRC. He holds a Bachelor of Business Administration degree and a Master of Business Administration degree. He has over 14 years of experience in accounting and project management.

**Mr. So Tsz Leung, Jimmy**

*(aged 40)*

Mr. So is a Senior Project Manger stationed in the PRC. He holds a Bachelor of Commerce degree and a Master of Business Administration degree. He has over 12 years experience in accounting and project management.

**Mr. Wong Ka Lun, Danny**

*(aged 37)*

Mr. Wong is the Senior Manager – Sales and Marketing of Sky Excel Investments Limited, a member of the Group. He holds a Diploma in Business Administration, Diploma in Property Development and Postgraduate Diploma in Property Development and Postgraduate Diploma in Surveying (Real Estate Development). He has over 15 years of properties development, sales & marketing and management experience in Hong Kong and the PRC.

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31 December 2004.

## 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 and details of which are set out in notes 15 and 16 to the financial statements.

## 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 Group's business.

## Results and Appropriations

The results of the Group for the year ended 31 December 2004 are set out in the consolidated income statement on page 46.

An interim dividend of HK16 cents per share amounting to HK\$93,779,000 was paid to the shareholders on 8 September 2004.

The directors recommend the payment of a final dividend of HK18 cents per share to the shareholders on the register of members on 13 May 2005 amounting to HK\$105,554,000.

## 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 24 and 25 to the financial statements respectively.

## Reserves

Movements during the year in the reserves of the Group and the Company are set out in note 26 to the financial statements.

## Property, Plant and Equipment

Details of movements during the year in the property, plant and equipment of the Group are set out in note 14 to the financial statements.

## Issue of Guaranteed Notes

In July 2004, the Company through its wholly-owned subsidiary entered into the subscription agreement with The Hongkong and Shanghai Banking Corporation Limited, the lead manager, to issue US\$200,000,000 (approximately HK\$1,560,000,000) in aggregate principal amount of 6.25% guaranteed notes (the "Notes") which will be matured in July 2011 to institutional investors. The Company would unconditionally and irrevocably guarantee the due and punctual payment of all amounts of any time becoming due and payable in respect of the Notes. The Notes are listed on the Singapore Exchange Securities Trading Limited. The net proceeds of US\$199,000,000 (approximately HK\$1,552,200,000) received from the subsidiary would be on-lent to the Company and applied by the Company for the purposes of investments in toll roads or other transportation related projects, refinancing of existing indebtedness and as general working capital.

## 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 (*Finance Director*)  
Zen Wei Peu, Derek  
Fong Shiu Leung, Keter

### Non-executive directors:

Hu Aimin	(appointed on 3 February 2004)
Zhang Yijun	(appointed on 28 December 2004)
Brian Souter	(resigned on 3 February 2004)
Ross Thomas Martin	(resigned on 3 February 2004)
Martin Andrew Griffiths	(ceased to act as alternate to Ross Thomas Martin on 3 February 2004)
James Herbert Stewart	(resigned on 30 September 2004)
Chiang Wen Chee, Wendy	(ceased to act as alternate to James Herbert Stewart on 30 September 2004)
Liu Zixian	(appointed on 3 February 2004 and resigned on 28 December 2004)

### Independent non-executive directors:

Chan Hing Chiu, Vincent  
Chow Shiu Kee, Stephen  
Lau Sai Yung (appointed on 9 August 2004)

### Directors and Directors' Service Contracts (Continued)

In accordance with Bye-laws 86 and 87 of the Company's Bye-laws, Chan Kam Hung, Zhang Yijun, Chan Hing Chiu, Vincent, Chow Shiu Kee, Stephen and Lau Sai Yung shall retire by rotation and, being eligible, offer themselves for re-election. All other remaining directors continue in office.

Each of 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.

Ko Yuk Bing entered into service agreements with the Group for a term of three years commencing from 1 May 2003.

Each of Chan Kam Hung and Fong Shiu Leung, Keter entered into service agreements with the Group. The service agreements with Chan Kam Hung are for a term of three years commencing from 1 September 2002. The service agreement with Fong Shiu Leung, Keter is for a term of three years commencing from 25 July 2003.

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.

The Company received confirmation of independence from Chan Hing Chiu, Vincent and Chow Shiu Kee, Stephen, being the Independent Non-executive Directors in respect of the year ended 31 December 2004, pursuant to Rule 3.13 of the Listing Rules. The Company also received confirmation of independence from Lau Sai Yung, who has been appointed as an Independent Non-executive Director with effect from 9 August 2004, pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Directors to be independent.

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.

## The Board

The Board comprises ten members. Three of them are Independent Non-executive Directors and are of professionals with backgrounds in engineering, legal and accounting fields. All the Board members have extensive experience and knowledge in corporate management making significant contributions to the Company's strategic decisions. The diverse background of the Board members ensures that they fully represent the interests of all the shareholders.

The Board holds four regular meetings per year and additional meetings will be arranged if and when required. During the year, there were six board meetings held by the Company and the attendance record of the Board members are as follows:

	<b>Attendance (%)</b>
<b>Executive Directors:</b>	
Zen Wei Pao, William	100%
Ko Yuk Bing	100%
Chan Kam Hung	100%
Zen Wei Peu, Derek	66%
Fong Shiu Leung, Keter	100%
<b>Non-executive Directors:</b>	
Hu Aimin	75% (four meetings during his term)
Zhang Yijun	N/A
Brian Souter	0% (two meetings during his term)
Ross Thomas Martin	50% (two meetings during his term)
James Herbert Stewart	75% (four meetings during his term)
Chiang Wen Chee, Wendy (alternate to James Herbert Stewart)	25% (four meetings during her term)
Liu Zixian	50% (four meetings during his term)
<b>Independent Non-executive Directors:</b>	
Chan Hing Chiu, Vincent	100%
Chow Shiu Kee, Stephen	100%
Lau Sai Yung	100% (three meetings during his term)

## Disclosure of Interests

### Directors' Interests and Short Positions

As at 31 December 2004, the interests and short positions of the Directors and chief executive 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 Securities and Futures Ordinance ("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

##### (a) 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	5,000,000 ( <i>note 2</i> )	—	0.85
Ko Yuk Bing	Personal	550,000 ( <i>note 1</i> )	—	0.09
		4,600,000 ( <i>note 2</i> )	—	0.78
Chan Kam Hung	Personal	100,000 ( <i>note 1</i> )	—	0.02
		3,100,000 ( <i>note 2</i> )	—	0.53
Zen Wei Peu, Derek	Personal	966,000 ( <i>note 1</i> )	—	0.16
		1,950,000 ( <i>note 2</i> )	—	0.33
Fong Shiu Leung, Keter	Personal	2,000,000 ( <i>note 2</i> )	—	0.34
Hu Aimin	Personal	250,000 ( <i>note 2</i> )	—	0.04
Chan Hing Chiu, Vincent	Personal	500,000 ( <i>note 2</i> )	—	0.09
Chow Shiu Kee, Stephen	Personal	160,000 ( <i>note 1</i> )	—	0.03
		500,000 ( <i>note 2</i> )	—	0.09

#### 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 or chief executive are included in this category, the particulars of which are set out in (I)(b) below.

## Disclosure of Interests (Continued)

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

#### (I) The Company (Continued)

##### (b) Interests in underlying shares through equity derivatives

Name of Director	Date of grant	Exercisable period	Exercise price	Number of share options
			HK\$	
Zen Wei Pao, William	17 October 2003	17 October 2003 to 16 October 2008	5.15	2,500,000
	26 August 2004	26 August 2004 to 25 August 2009	5.70	2,500,000
Ko Yuk Bing	17 October 2003	17 October 2003 to 16 October 2008	5.15	2,300,000
	26 August 2004	26 August 2004 to 25 August 2009	5.70	2,300,000
Chan Kam Hung	17 October 2003	17 October 2003 to 16 October 2008	5.15	1,300,000
	26 August 2004	26 August 2004 to 25 August 2009	5.70	1,800,000
Zen Wei Peu, Derek	17 October 2003	17 October 2003 to 16 October 2008	5.15	650,000
	26 August 2004	26 August 2004 to 25 August 2009	5.70	1,300,000
Fong Shiu Leung	17 October 2003	17 October 2003 to 16 October 2008	5.15	1,000,000
	26 August 2004	26 August 2004 to 25 August 2009	5.70	1,000,000
Hu Aimin	26 August 2004	26 August 2004 to 25 August 2009	5.70	250,000
Chan Hing Chiu, Vincent	17 October 2003	17 October 2003 to 16 October 2008	5.15	250,000
	26 August 2004	26 August 2004 to 25 August 2009	5.70	250,000
Chow Shiu Kee, Stephen	17 October 2003	17 October 2003 to 16 October 2008	5.15	250,000
	26 August 2004	26 August 2004 to 25 August 2009	5.70	250,000

## Disclosure of Interests (Continued)

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

#### (II) Details of share options

A new share option scheme (the "New Share Option Scheme") was adopted by the Company at the annual general meeting held on 12 May 2003 to comply with Chapter 17 of the Listing Rules. Particulars of the New Share Option Scheme are set out in note 25 to the financial statements.

Renewal of the 10% share option scheme mandate limit under the New Share Option Scheme was approved by the shareholders of the Company on 12 May 2004. Therefore, the Company can grant share options to subscribe for up to 58,467,256 shares of the Company under the New Share Option Scheme. On 26 August 2004, the Company granted share options to certain eligible participants to subscribe for 14,090,000 shares of the Company. Thus, the total number of shares available for issue under the New Share Option Scheme is 44,377,256 representing approximately 7.57% of the Company's issued share capital as at the date of this report.

The Directors consider that it is not appropriate to disclose the fair value of share options granted during the year ended 31 December 2004 as any valuation of the share options would be subject to a number of subjective and uncertain assumptions. The Directors believe that the evaluation of share options based upon speculative assumptions would not be meaningful and would be misleading to shareholders.

A summary of movement during the year under the New Share Option Scheme is as follows:

Name	Date of grant	Exercisable period	Exercise price	Number of share options				
				Balance at 1.1.2004	Granted during the year#	Exercised during the year**	Cancelled during the year	Balance at 31.12.2004
HK\$								
<b>Directors</b>								
Zen Wei Pao, William	17 October 2003	17 October 2003 to 16 October 2008	5.15	2,500,000	—	—	—	2,500,000
	26 August 2004	26 August 2004 to 25 August 2009	5.70	—	2,500,000	—	—	2,500,000
Ko Yuk Bing	17 October 2003	17 October 2003 to 16 October 2008	5.15	2,300,000	—	—	—	2,300,000
	26 August 2004	26 August 2004 to 25 August 2009	5.70	—	2,300,000	—	—	2,300,000
Chan Kam Hung	17 October 2003	17 October 2003 to 16 October 2008	5.15	1,500,000	—	(200,000)	—	1,300,000
	26 August 2004	26 August 2004 to 25 August 2009	5.70	—	1,800,000	—	—	1,800,000
Zen Wei Peu, Derek	17 October 2003	17 October 2003 to 16 October 2008	5.15	1,300,000	—	(650,000)	—	650,000
	26 August 2004	26 August 2004 to 25 August 2009	5.70	—	1,300,000	—	—	1,300,000

## Disclosure of Interests (Continued)

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

#### (II) Details of share options (Continued)

Name	Date of grant	Exercisable period	Exercise price	Number of share options				Balance at 31.12.2004
				Balance at 1.1.2004	Granted during the year#	Exercised during the year**	Cancelled during the year	
			HK\$					
Fong Shiu Leung, Keter	17 October 2003	17 October 2003 to 16 October 2008	5.15	1,000,000	—	—	—	1,000,000
	26 August 2004	26 August 2004 to 25 August 2009	5.70	—	1,000,000	—	—	1,000,000
Hu Aimin	26 August 2004	26 August 2004 to 25 August 2009	5.70	—	250,000	—	—	250,000
Chan Hing Chiu, Vincent	17 October 2003	17 October 2003 to 16 October 2008	5.15	250,000	—	—	—	250,000
	26 August 2004	26 August 2004 to 25 August 2009	5.70	—	250,000	—	—	250,000
Chow Shiu Kee, Stephen	17 October 2003	17 October 2003 to 16 October 2008	5.15	250,000	—	—	—	250,000
	26 August 2004	26 August 2004 to 25 August 2009	5.70	—	250,000	—	—	250,000
Brian Souter	17 October 2003	17 October 2003 to 16 October 2008	5.15	250,000	—	(250,000)	—	—
Ross Thomas Martin	17 October 2003	17 October 2003 to 16 October 2008	5.15	250,000	—	(250,000)	—	—
James Herbert Stewart	17 October 2003	17 October 2003 to 16 October 2008	5.15	250,000	—	—	—	250,000
	26 August 2004	26 August 2004 to 25 August 2009	5.70	—	250,000	—	—	250,000
Liu Zixian	26 August 2004	26 August 2004 to 25 August 2009	5.70	—	250,000	—	—	250,000
				<u>9,850,000</u>	<u>10,150,000</u>	<u>(1,350,000)</u>	<u>—</u>	<u>18,650,000</u>
<b>Others</b>								
Employees	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 closing price of the Company's shares immediately before the date of grant was HK\$5.55.

\*\* The weighted average closing price of the Company's shares immediately before the date on which the share options were exercised was HK\$5.739.

## Disclosure of Interests (Continued)

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

Save as disclosed above, none of the Directors or chief executive or their associates has any interests and 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 was granted or had exercised any rights to subscribe for any securities of the Company or any of its associated corporations.

### Arrangements to Acquire Shares or Debentures

Other than the New 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 2004, so far as is known to any Director or chief executive of the Company, the following persons (other than Directors or chief executive of the Company), who had interests or short positions in the shares and underlying shares of the Company which would 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 <i>(note 1)</i>	Short position	
Wai Kee Holdings Limited <i>(note 2)</i>	Corporate	266,386,328	—	45.45
Wai Kee (Zens) Holding Limited <i>(note 3)</i>	Corporate	266,386,328	—	45.45
Groove Trading Limited <i>(note 4)</i>	Personal/Beneficiary	66,000,000	—	11.26
Wai Kee China Investments (BVI) Company Limited <i>(note 4)</i>	Corporate	197,668,328	—	33.72
Wai Kee China Investments Company Limited <i>(note 5)</i>	Corporate	197,668,328	—	33.72
ZWP Investments Limited <i>(note 6)</i>	Personal/Beneficiary	197,668,328	—	33.72
Shenzhen Investment Limited <i>(note 7)</i>	Corporate	146,069,142	—	24.92*
Hover Limited <i>(note 8)</i>	Personal/Beneficiary	146,069,142	—	24.92*
Cheah Cheng Hye <i>(note 9)</i>	Personal	450,000		0.08
	Family	230,000		0.04
	Corporate	69,615,852	—	11.87*
		<u>70,295,852</u>		<u>11.99</u>
Value Partners Limited	Investment Manager	70,101,852	—	11.96*

## 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, 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 2,718,000 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.
- \* As at 31 December 2004, the issued share capital of the Company is 586,122,566 shares. Accordingly, the percentage has been adjusted.

Save as disclosed above, no other person (other than a Director or the chief executive of the Company) has any 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

In July 2004, a subsidiary of the Company redeemed in whole its US dollar denominated guaranteed notes due in 2007. Save as disclosed above, 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.

## Audit Committee

Pursuant to the requirements of the Listing Rules, the Company had on 30 July 1998 established an Audit Committee with reference to "A Guide for the Formation of an Audit Committee" issued by The Hong Kong Institute of Certified Public Accountants. The Audit Committee currently comprising three Independent Non-executive Directors meets twice a year to review and discuss with management and external auditors the accounting principles and policies adopted by the Group, the general scope of audit work conducted by the external auditors and the assessment of the Group's internal controls.

During the year, the Audit Committee held two meetings and the attendance record of the Audit Committee members are as follows:

<b>Audit Committee members</b>	<b>Attendance (%)</b>
Chan Hing Chiu, Vincent	100%
Chow Shiu Kee, Stephen	100%
James Herbert Stewart	50% (50% by his alternate)
Lau Sai Yung	N/A ( <i>Note</i> )

*Note:* The two Audit Committee meetings were held before the appointment of Mr. Lau Sai Yung as an Audit Committee member on 9 August 2004.

## Remuneration Committee

The Remuneration Committee which was established in early 2005, comprises three Independent Non-executive Directors and the Chairman of the Board. The Remuneration Committee meets at least twice annually and additional meetings shall be held as the work of the Remuneration Committee demands. The Remuneration Committee is responsible for making recommendations to the Board on remuneration policy and structure for all remuneration of Executive Directors (except the Chairman of the Board) and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration.

## Code of Best Practice

The Company has complied throughout the year ended 31 December 2004 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, save that the Non-executive Directors were not appointed for a specific term but are subject to retirement by rotation.

## Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2004.

## 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 42 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 period, the Group has not provided guarantees in respect of bank facilities utilised by the infrastructure joint ventures.
  - (c) The total amount of loans to the infrastructure joint ventures is HK\$3.41 billion which in aggregate exceeds 8% of the Group's adjusted total assets of HK\$6.9 billion (being the Group's total assets as at 31 December 2004 adjusted for the dividend proposed for the year ended 31 December 2004 by the Company) as at 31 December 2004 and exceeds 8% of the Company's market capitalization of HK\$3.18 billion as at 31 December 2004. The loans are actually part of the investments and are unsecured, interest free and have no definite repayment terms.
  - (d) The loans to the infrastructure joint ventures were funded by equities raised at the listing of the Company or by borrowings or internal resources of the Group.

## Continuing Disclosure of the Listing Rules (Continued)

PRC Infrastructure Joint Ventures	% of interest held indirectly by the Company	Loan to joint venture	Outstanding loan to be injected
		HK\$'000	HK\$'000
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	—
Changzhou Wujin Road King Changcao Highway Development Co., Ltd.	60.24%	83,946	—
Foshan Guangsan Special-Use Automobile Highway Co., Ltd.	35%	258,377	—
Guangxi Hengjing Highway Development Co., Ltd.	70%	61,513	18,384
Guangxi Lutong Highway Development Co., Ltd.	70%	81,800	15,793
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%	61,846	—
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	—
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%	124,704	—
Pingdingshan Road King Xuchang-Nanyang Highway (Xiangcheng Section) Development Co., Ltd.	50%	68,352	—

## Continuing Disclosure of the Listing Rules (Continued)

PRC Infrastructure Joint Ventures	% of interest held indirectly by the Company	Loan to joint venture	Outstanding loan to be injected
		HK\$'000	HK\$'000
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%	92,633	—
Shijiazhuang Luxin Road & Bridge Development Co., Ltd.	60%	52,028	—
Suzhou Road King Shanghai-Suzhou Airport Road Development Co., Ltd.	50%	120,874	—
		3,410,990	34,177

2. Pursuant to rule 13.18 of the Listing Rules:

The Group has a transferable term loan facility for the amount of HK\$350 million. The facility will mature in June 2007 and was early repaid in January 2005. Under the facility agreement, the single largest shareholder of the Company is required to maintain directly or indirectly not less than thirty-five per cent (35%) of each class of the issued voting share capital of the Company throughout the continuance of the facility.

## 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 the accounting principles generally accepted in Hong Kong for the year ended 31 December 2004, is as follows:

<b>Balance sheet</b>	<b>2004</b>
	HK\$'000
Property, plant and equipment	9,080,357
Current assets	625,236
Current liabilities	(529,755)
Net current assets	95,481
Amounts due to joint venture partners	(2,929,154)
Net assets	6,246,684

Details of the Group's attributable interests in the infrastructure joint ventures are set out in note 16 to the 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, 1 April 2005



## TO THE SHAREHOLDERS OF ROAD KING INFRASTRUCTURE LIMITED

(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 46 to 93 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 financial statements which give a true and fair view. In preparing 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 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 Statements of Auditing Standards 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and 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 financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2004 and of the profit and cash flows of the Group 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, 1 April 2005

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2004

	NOTES	2004 HK\$'000	2003 (Restated) HK\$'000
Turnover: Group and share of infrastructure joint ventures			
Toll revenue		992,744	814,504
Minimum income undertakings		3,749	14,688
Sales of goods		44,550	92,857
		<u>1,041,043</u>	<u>922,049</u>
Less: Share of infrastructure joint ventures' toll revenue		<u>(992,744)</u>	<u>(802,705)</u>
<b>Turnover: Group</b>	4	<b>48,299</b>	119,344
Net income recognised in respect of goodwill and negative goodwill	13	12,023	6,823
Interest income		12,696	9,145
Other operating income		14,068	9,935
Cost of inventories sold		(46,754)	(96,511)
Changes in fair value of inventories	20	(9,980)	37,948
Operating expenses		<u>(80,285)</u>	<u>(82,967)</u>
<b>Operating (loss) profit: Group</b>	6	<b>(49,933)</b>	3,717
Share of operating profit of infrastructure joint ventures	8	<u>559,615</u>	<u>432,750</u>
<b>Operating profit: Group and share of infrastructure joint ventures</b>		<b>509,682</b>	436,467
Finance costs	9	<u>(102,604)</u>	<u>(65,933)</u>
<b>Profit before taxation</b>		<b>407,078</b>	370,534
Taxation	10	<u>(41,679)</u>	<u>(43,763)</u>
<b>Profit before minority interests</b>		<b>365,399</b>	326,771
Minority interests		<u>3,404</u>	<u>(4,106)</u>
<b>Profit for the year</b>		<b>368,803</b>	322,665
<b>Dividends</b>	11	<u>152,246</u>	<u>141,693</u>
<b>Earnings per share</b>	12		
– Basic		<u>HK\$0.63</u>	<u>HK\$0.56</u>
– Diluted		<u>HK\$0.63</u>	<u>HK\$0.56</u>

# CONSOLIDATED BALANCE SHEET

At 31 December 2004

	NOTES	2004 HK\$'000	2003 (Restated) HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	13	1,343	1,493
Negative goodwill	13	(12,172)	(24,345)
Property, plant and equipment	14	64,689	45,845
Interests in infrastructure joint ventures	16	4,751,332	4,890,950
Debtors - due after one year	18	–	5,713
		<u>4,805,192</u>	<u>4,919,656</u>
<b>Current assets</b>			
Properties under development for sale	19	193,793	–
Inventories and ginseng crops	20	202,879	174,258
Investment in securities	21	7,800	7,800
Debtors, deposits and prepayments	22	225,437	265,822
Charged deposits	23	44,223	55,797
Bank balances and cash		1,524,891	431,833
		<u>2,199,023</u>	<u>935,510</u>
<b>Total assets</b>		<u><b>7,004,215</b></u>	<u><b>5,855,166</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	24	58,612	58,414
Reserves	26	4,909,501	4,670,586
		<u>4,968,113</u>	<u>4,729,000</u>
<b>Minority interests</b>		<u>45,778</u>	<u>45,287</u>
<b>Non-current liabilities</b>			
Bank and other borrowings – due after one year	27	1,779,213	960,792
Deferred taxation	28	15,777	22,526
		<u>1,794,990</u>	<u>983,318</u>
<b>Current liabilities</b>			
Creditors and accrued charges	29	62,646	43,016
Bank and other borrowings – due within one year	27	132,688	54,545
		<u>195,334</u>	<u>97,561</u>
<b>Total equity and liabilities</b>		<u><b>7,004,215</b></u>	<u><b>5,855,166</b></u>

The financial statements on pages 46 to 93 were approved and authorised for issue by the Board of Directors on 1 April 2005 and are signed on its behalf by:

Zen Wei Pao, William  
DIRECTOR

Ko Yuk Bing  
DIRECTOR

# BALANCE SHEET

At 31 December 2004

	NOTES	2004 HK\$'000	2003 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Interests in subsidiaries	15	<u>2,279,709</u>	<u>3,314,247</u>
<b>Current assets</b>			
Deposits and prepayments		7,182	407
Bank balances and cash		<u>1,250,554</u>	<u>199,833</u>
		<u>1,257,736</u>	<u>200,240</u>
<b>Total assets</b>		<u><b>3,537,445</b></u>	<u><b>3,514,487</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	24	58,612	58,414
Reserves	26	<u>3,473,128</u>	<u>3,454,725</u>
		<b>3,531,740</b>	3,513,139
<b>Current liabilities</b>			
Accrued charges		<u>5,705</u>	<u>1,348</u>
<b>Total equity and liabilities</b>		<u><b>3,537,445</b></u>	<u><b>3,514,487</b></u>

Zen Wei Pao, William  
DIRECTOR

Ko Yuk Bing  
DIRECTOR

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2004

	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Special reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 1 January 2003						
– as previously stated	51,601	1,460,523	6,720	1,260,000	1,661,120	4,439,964
– prior year adjustment	–	–	(248)	–	8,127	7,879
– as restated	51,601	1,460,523	6,472	1,260,000	1,669,247	4,447,843
Exchange differences arising on translation of overseas operations and not recognised in the income statement	–	–	21,376	–	–	21,376
Convertible cumulative preference shares converted and cancelled	(42)	(407,046)	–	–	–	(407,088)
Issue of ordinary shares	6,855	479,042	–	–	–	485,897
Profit for the year	–	–	–	–	322,665	322,665
Dividends	–	–	–	–	(141,693)	(141,693)
Balance at 31 December 2003	<u>58,414</u>	<u>1,532,519</u>	<u>27,848</u>	<u>1,260,000</u>	<u>1,850,219</u>	<u>4,729,000</u>
Balance at 1 January 2004						
– as previously stated	58,414	1,532,519	26,446	1,260,000	1,837,755	4,715,134
– prior year adjustment	–	–	1,402	–	12,464	13,866
– as restated	58,414	1,532,519	27,848	1,260,000	1,850,219	4,729,000
Exchange differences arising on translation of overseas operations and not recognised in the income statement	–	–	12,330	–	–	12,330
Issue of ordinary shares	198	10,028	–	–	–	10,226
Profit for the year	–	–	–	–	368,803	368,803
Dividends	–	–	–	–	(152,246)	(152,246)
Balance at 31 December 2004	<u>58,612</u>	<u>1,542,547</u>	<u>40,178</u>	<u>1,260,000</u>	<u>2,066,776</u>	<u>4,968,113</u>

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2004

	NOTES	2004 HK\$'000	2003 (Restated) HK\$'000
<b>Operating activities</b>			
Profit before taxation		407,078	370,534
Adjustments for			
Depreciation of property, plant and equipment		2,177	1,839
Interest income		(12,696)	(9,145)
Dividend income		–	(806)
Finance costs		102,604	65,933
Amortisation of goodwill		150	149
Negative goodwill released to income		(12,173)	(6,972)
Amortisation of toll highway operation right		–	1,923
Gain on disposal of interest in a subsidiary	30	–	(315)
Gain on disposal of interest in an infrastructure joint venture	31	–	(1,486)
Gain on disposal of investment in listed securities		(1,322)	(706)
Realised gain on investment in securities		(6,618)	(572)
Share of operating profit of infrastructure joint ventures		(559,615)	(432,750)
Gain on disposal of property, plant and equipment		(79)	(201)
Operating cash flows before movements in working capital		(80,494)	(12,575)
(Increase) decrease in inventories and ginseng crops		(5,047)	8,793
Decrease in debtors, deposits and prepayments		6,615	71,553
Decrease in creditors and accrued charges		(724)	(17,440)
<b>Net cash (used in) from operating activities</b>		<b>(79,650)</b>	<b>50,331</b>
<b>Investing activities</b>			
Interest received		10,784	11,207
Dividends received from listed securities		–	806
Dividends received from infrastructure joint ventures		321,802	129,455
Proceeds on disposal of investment in securities		631,309	83,020
Proceeds on disposal of interest in a subsidiary	30	–	55,975
Proceeds on disposal of property, plant and equipment		581	246
Purchases of property, plant and equipment		(27,040)	(12,725)
Purchases of investment in securities		(623,369)	–
Additional investments in infrastructure joint ventures		–	(360,122)
Loans to infrastructure joint ventures		(10,756)	(803,023)
Repayment of loans from infrastructure joint ventures		391,997	490,277
Investment in properties under development for sale		(191,752)	–
Decrease in charged deposits		11,574	58,091
<b>Net cash from (used in) investing activities</b>		<b>515,130</b>	<b>(346,793)</b>

	2004	2003
	HK\$'000	(Restated) HK\$'000
<b>Financing activities</b>		
New loans raised	<b>1,593,695</b>	361,050
Repayment of loans	<b>(699,044)</b>	(488,143)
Issue of ordinary shares	<b>10,226</b>	78,809
Interest paid	<b>(95,304)</b>	(58,181)
Dividends paid	<b>(152,246)</b>	(141,693)
	<hr/>	<hr/>
<b>Net cash from (used in) financing activities</b>	<b>657,327</b>	(248,158)
	<hr/>	<hr/>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,092,807</b>	(544,620)
	<hr/>	<hr/>
<b>Cash and cash equivalents at beginning of the year</b>	<b>431,833</b>	973,971
Effect of foreign exchange rate changes	<b>251</b>	2,482
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the year</b>	<b>1,524,891</b>	431,833
	<hr/> <hr/>	<hr/> <hr/>
Represented by:		
<b>Bank balances and cash</b>	<b>1,524,891</b>	431,833
	<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

## 1. GENERAL

The Company is an exempted company incorporated in Bermuda and its shares are listed on the Stock Exchange.

The Company is 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.

## 2. ADOPTION OF STATEMENT OF STANDARD ACCOUNTING PRACTICE

The financial statements are prepared in accordance with the Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("HKFRSs"), the terms of which includes the Statements of Standard Accounting Practice ("SSAP") and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In the current year, the Group has adopted for the first time SSAP 36 "Agriculture" issued by the HKICPA.

The principal effect of the implementation of SSAP 36 is in relation to agriculture activities. SSAP 36 requires the measurement of biological assets and agricultural produce 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 is included in the profit or loss for the period in which it arises. However, 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 until the time of harvest. In the absence of any specific transitional requirements in SSAP 36, the new accounting policy has been applied retrospectively.

As a result of the adoption of SSAP 36, the retained profits of the Group at 1 January 2004 has been increased by HK\$12,464,000 (2003: HK\$8,127,000). The translation reserve at 1 January 2004 has been increased by HK\$1,402,000 (2003: decreased by HK\$248,000). Inventories at 1 January 2004 have been increased by HK\$27,526,000 (2003: HK\$19,549,000). Minority interests at 1 January 2004 has been increased by HK\$4,026,000 (2003: HK\$5,698,000). Deferred taxation at 1 January 2004 has been increased by HK\$9,634,000 (2003: HK\$5,972,000). The profit for the year ended 31 December 2004 has been decreased by HK\$12,096,000 (2003: increased by HK\$4,337,000).

The HKICPA has issued a number of new and revised HKFRSs which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs will have a significant impact on its results of operations and financial position.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain investments in securities.

The financial statements have been prepared in accordance with accounting principles generally acceptable in Hong Kong. The principal accounting policies adopted are set out below.

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

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 the accounting policies used in line with those used by other members of the Group.

On acquisition or disposal, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition or date of disposal.

All significant inter-company transactions and balances between group enterprises are eliminated on consolidation.

#### Goodwill

Goodwill (negative goodwill) represents the difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary or joint venture at the effective date of acquisition. Goodwill is recognised as an asset and is amortised using the straight line method over its estimated useful life, which is generally 3 to 20 years. Negative goodwill is presented as a deduction from assets. To the extent that such negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income statement immediately.

On disposal of an investment in a subsidiary or a joint venture, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

#### Investments in subsidiaries

A subsidiary is an enterprise over which the Company has control either directly or indirectly. Control is the power to govern the financial and operating policies of a company so as to obtain benefits from its activities.

Investments in subsidiaries are included in the Company's balance sheet at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Interests in infrastructure joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control. Joint venture arrangements which involve the establishment of a separate entity for investment in and development, operation and management of toll roads and expressways and in which each venturer 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 infrastructure joint venture is such that it establishes joint control over the economic activity of the joint venture with other venturers, the Group's interests in the infrastructure 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.

### Capitalisation of interest charges

Interest charges relating to funds borrowed to finance the joint venture's highway construction and development project are capitalised up to the commencement of operation of the toll highway. Interest charges capitalised will be amortised from the date of the operation of the toll highway over the remaining term of the joint venture.

The capitalisation of interest charges relating to funds borrowed to finance the properties under development for sale begins when construction or production activities commence and ceases when the assets are substantially ready for their intended sale.

### Revenue recognition

Toll revenue, net of business tax, is recognised on a receipt basis. Minimum income undertakings are recognised when receivable in accordance with the joint venture agreements.

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

Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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 ratio of traffic volume for a particular period over the projected total traffic volume throughout the operating periods 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.

#### Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less depreciation and any identified impairment loss.

The gain or loss arising from disposal or retirement of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation of property, plant and equipment is charged so as to write off the cost of the assets over their estimated useful lives, using the straight line method, on the following bases :

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%

#### Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity securities) are measured at amortised cost, less any identified impairment loss recognised to reflect irrecoverable amounts. Any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as other investments.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Inventories and ginseng crops

Inventories are stated at the lower of cost and net realisable value. Cost is 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 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 period in which it arises.

### 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 of 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 to completion and selling and marketing expenses.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are 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 capitalised.

All other borrowing costs are expensed in the period in which they are incurred.

### Foreign currencies

Transactions denominated in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations, which are denominated in currencies other than Hong Kong dollars, are translated at exchange rates prevailing on the balance sheet date. Income and expense items, which are denominated in currencies other than Hong Kong dollars, are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the relevant operation is disposed of.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Operating leases

Rentals payable on rented land, premises and equipment under operating leases are charged to the income statement on a straight-line basis over the relevant lease terms.

#### 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 asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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, but 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.

## 4. TURNOVER

Turnover of the Group represents toll revenue (net of business tax), minimum income undertakings and amounts received and receivable for goods sold during the year.

In relation to a number of the Group's PRC joint ventures, the Group has obtained minimum income undertakings from the PRC joint venture partners in accordance with the relevant joint venture agreements. Any shortfall of the Group's share of the cash/profit of these PRC joint ventures below the minimum income undertakings will be borne by the PRC joint venture partners. The amount of minimum income shortfall recorded by the Group from its PRC joint venture partners for the year is HK\$3,749,000 (2003: HK\$14,688,000).

## 5. SEGMENTAL INFORMATION

The Group's turnover and profit for the year ended 31 December 2004 by business activities and geographical markets are as follows:

### By business segments:

	Toll Road HK\$'000	Other Businesses* HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>2004</b>				
Turnover: Group and share of infrastructure joint ventures	996,493	44,550	–	1,041,043
Less: Share of infrastructure joint ventures' toll revenue	(992,744)	–	–	(992,744)
<b>Turnover: Group</b>	<u>3,749</u>	<u>44,550</u>	<u>–</u>	<u>48,299</u>
Segment result	(12,266)	(24,990)	–	(37,256)
Net income recognised in respect of goodwill and negative goodwill	(150)	12,173	–	12,023
Interest income	2,071	82	10,543	12,696
Corporate income	–	–	8,388	8,388
Corporate expenses	–	–	(45,784)	(45,784)
<b>Operating loss: Group</b>	<u>(10,345)</u>	<u>(12,735)</u>	<u>(26,853)</u>	<u>(49,933)</u>
Share of operating profit of infrastructure joint ventures	559,615	–	–	559,615
Finance costs	(14,569)	(671)	(87,364)	(102,604)
<b>Profit before taxation</b>	<u>534,701</u>	<u>(13,406)</u>	<u>(114,217)</u>	<u>407,078</u>
Taxation	(49,796)	8,117	–	(41,679)
<b>Profit before minority interests</b>	<u>484,905</u>	<u>(5,289)</u>	<u>(114,217)</u>	<u>365,399</u>
Minority interests	–	3,404	–	3,404
<b>Profit for the year</b>	<u><u>484,905</u></u>	<u><u>(1,885)</u></u>	<u><u>(114,217)</u></u>	<u><u>368,803</u></u>
<b>Consolidated Balance Sheet</b>				
<b>Assets</b>				
Segment assets	433,628	536,755	–	970,383
Interests in infrastructure joint ventures	4,751,332	–	–	4,751,332
Unallocated corporate assets	–	–	1,282,500	1,282,500
Total assets	<u>5,184,960</u>	<u>536,755</u>	<u>1,282,500</u>	<u>7,004,215</u>
<b>Liabilities</b>				
Segment liabilities	309,936	66,606	–	376,542
Unallocated corporate liabilities	–	–	1,613,782	1,613,782
Total liabilities	<u>309,936</u>	<u>66,606</u>	<u>1,613,782</u>	<u>1,990,324</u>
<b>Other information</b>				
Capital additions	275	24,688	2,077	27,040
Depreciation and amortisation	598	465	1,264	2,327
Other non-cash expenses	7,667	–	3,037	10,704

\* Other businesses mainly include the ginseng and property businesses.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

## 5. SEGMENTAL INFORMATION (Continued)

### By business segments: (Continued)

	Toll Road	Other Businesses*	Unallocated	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>2003</b>				
Turnover: Group and share of infrastructure joint ventures	829,192	92,857	–	922,049
Less: Share of infrastructure joint ventures' toll revenue	(802,705)	–	–	(802,705)
<b>Turnover: Group</b>	<u>26,487</u>	<u>92,857</u>	<u>–</u>	<u>119,344</u>
Segment result	297	22,970	–	23,267
Net income recognised in respect of goodwill and negative goodwill	(149)	6,972	–	6,823
Interest income	1,277	236	7,632	9,145
Corporate income	–	–	6,393	6,393
Corporate expenses	–	–	(41,911)	(41,911)
<b>Operating profit: Group</b>	<u>1,425</u>	<u>30,178</u>	<u>(27,886)</u>	<u>3,717</u>
Share of operating profit of infrastructure joint ventures	432,750	–	–	432,750
Finance costs	(10,765)	(103)	(55,065)	(65,933)
<b>Profit before taxation</b>	<u>423,410</u>	<u>30,075</u>	<u>(82,951)</u>	<u>370,534</u>
Taxation	(36,374)	(7,389)	–	(43,763)
<b>Profit before minority interests</b>	<u>387,036</u>	<u>22,686</u>	<u>(82,951)</u>	<u>326,771</u>
Minority interests	(1,453)	(2,653)	–	(4,106)
<b>Profit for the year</b>	<u>385,583</u>	<u>20,033</u>	<u>(82,951)</u>	<u>322,665</u>
<b>Consolidated Balance Sheet</b>				
<b>Assets</b>				
Segment assets	481,344	217,143	–	698,487
Interests in infrastructure joint ventures	4,890,950	–	–	4,890,950
Unallocated corporate assets	–	–	265,729	265,729
Total assets	<u>5,372,294</u>	<u>217,143</u>	<u>265,729</u>	<u>5,855,166</u>
<b>Liabilities</b>				
Segment liabilities	38,487	38,999	–	77,486
Unallocated corporate liabilities	–	–	1,003,393	1,003,393
Total liabilities	<u>38,487</u>	<u>38,999</u>	<u>1,003,393</u>	<u>1,080,879</u>
<b>Other information</b>				
Capital additions	1,093	10,941	691	12,725
Depreciation and amortisation	2,388	377	1,146	3,911
Other non-cash expenses	6,509	–	1,497	8,006

\* Other businesses mainly include the ginseng business.

## 5. SEGMENTAL INFORMATION (Continued)

### By geographical segments:

	PRC HK\$'000	Hong Kong HK\$'000	Overseas** HK\$'000	Consolidated HK\$'000
<b>2004</b>				
Turnover: Group and share of infrastructure joint ventures	996,493	36,974	7,576	1,041,043
Less: Share of infrastructure joint ventures' toll revenue	(992,744)	–	–	(992,744)
<b>Turnover: Group</b>	<b>3,749</b>	<b>36,974</b>	<b>7,576</b>	<b>48,299</b>
<b>Segment result</b>	<b>(14,660)</b>	<b>(18,710)</b>	<b>(3,886)</b>	<b>(37,256)</b>
<b>Carrying amount of segment assets</b>				
Segment assets	718,546	2,276	249,561	970,383
Interests in infrastructure 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
<b>2003</b>				
Turnover: Group and share of infrastructure joint ventures	829,192	81,381	11,476	922,049
Less: Share of infrastructure joint ventures' toll revenue	(802,705)	–	–	(802,705)
<b>Turnover: Group</b>	<b>26,487</b>	<b>81,381</b>	<b>11,476</b>	<b>119,344</b>
<b>Segment result</b>	<b>(1,023)</b>	<b>6,911</b>	<b>17,379</b>	<b>23,267</b>
<b>Carrying amount of segment assets</b>				
Segment assets	487,019	16,476	194,992	698,487
Interests in infrastructure joint ventures	4,890,950	–	–	4,890,950
Unallocated corporate assets	–	265,729	–	265,729
Total assets	5,377,969	282,205	194,992	5,855,166
<b>Other information</b>				
Capital additions	1,892	691	10,142	12,725

\*\* Overseas segment mainly includes Canada.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

## 6. OPERATING (LOSS) PROFIT: GROUP

	2004 HK\$'000	2003 HK\$'000
Operating (loss) profit has been arrived at after charging:		
Depreciation of property, plant and equipment	<b>10,588</b>	9,438
Less: capitalised in inventories and ginseng crops	<b>(8,399)</b>	(7,599)
Less: capitalised in properties under development for sale	<b>(12)</b>	–
	<b>2,177</b>	1,839
Amortisation of toll highway operation right	–	1,923
Operating lease rentals in respect of rented land, premises and equipment	<b>8,647</b>	8,367
Less: capitalised in inventories and ginseng crops	<b>(5,959)</b>	(5,235)
Less: capitalised in properties under development for sale	<b>(16)</b>	–
	<b>2,672</b>	3,132
Auditors' remuneration	<b>1,471</b>	1,296
Staff costs (excluding directors' emoluments)	<b>63,539</b>	55,944
Provident fund scheme contributions, net of forfeited contributions of HK\$22,000 (2003: HK\$17,000)	<b>1,682</b>	1,431
Less: capitalised in inventories and ginseng crops	<b>(24,383)</b>	(22,473)
Less: capitalised in properties under development for sale	<b>(512)</b>	–
Total staff costs	<b>40,326</b>	34,902
and after crediting:		
Gain on disposal of interest in a subsidiary ( <i>note 30</i> )	–	315
Gain on disposal of interest in an infrastructure joint venture ( <i>note 31</i> )	–	1,486
Gain on disposal of property, plant and equipment	<b>79</b>	201
Gain on disposal of investment in listed securities	<b>1,322</b>	706
Realised gain on investment in securities	<b>6,618</b>	572
Dividends from listed securities	–	806
Exchange gain	<b>3,971</b>	3,665

## 7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### Directors' Emoluments

	2004 HK\$'000	2003 HK\$'000
Fees:		
Non-executive directors	165	575
Independent non-executive directors	490	490
	<u>655</u>	<u>1,065</u>
Other emoluments (executive directors):		
Salaries and other benefits	9,731	9,605
Performance related incentive payments	3,897	2,500
Retirement benefit scheme contributions	422	403
	<u>14,050</u>	<u>12,508</u>
	<u><u>14,705</u></u>	<u><u>13,573</u></u>

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

	2004 Number of Directors	2003 Number of Directors
Nil to HK\$1,000,000	11	8
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$2,500,001 to HK\$3,000,000	1	–
HK\$3,000,001 to HK\$3,500,000	1	1
HK\$5,500,001 to HK\$6,000,000	–	1
HK\$6,500,001 to HK\$7,000,000	1	–
	<u><u>1</u></u>	<u><u>–</u></u>

Details of share options held by individual directors at 31 December 2004 are shown in the Directors' Report.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

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

### Employees' Emoluments

During the year, the five highest paid individuals included three directors (2003: three directors), details of whose emoluments are set out above. The emoluments of the remaining two (2003: two) highest paid individuals were as follows:

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Salaries and other benefits	<b>3,984</b>	3,024
Performance related incentive payments	<b>240</b>	335
Retirement benefit scheme contributions	<b>227</b>	293
	<b>4,451</b>	3,652

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

	<b>2004</b> <b>Number of</b> <b>employees</b>	2003 Number of employees
HK\$1,500,001 to HK\$2,000,000	<b>1</b>	2
HK\$2,500,001 to HK\$3,000,000	<b>1</b>	–
	<b>2</b>	2

## 8. SHARE OF OPERATING PROFIT OF INFRASTRUCTURE JOINT VENTURES

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Share of operating profit of infrastructure joint ventures before depreciation	<b>750,094</b>	566,802
Depreciation of toll highway operation rights	<b>(190,479)</b>	(134,052)
	<b>559,615</b>	432,750

## 9. FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Interest on :		
Borrowings wholly repayable:		
within 5 years	36,437	56,735
over 5 years	43,833	–
Add: discount on guaranteed notes	959	1,495
	<u>81,229</u>	<u>58,230</u>
Total borrowing costs		
Amortisation of capitalised borrowing costs on financing the joint ventures' toll highways and expressways construction (note 17)	6,627	6,509
Other finance costs	15,843	1,194
	<u>103,699</u>	<u>65,933</u>
Less: amount capitalised	(1,095)	–
	<u>102,604</u>	<u>65,933</u>

## 10. TAXATION

	2004 HK\$'000	2003 HK\$'000
Deferred taxation attributable to overseas subsidiaries (note 28)		
Deferred tax	(8,117)	7,522
Attributable to a change in tax rate	–	(133)
	<u>(8,117)</u>	<u>7,389</u>
Share of taxation attributable to PRC infrastructure joint ventures		
Current tax	40,596	32,214
Deferred tax	9,200	4,160
	<u>41,679</u>	<u>43,763</u>

The current tax amounts represent the share of PRC income tax attributable to the PRC infrastructure joint ventures.

Deferred tax has been provided for temporary differences between the carrying amount of toll road operation right and the corresponding tax base used in the computation of taxable profits for the PRC infrastructure joint ventures and other 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

## 10. TAXATION (Continued)

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

	2004 HK\$'000	2003 HK\$'000
Profit before taxation	<u>407,078</u>	<u>370,534</u>
Tax at the domestic income tax rate of 15% (2003: 15%)	61,062	55,580
Tax effect of expenses that are not deductible in determining taxable profit	26,130	21,515
Tax effect of income that is not taxable in determining taxable profit	(8,566)	(12,842)
Effect of tax relief granted to infrastructure joint ventures	(32,265)	(24,445)
Tax effect of different tax rates of infrastructure joint ventures and subsidiaries operating in other jurisdictions	(4,682)	4,088
Change in income tax rate	–	(133)
Tax expense	<u>41,679</u>	<u>43,763</u>
Effective tax rate for the year	<u>10.2%</u>	<u>11.8%</u>

The domestic tax rate of joint ventures in the PRC is used as it is where the operation of the Group is substantially based.

Certain of the joint ventures in the PRC are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years.

## 11. DIVIDENDS

	2004 HK\$'000	2003 HK\$'000
Final dividend paid in respect of 2003 of HK\$0.1 (2002: HK\$0.08) per share	58,467	41,295
Interim dividend paid in respect of 2004 of HK\$0.16 (2003: HK\$0.15) per share	93,779	86,385
	<u>152,246</u>	<u>127,680</u>
7.5% convertible cumulative preference shares dividend	–	14,013
	<u>152,246</u>	<u>141,693</u>

A final dividend in respect of 2004 of HK18 cents per share amounting to a total of HK\$105,554,000 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 ending 31 December 2005.

The amount of the final dividend proposed has been calculated on the basis of 586,412,566 shares in issue as at 1 April 2005.

## 12. EARNINGS PER SHARE

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

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Profit for the year	<b>368,803</b>	322,665
Convertible cumulative preference shares dividend	<b>—</b>	(14,013)
Earnings for the purposes of basic and diluted earnings per share	<b><u>368,803</u></b>	<u>308,652</u>
	<b>2004</b>	2003
	<b>Number</b>	Number
	<b>of shares</b>	of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>585,191,000</b>	551,738,000
Effect of dilutive potential ordinary shares: Share options	<b><u>1,167,000</u></b>	<u>1,144,000</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b><u>586,358,000</u></b>	<u>552,882,000</u>

The effect of convertible cumulative preference shares was excluded from the calculation of diluted earnings per share for 2003 since the effect would be anti-dilutive. The Company's convertible preference shares were fully converted and cancelled on 12 June 2003.

The effect of warrants was excluded from the calculation of diluted earnings per share for 2003 because the exercise price of the Company's warrants was higher than the average market price of ordinary shares for 2003. The Company's warrants expired on 5 September 2003.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

## 13. GOODWILL (NEGATIVE GOODWILL)

	<b>Goodwill</b> HK\$'000	<b>Negative goodwill</b> HK\$'000
<b>THE GROUP</b>		
<b>Gross amount</b>		
At 1 January 2004 and 31 December 2004	2,985	(87,096)
<b>Amortisation</b>		
At 1 January 2004	(1,492)	62,751
(Amortised) released for the year	(150)	12,173
At 31 December 2004	(1,642)	74,924
<b>Carrying amount</b>		
At 31 December 2004	1,343	(12,172)
At 31 December 2003	1,493	(24,345)

Goodwill is amortised using the straight line method over its estimated useful life which ranges from 3 to 20 years.

Negative goodwill arose on the Group's acquisition of Chai-Na-Ta Corp. ("CNTC") in 2000 and the Group's conversion of 10,000,000 preferred shares of CNTC to an equivalent number of common shares in 2003. It is 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.

## 14. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK\$'000	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>THE GROUP</b>							
<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
<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
<b>Net book value</b>							
At 31 December 2004	11,414	15,207	736	2,288	30,062	4,982	64,689
At 31 December 2003	6,917	7,751	1,505	1,268	25,985	2,419	45,845
					<b>2004</b>		2003
					<b>HK\$'000</b>		HK\$'000

The Group's land and buildings are situated

- overseas and freehold
- overseas and held under medium term leases
- in the PRC and held under medium term leases

<b>11,414</b>	6,917
<b>14,482</b>	6,879
<b>725</b>	872
<b>26,621</b>	14,668

At 31 December 2004, the Group has pledged land and buildings situated overseas with a carrying amount of HK\$25,896,000 (2003: HK\$13,308,000) to secure the Group's banking facilities.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

## 15. INTERESTS IN SUBSIDIARIES

	2004 HK\$'000	2003 HK\$'000
Unlisted shares at cost	1,388,042	1,388,042
Amounts due from subsidiaries	891,667	1,926,205
	<u>2,279,709</u>	<u>3,314,247</u>

The carrying value of the unlisted shares is based on the book value of the underlying net assets of the subsidiaries attributable to the Group at the time they became members of the Group pursuant to the Group's reorganisation in 1996.

Details of the Company's principal subsidiaries at 31 December 2004 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 share capital/ registered capital held by the Company		Principal activities
				Directly %	Indirectly %	
Chai-Na-Ta Corp.	Canada	Canada	C\$31,170,628	–	78	Production and sale of North American ginseng
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
Pida Investments Limited	British Virgin Islands	#	US\$1	–	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
Road Rise Investments Limited	British Virgin Islands	PRC	US\$1	–	100	Investment and financial holding

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

\* The subsidiary is a wholly foreign owned enterprise.

## 15. INTERESTS IN SUBSIDIARIES (Continued)

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

None of the subsidiaries had any loan capital outstanding at the end of the year.

## 16. INTERESTS IN INFRASTRUCTURE JOINT VENTURES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Cost of investments	2,015,608	2,015,608
Share of post-acquisition undistributed results	1,801,175	1,613,158
	<b>3,816,783</b>	3,628,766
Loans to infrastructure joint ventures	3,410,990	3,340,001
Repayment of loans from infrastructure joint ventures	(2,584,826)	(2,192,829)
Net borrowing cost capitalised on financing the infrastructure joint ventures' toll highways and expressways construction (note 17)	108,385	115,012
	<b>4,751,332</b>	4,890,950

Loans to infrastructure joint ventures are unsecured, interest free and have no fixed repayment terms.

All infrastructure joint ventures are co-operative joint ventures established in the PRC, details of which at 31 December 2004 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. 安徽省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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

## 16. INTERESTS IN INFRASTRUCTURE JOINT VENTURES (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
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
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 Huaimeng 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
Changzhou Wujin Road King Changcao Highway Development Co., Ltd. 常州武進路勁常漕公路開發有限公司	RMB100,000,000	60.24%*	Construction and management of Provincial Highway 211 Changzhou-Caoqiao Highway in Jiangsu, 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. 廣西恒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

## 16. INTERESTS IN INFRASTRUCTURE JOINT VENTURES (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Guangxi Lutong Highway Development Co., Ltd. 廣西路通公路開發有限公司	RMB99,562,400	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
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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

## 16. INTERESTS IN INFRASTRUCTURE JOINT VENTURES (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Hebei Baojin Expressway Co., Ltd 河北保津高速公路有限公司	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 (Xiongxin 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 (Xiongxin 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
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
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

## 16. INTERESTS IN INFRASTRUCTURE JOINT VENTURES (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
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 (Hengchang) 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 (Hengchang Section) in Hunan, PRC
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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

## 16. INTERESTS IN INFRASTRUCTURE JOINT VENTURES (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
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-Nanyang 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 Taiyu 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
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

## 16. INTERESTS IN INFRASTRUCTURE JOINT VENTURES (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
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 Guangdong, 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 period 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) During the year, the Group has 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 new 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 until such time that a pre-agreed cash distribution had been received by the Group.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

## 16. INTERESTS IN INFRASTRUCTURE JOINT VENTURES (Continued)

The summary of aggregate financial information of the infrastructure joint ventures, based on the adjusted financial statements prepared under the accounting principles generally accepted in Hong Kong for the year ended 31 December 2004 is as follows:

	2004 HK\$'000	2003 HK\$'000
<b>Income statement</b>		
Net toll revenue	<u>1,661,552</u>	<u>1,267,740</u>
Depreciation charges	<u>384,857</u>	<u>283,834</u>
Profit before taxation	<u>884,165</u>	<u>653,366</u>
Group's share of profit before taxation less losses	<u>559,615</u>	<u>432,750</u>
	2004 HK\$'000	2003 HK\$'000
<b>Balance sheet</b>		
Property, plant and equipment	<u>9,080,357</u>	<u>9,331,019</u>
Current assets	<u>625,236</u>	<u>1,210,728</u>
Current liabilities	<u>(529,755)</u>	<u>(1,153,622)</u>
Net current assets	<u>95,481</u>	<u>57,106</u>
Amounts due to joint venture partners	<u>(2,929,154)</u>	<u>(3,600,299)</u>
Net assets	<u>6,246,684</u>	<u>5,787,826</u>

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

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
<b>Gross amount</b>		
At 1 January and 31 December	<u>154,729</u>	<u>154,729</u>
<b>Amortisation</b>		
At 1 January	<b>39,717</b>	33,208
Charge for the year	<u>6,627</u>	<u>6,509</u>
At 31 December	<u>46,344</u>	<u>39,717</u>
<b>Carrying amount</b>		
At 31 December	<u><b>108,385</b></u>	<u>115,012</u>

## 18. DEBTORS – DUE AFTER ONE YEAR

The amounts in 2003 represented minimum income undertakings guaranteed by the PRC joint venture partners due in 2005 in accordance with the terms of the relevant joint venture agreements.

## 19. PROPERTIES UNDER DEVELOPMENT FOR SALE

	THE GROUP 2004 HK\$'000
At Cost	<u><b>193,793</b></u>
Cost consisted of:	
Land cost	<b>160,901</b>
Construction expenditure	<b>31,797</b>
Borrowing costs capitalised	<u><b>1,095</b></u>
	<u><b>193,793</b></u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

## 20. INVENTORIES AND GINSENG CROPS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Inventories ( <i>note i</i> )	74,148	80,867
Ginseng crops, at cost ( <i>note ii</i> )	128,731	93,391
	<u>202,879</u>	<u>174,258</u>

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

Notes:

- (i) Reconciliation of carrying amounts of inventories:

	2004 HK\$'000	2003 HK\$'000
Carrying amount at 1 January	80,867	59,964
Cost transfer from ginseng crops upon harvest	42,703	64,674
Increases due to purchases	4,051	6,836
(Loss) gain arising from changes in fair value at the point of harvest	(9,980)	37,948
Decrease due to sales	(46,754)	(96,511)
Exchange adjustment	3,261	7,956
Carrying amount at 31 December	<u>74,148</u>	<u>80,867</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 until the time of harvest.

## 21. INVESTMENT IN SECURITIES

	THE GROUP 2004 & 2003 HK\$'000
Other investment, unlisted	<u>7,800</u>

## 22. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments of the Group is an amount of HK\$104,962,000 (2003: HK\$218,861,000) 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.

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Aged analysis of debtors		
Within 60 days	<b>23,949</b>	185,930
60 to 90 days	<b>1,317</b>	–
More than 90 days	<b>84,097</b>	64,851
	<b>109,363</b>	250,781
Interest receivable	<b>2,096</b>	184
Deposits and prepayments	<b>113,978</b>	14,857
	<b>225,437</b>	265,822

## 23. CHARGED DEPOSITS

### THE GROUP

The amount was deposited in a designated bank and was maintained in accordance with the terms and conditions of the Group's financing agreement. The bank balance is charged in favour of a bank and part of the deposit will be applied towards the debt repayment, the manner of which is contained in the relevant financing agreement.

At 31 December 2004, bank balances of HK\$44,223,000 (2003: HK\$55,797,000) are classified under current assets because the balances are pledged as security for the Group's indebtedness due within one year.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

## 24. SHARE CAPITAL

	2004 Number of shares	2003 Number of shares	2004 HK\$'000	2003 HK\$'000
<b>Authorised:</b>				
Ordinary shares of HK\$0.1 each	<u>20,000,000,000</u>	<u>20,000,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
7.5% convertible preference shares ("CP shares") of HK\$0.1 each	<u>518,380</u>	<u>518,380</u>	<u>52</u>	<u>52</u>
<b>Issued and fully paid:</b>				
Ordinary shares				
At 1 January	<u>584,136,566</u>	515,601,209	<u>58,414</u>	51,559
Ordinary shares issued	<u>1,986,000</u>	<u>68,535,357</u>	<u>198</u>	<u>6,855</u>
At 31 December	<u>586,122,566</u>	<u>584,136,566</u>	<u>58,612</u>	<u>58,414</u>
CP shares				
At 1 January	–	418,380	–	42
CP shares converted and cancelled	–	<u>(418,380)</u>	–	<u>(42)</u>
At 31 December	–	–	–	–
Total issued and fully paid shares at 31 December	<u>586,122,566</u>	<u>584,136,566</u>	<u>58,612</u>	<u>58,414</u>

As a result of the exercise of the Company's share options during the year, 1,986,000 (2003: 10,625,000) ordinary shares were issued by the Company as detailed in note 25.

## 25. SHARE OPTION SCHEME

A new share option scheme (the “New Share Option Scheme”) was adopted by the Company at the annual general meeting held on 12 May 2003 to comply with Chapter 17 of the Listing Rules. The purpose of the New 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 New 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 New 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 under the New Share Option Scheme was approved by the shareholders of the Company. Therefore, the Company can grant share options to subscribe for up to 58,467,256 shares of the Company under the New Share Option Scheme. On 26 August 2004, the Company granted share options to certain eligible participants to subscribe for 14,090,000 shares of the Company. Thus, the total number of shares available for issue under the New Share Option Scheme is 44,377,256 representing approximately 7.57% 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 New 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.

The option period commences on the commencement date (the date upon which the options are deemed to be 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 New 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, 14,090,000 (2003: 14,720,000) share options were granted under the New Share Option Scheme to directors and employees for an aggregate consideration of HK\$62 (2003: HK\$65). No charge was recognised in the income statement in respect of the value of share options granted. Under the New Share Option Scheme, 1,986,000 (2003: 70,000) share options were exercised, no (2003: 110,000) share options were cancelled during the year and 26,644,000 (2003: 14,540,000) share options remained outstanding as at 31 December 2004.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

## 25. 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.

### 2004

Date of grant	Exercisable period	Exercise price	Number of share options				Balance at 31.12.2004
			Balance at 1.1.2004	Granted during the year	Exercised during the year**	Cancelled during the year	
		HK\$					
<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
			9,850,000	10,150,000	(1,350,000)	–	18,650,000
<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
			4,690,000	3,940,000	(636,000)	–	7,994,000
			14,540,000	14,090,000	(1,986,000)	–	26,644,000

## 25. SHARE OPTION SCHEME (Continued)

2003

Date of grant	Exercisable period	Exercise price	Number of share options				Balance at 31.12.2003
			Balance at 1.1.2003	Granted during the year	Exercised during the year**	Expired/cancelled during the year	
		HK\$					
<b>Directors</b>							
8 August 2000	8 August 2001 to 7 August 2003	3.20	8,150,000	–	(8,150,000)	–	–
27 November 2000	27 November 2001 to 26 November 2003	3.20	200,000	–	–	(200,000)	–
17 October 2003	17 October 2003 to 16 October 2008	5.15	–	9,850,000	–	–	9,850,000
			<u>8,350,000</u>	<u>9,850,000</u>	<u>(8,150,000)</u>	<u>(200,000)</u>	<u>9,850,000</u>
<b>Employees</b>							
8 August 2000	8 August 2001 to 7 August 2003	3.20	2,405,000	–	(2,405,000)	–	–
17 October 2003	17 October 2003 to 16 October 2008	5.15	–	4,870,000	(70,000)	(110,000)	4,690,000
			<u>2,405,000</u>	<u>4,870,000</u>	<u>(2,475,000)</u>	<u>(110,000)</u>	<u>4,690,000</u>
			<u>10,755,000</u>	<u>14,720,000</u>	<u>(10,625,000)</u>	<u>(310,000)</u>	<u>14,540,000</u>

\*\* The weighted average closing price of the Company's shares immediately before the date on which share options were exercised was HK\$5.739.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

## 26. RESERVES

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
<b>Share premium</b>				
At 1 January	<b>1,532,519</b>	1,460,523	<b>1,532,519</b>	1,460,523
Preference shares converted and cancelled	–	(407,046)	–	(407,046)
Issue of ordinary shares	<b>10,028</b>	479,042	<b>10,028</b>	479,042
At 31 December	<b>1,542,547</b>	1,532,519	<b>1,542,547</b>	1,532,519
<b>Translation reserve</b>				
At 1 January				
– as originally stated	<b>26,446</b>	6,720	–	–
– prior year adjustment in respect of change in accounting policies	<b>1,402</b>	(248)	–	–
– as restated	<b>27,848</b>	6,472	–	–
Exchange differences arising on translation of overseas operations	<b>12,330</b>	21,376	–	–
At 31 December	<b>40,178</b>	27,848	–	–
<b>Contributed surplus</b>				
At 1 January and 31 December	–	–	<b>1,348,042</b>	1,348,042
<b>Special reserve</b>				
At 1 January and 31 December	<b>1,260,000</b>	1,260,000	–	–
<b>Retained profits</b>				
At 1 January				
– as originally stated	<b>1,837,755</b>	1,661,120	<b>574,164</b>	509,341
– prior year adjustment in respect of change in accounting policies	<b>12,464</b>	8,127	–	–
– as restated	<b>1,850,219</b>	1,669,247	<b>574,164</b>	509,341
Profit for the year	<b>368,803</b>	322,665	<b>160,621</b>	206,516
Dividends ( <i>note 11</i> )	<b>(152,246)</b>	(141,693)	<b>(152,246)</b>	(141,693)
At 31 December	<b>2,066,776</b>	1,850,219	<b>582,539</b>	574,164
<b>Total reserves</b>	<b>4,909,501</b>	4,670,586	<b>3,473,128</b>	3,454,725

## 26. RESERVES (Continued)

Special reserve arising on a group reorganisation represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the issued share capital of Road King (China) Infrastructure Limited, which was acquired by the Company pursuant to the group reorganisation.

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of Road King (China) Infrastructure Limited at the date on which the group reorganisation became effective and the nominal amount of the share capital of the Company issued under the group reorganisation.

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

- (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company's reserves available for distribution to shareholders as at 31 December 2004 and 2003 were as follows:

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Contributed surplus	<b>1,348,042</b>	1,348,042
Retained profits	<b>582,539</b>	574,164
	<b><u>1,930,581</u></b>	<u>1,922,206</u>
Proposed dividend	<b><u>105,554</u></b>	<u>58,445</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

## 27. BANK AND OTHER BORROWINGS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Guaranteed notes ( <i>note i</i> )	1,092,000	1,091,122
Repurchase of guaranteed notes	(469,440)	(469,440)
Repayment of guaranteed notes	(622,560)	–
	–	621,682
Guaranteed notes ( <i>note ii</i> )	1,558,678	–
Bank loans ( <i>note iii</i> )	350,612	392,911
Other loans	2,611	744
	<b>1,911,901</b>	<b>1,015,337</b>

The maturity of the above loans is as follows:

	2004 HK\$'000	2003 HK\$'000
Unsecured loans repayable:		
More than one year but not exceeding two years	–	12,940
More than two years but not exceeding five years	–	19,410
More than five years	1,558,678	–
	<b>1,558,678</b>	<b>32,350</b>
Secured loans repayable:		
Within one year	132,688	54,545
More than one year but not exceeding two years	87,559	87,554
More than two years but not exceeding five years	132,976	840,888
	<b>353,223</b>	<b>982,987</b>
Less: Amount due within one year shown under current liabilities	(132,688)	(54,545)
Non-current liabilities	<b>1,779,213</b>	<b>960,792</b>

Notes:

- (i) The guaranteed notes bore interest at a fixed rate of 9.50% per annum and were fully repaid in July 2004.
- (ii) The guaranteed notes bear interest at a fixed rate of 6.25% per annum and will mature in July 2011.
- (iii) Interest rates on the bank loans are floating and determined with reference to either LIBOR or HIBOR.

The bank loans are guaranteed either by the Company and/or certain of its subsidiaries. Some of the bank loans are also secured by charges over deposits.

## 28. DEFERRED TAXATION

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

### THE GROUP

	<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 2003				
– as originally stated	(115)	(2,390)	8,155	5,650
– prior year adjustment in respect of change in accounting policies	–	–	6,842	6,842
– as restated	(115)	(2,390)	14,997	12,492
(Credit) charge for the year	(636)	1,293	6,865	7,522
Effect in change in tax rate				
– charge (credit) to income statement	(1)	(19)	(113)	(133)
Exchange adjustments	(21)	(430)	3,096	2,645
At 31 December 2003	<u>(773)</u>	<u>(1,546)</u>	<u>24,845</u>	<u>22,526</u>
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	<u>(1,511)</u>	<u>(2,509)</u>	<u>19,797</u>	<u>15,777</u>

At 31 December 2004, the Group has unused tax losses of HK\$11,545,000 (2003: HK\$11,505,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$10,214,000 (2003: HK\$10,174,000) of such losses. No deferred tax asset has been recognised in respect of the remaining losses of HK\$1,331,000 (2003: HK\$1,331,000) due to the unpredictability of future taxable profit streams. All losses may be carried forward indefinitely.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

## 29. CREDITORS AND ACCRUED CHARGES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Aged analysis of creditors:		
Within 60 days	704	2,973
Interest payable	45,106	26,013
Accrued charges	16,836	14,030
	<u>62,646</u>	<u>43,016</u>

## 30. DISPOSAL OF INTEREST IN A SUBSIDIARY

The Group disposed of its entire interest in Zhongshan Qijiang Highway Company Limited in 2003 which had the following effects:

	2003 HK\$'000
Net assets disposed of:	
Toll highway operation right	63,000
Property, plant and equipment	15,093
Debtors, deposits and prepayments	8,630
Bank balances and cash	4,137
Creditors and accrued charges	(9,460)
Minority interests	<u>(20,223)</u>
	61,177
Goodwill released	<u>16</u>
	61,193
Net consideration	<u>61,508</u>
Gain on disposal of interest in a subsidiary	<u>315</u>
Net cash inflow arising from disposal:	
Cash consideration	63,492
Withholding tax paid	(3,380)
Bank and cash balances disposed of	<u>(4,137)</u>
	<u>55,975</u>
Satisfied by:	
Cash	63,492
Consideration receivable	1,490
Expenses incurred in respect of the disposal	<u>(3,474)</u>
Net consideration	<u>61,508</u>

In 2003, the disposed subsidiary contributed HK\$12 million to the Group's turnover, HK\$6 million to the Group's profit from operations and HK\$13 million to the Group's net operating cash flow and used HK\$5 million in respect of its financing activities.

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

The Group's disposal of its interest in an infrastructure joint venture in 2003 had the following effects:

	HK\$'000
Interests in infrastructure joint ventures	
Cost of investments	7,943
Share of post-acquisition undistributed results	226
Loans to infrastructure joint ventures	7,646
Repayment of loans from infrastructure joint venture	(2,253)
	<hr/>
	13,562
Consideration receivable	15,243
Withholding tax paid	(195)
	<hr/>
Gain on disposal of interest in an infrastructure joint venture	<u>1,486</u>

In 2003, other than the gain on disposal as mentioned above, the disposed infrastructure joint venture itself did not make any contribution to the Group's net operating cash flow and profit attributable to shareholders.

### 32. RETIREMENT BENEFIT PLANS

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.

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.

### 33. MAJOR NON-CASH TRANSACTION

During the year, the Group has 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 new 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

## 34. 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:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within one year	8,721	7,854
In the second to fifth year inclusive	12,372	12,799
After the fifth year	102	–
	<u>21,195</u>	<u>20,653</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.

At 31 December 2004 and 2003, the Company had no operating lease commitments.

## 35. CAPITAL COMMITMENTS

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

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
<b>Contracted but not provided for</b>		
Investment costs to be injected into a subsidiary within one year	39,579	2,550
Investment costs to be injected into infrastructure joint ventures		
After the fifth year	<u>34,177</u>	<u>34,177</u>
	<u>73,756</u>	<u>36,727</u>

At 31 December 2004 and 2003, the Company had no capital commitments.

### **36. CONTINGENT LIABILITIES**

At the balance sheet date, the Company had provided guarantees of HK\$1,866,250,000 (2003: HK\$1,474,350,000) in respect of guaranteed notes and bank loans raised by its subsidiaries.

### **37. POST BALANCE SHEET EVENTS**

- (a) In January 2005, the Group agreed with a PRC partner to acquire 45% of the toll road operation right in Tangshan-Tianjin Expressway in Hebei Province at a cash consideration of approximately HK\$753 million.
- (b) In January 2005, the Group has signed an agreement to dispose of its entire 60.24% interest in Provincial Highway 232 Changzhou-Caoqiao Highway project to the PRC partner at a cash consideration of approximately HK\$106 million. The disposal has been approved by the relevant PRC government authorities and is estimated to be completed in the first half of 2005. Apart from the result arising from the disposal, the disposed project itself will not make any contribution to the Group's net operating cash flow and profit attributable to shareholders in 2005.
- (c) In January 2005, the Group early repaid the outstanding balance of HK\$306 million of the HK\$350 million transferable loan certificate.
- (d) In February 2005, the Company has secured through auction the right to acquire the land use rights on two adjoining pieces of land situated in Changzhou City, Jiangsu Province, the PRC at a consideration of approximately HK\$660 million.

# FINANCIAL SUMMARY

For the year ended 31 December 2004

## RESULTS

	2004 HK\$'000	For the Year Ended 31 December			
		2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover: Group and share of infrastructure joint ventures					
Toll revenue	<b>992,744</b>	814,504	747,680	733,361	725,430
Minimum income undertakings	<b>3,749</b>	14,688	44,652	137,492	222,288
Sales of goods	<b>44,550</b>	92,857	80,135	75,564	25,408
	<b>1,041,043</b>	922,049	872,467	946,417	973,126
Less: Share of infrastructure joint ventures' toll revenue	<b>(992,744)</b>	(802,705)	(708,727)	(700,916)	(697,352)
<b>Turnover: Group</b>	<b>48,299</b>	119,344	163,740	245,501	275,774
Net income recognised in respect of goodwill and negative goodwill	<b>12,023</b>	6,823	20,768	18,627	12,186
Gain on disposal of interests in infrastructure joint ventures	—	—	—	34,033	—
Other operating income	<b>26,764</b>	19,080	20,198	18,380	26,264
Cost of inventories sold	<b>(46,754)</b>	(96,511)	(75,935)	(80,302)	(22,126)
Allowance for doubtful receivables	—	—	(25,000)	(125,765)	—
Changes in fair value of inventories	<b>(9,980)</b>	37,948	23,722	—	9,459
Operating expenses	<b>(80,285)</b>	(82,967)	(95,382)	(109,203)	(115,414)
<b>Operating (loss) profit: Group</b>	<b>(49,933)</b>	3,717	32,111	1,271	186,143
Share of operating profit of joint ventures	<b>559,615</b>	432,750	416,891	398,838	403,462
<b>Operating profit: Group and share of joint ventures</b>	<b>509,682</b>	436,467	449,002	400,109	589,605
Finance costs	<b>(102,604)</b>	(65,933)	(80,615)	(111,290)	(130,725)
<b>Profit before taxation</b>	<b>407,078</b>	370,534	368,387	288,819	458,880
Taxation	<b>(41,679)</b>	(43,763)	(36,552)	(53,570)	(24,657)
<b>Profit before minority interests</b>	<b>365,399</b>	326,771	331,835	235,249	434,223
Minority interests	<b>3,404</b>	(4,106)	(11,149)	1,980	(2,312)
<b>Profit for the year</b>	<b>368,803</b>	322,665	320,686	237,229	431,911

## ASSETS AND LIABILITIES

	As at 31 December				
	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
Total assets	<b>7,004,215</b>	5,855,166	5,745,280	5,625,733	5,737,828
Total liabilities	<b>(1,990,324)</b>	(1,080,879)	(1,210,633)	(1,257,439)	(1,478,715)
Minority interests	<b>(45,778)</b>	(45,287)	(86,805)	(80,785)	(87,112)
Shareholders' funds	<b>4,968,113</b>	4,729,000	4,447,842	4,287,509	4,172,001

Note : Prior periods have been adjusted to reflect the change in accounting policy for the adoption of SSAP 36 "Agriculture" issued by the HKICPA.

## General Terms

“AADT”	Annual average daily traffic
“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
“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
“Joint Ventures” or “JVs”	The Sino-foreign co-operative joint ventures registered in PRC
“Listing Rules”	Rules governing the listing of securities on The Stock Exchange of Hong Kong Limited
“PRC”	The People’s Republic of China
“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

## 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”	$\frac{\text{EBITDA}}{\text{The aggregate of interest and financing costs}}$
“Net Debt”	Total borrowings less the aggregate of charged deposits, cash and bank balances
“Net Gearing Ratio”	$\frac{\text{Net debt}}{\text{Shareholders' funds}}$
“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
“Luocong 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”	Baoding-Tianjin Expressway
“Hanguan Highway”	National Highway 309 Handan-Guantao Highway
“Shijin Highway”	National Highway 307 Shijiazhuang-Jinzhou Highway
“Tangjin Expressway”	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”	Provincial Highway 343 Suzhou-Shanghai Airport Highway
“Changcao Highway”	Provincial Highway 232 Changzhou-Caoqiao Highway

### Shanxi Province

“Dongguan Highway”	National Highway 108 Yuci Dongchangshou-Qixian Dongguan Highway
“Taigu Highway”	Provincial Highway 104 Taiyuan Ximing-Gujiao Highway
“Taiyu Highway”	Taiyuan-Yuci Highway
“Yuci City Bypass”	National Highway 108 Yuci City Bypass

## Executive Directors

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

## 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

Chan Kam Hung

## 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  
G/F., Bank of East Asia Harbour View Centre  
56 Gloucester Road  
Wanchai  
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

Contact person : Chan Kam Hung  
Telephone : (852) 2957 6800  
Facsimile : (852) 2375 2477  
E-mail address : [RKI@roadking.com.hk](mailto:RKI@roadking.com.hk)



# ROAD KING INFRASTRUCTURE LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1098)

## Form of proxy for use at the Annual General Meeting (or at any adjournment thereof)

I/We<sup>1</sup>, \_\_\_\_\_ of \_\_\_\_\_ being the registered holder(s) of<sup>2</sup> \_\_\_\_\_ shares of HK\$0.10 each in the issued share capital of Road King Infrastructure Limited (the "Company"), hereby appoint the Chairman of the Meeting or<sup>3</sup> \_\_\_\_\_ of \_\_\_\_\_

as my/our proxy to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at Ballroom B, 2nd Floor, Langham Hotel, 8 Peking Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 13 May 2005 at 3:30 p.m. (or at any adjournment thereof) in respect of the resolutions set out in the notice convening the said Meeting as indicated below or, if no such indication is given, as my/our proxy thinks fit and on any other resolutions properly put to the Meeting.

RESOLUTIONS		FOR <sup>4</sup>	AGAINST <sup>4</sup>
1.	To receive and consider the Audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31 December 2004		
2.	To declare a final dividend for the year ended 31 December 2004		
3.	(a) To re-elect Mr Chan Kam Hung as a Director		
	(b) To re-elect Mr Zhang Yijun as a Director		
	(c) To re-elect Mr Vincent Chan Hing Chiu as a Director		
	(d) To re-elect Mr Stephen Chow Shiu Kee as a Director		
	(e) To re-elect Mr Lau Sai Yung as a Director		
	(f) To authorise the Board of Directors to fix their remuneration		
4.	To re-appoint Messrs Deloitte Touche Tohmatsu as Auditors of the Company and to authorise the Board of Directors to fix their remuneration		
5(A).	To grant a general mandate to the Directors to allot shares of the Company		
5(B).	To grant a general mandate to the Directors to repurchase shares of the Company		
5(C).	To approve and extend the power granted to the Directors under Resolution No. 5(A) by the addition thereto of an amount representing the aggregate nominal amount of the shares repurchased by the Company pursuant to Resolution No. 5(B)		
6.	To approve the amendment to Bye-laws of the Company		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2005 Signature<sup>5</sup>: \_\_\_\_\_

### Notes:

- Full name(s) and address(es) to be inserted in **BLOCK CAPITALS**. In the case of joint holders, the names of all joint holders should be stated.
- Please insert the number of shares of HK\$0.10 each registered in your name(s). If no number is inserted, this form of proxy will be deemed to relate to all the shares of the Company registered in your name(s).
- If any proxy other than the Chairman of the Meeting is appointed, strike out "the Chairman of the Meeting or" and insert the name and address of the proxy desired in the space provided. A proxy need not be a member of the Company but must attend the Meeting in person to represent you.
- IMPORTANT:** If you wish to vote for a resolution, tick the box marked "FOR". If you wish to vote against the resolution, tick the box marked "AGAINST". Failure to complete a box will entitle your proxy to cast your vote(s) at his/her discretion. Your proxy will also be entitled to vote at his/her discretion on any resolution properly put to the Meeting other than referred to in the notice convening the Meeting.
- This form of proxy must be signed by you or your attorney duly authorised in writing or, if the appointor is a corporation, it must be executed under its seal or under the hand of an officer or attorney of the corporation duly authorised. In the case of joint holders, the signature of any one of them is sufficient.
- A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote on his/her behalf. A proxy need not be a member. In the case of joint holders, if more than one of such joint holders be present, either personally or by proxy, one of the persons so present whose name stands first in the Register of Members in respect of the relevant joint holding shall alone be entitled to vote in respect thereof.
- In order to be valid, this form of proxy must be completed and deposited at the Company's branch share registrar in Hong Kong, Secretaries Limited, at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of that power or authority, not less than 48 hours before the time for holding the Meeting or adjourned Meeting.
- Any alteration made to this form must be initialled.
- Completion and delivery of this form of proxy will not preclude you from attending and voting at the Annual General Meeting if you so wish.
- In relation to Ordinary Resolution No. 3 regarding the re-election of Directors, Messrs. Chan Kam Hung, Zhang Yijun, Vincent Chan Hing Chiu, Stephen Chow Shiu Kee and Lau Sai Yung shall retire by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting pursuant to the Company's Bye-laws.
- A circular containing further details regarding Ordinary Resolutions Nos. 3 and 5, and Special Resolution No. 6 above has been sent to the shareholders of the Company together with the Annual Report 2004.