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## **ROAD KING INFRASTRUCTURE LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1098)**

### **ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008**

#### **RESULTS**

The Board of Directors (the “Board”) of Road King Infrastructure Limited (the “Company”) announces the audited consolidated income statement of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2008 and the consolidated balance sheet of the Group as at 31 December 2008 as follows:

#### **CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008**

	<i>NOTES</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Revenue	2	4,630,672	2,407,770
Cost of sales		<u>(4,110,060)</u>	<u>(1,741,789)</u>
Gross profit		520,612	665,981
Interest income		19,972	96,189
Other income		373,008	420,886
Selling expenses		(112,784)	(91,506)
Operating expenses		(510,385)	(371,302)
Share of results of joint ventures	4	909,759	577,107
Share of results of an associate		—	12,267
Finance costs	5	<u>(156,855)</u>	<u>(100,670)</u>
<b>Profit before taxation</b>	6	1,043,327	1,208,952
Income tax expenses	7	<u>(366,693)</u>	<u>(342,811)</u>
<b>Profit for the year</b>		<u>676,634</u>	<u>866,141</u>
<b>Attributable to:</b>			
Shareholders of the Company		656,429	851,067
Minority interests		<u>20,205</u>	<u>15,074</u>
		<u>676,634</u>	<u>866,141</u>
<b>Dividends paid</b>	8	<u>248,286</u>	<u>372,698</u>
<b>Earnings per share</b>	9		
- Basic		<u>HK\$0.87</u>	<u>HK\$1.16</u>
- Diluted		<u>HK\$0.87</u>	<u>HK\$1.14</u>

**CONSOLIDATED BALANCE SHEET  
AT 31 DECEMBER 2008**

	<i>NOTE</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		57,346	103,881
Prepaid lease payments for land		33,293	49,912
Investment properties		143,851	—
Interests in joint ventures		5,289,683	5,170,093
Loans to joint ventures		—	81,196
Loans to related companies		54,700	54,700
Deferred tax assets		40,700	81,862
Long-term receivables		576,359	433,132
Available-for-sale investments	10	<u>632,787</u>	<u>592,821</u>
		<u>6,828,719</u>	<u>6,567,597</u>
<b>Current assets</b>			
Inventory of properties		12,029,250	10,379,463
Prepayment for land leases		107,865	1,393,210
Prepaid lease payments for land		938	1,365
Loan to a joint venture		70,787	—
Debtors, deposits and prepayments		686,063	769,764
Prepaid income tax		225,699	226,432
Pledged bank deposits		163,723	231,583
Bank balances and cash		<u>796,098</u>	<u>1,858,941</u>
		<u>14,080,423</u>	<u>14,860,758</u>
<b>Total assets</b>		<u><u>20,909,142</u></u>	<u><u>21,428,355</u></u>

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to shareholders of the Company</b>		
Share capital	73,893	75,265
Reserves	<u>9,295,568</u>	<u>8,397,151</u>
	9,369,461	8,472,416
<b>Minority interests</b>	<u>164,141</u>	<u>151,527</u>
<b>Total equity</b>	<u>9,533,602</u>	<u>8,623,943</u>
<b>Non-current liabilities</b>		
Bank and other borrowings - due after one year	5,737,728	6,114,771
Deferred tax liabilities	<u>147,998</u>	<u>69,155</u>
	<u>5,885,726</u>	<u>6,183,926</u>
<b>Current liabilities</b>		
Creditors and accrued charges	1,756,811	1,663,877
Deposits from pre-sale of properties	2,095,694	4,127,823
Income tax payable	212,424	219,839
Bank and other borrowings - due within one year	<u>1,424,885</u>	<u>608,947</u>
	<u>5,489,814</u>	<u>6,620,486</u>
<b>Total equity and liabilities</b>	<u>20,909,142</u>	<u>21,428,355</u>

NOTES:

**1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

In the current year, the Group has applied all the new and revised standards, amendments and interpretations (“new HKFRSs”) issued by Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2008. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new HKFRSs had no material effects on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment was required.

The Group has not early applied the new HKFRSs that have been issued but are not yet effective. The application of the amendment to HKAS 40 “Investment Property” arising from improvements to HKFRSs may affect the accounting for property under construction or development for future use as an investment property of the Group. The amendment to HKAS 40 brings such property within the scope of HKAS 40 which, therefore, shall be accounted for under the fair value model in accordance with the Group’s accounting policy. Such property is currently accounted for at cost less impairment in accordance with HKAS 16 “Property, Plant and Equipment”. The amendment is to be applied prospectively and is effective for the Group’s financial year beginning on or after 1 January 2009.

The directors of the Company (the “Directors”) anticipate that the application of the other new HKFRSs will have no material impact on the results and the financial position of the Group.

**2. REVENUE**

An analysis of the Group’s revenue for the year is as follows:

	<b>2008</b> <i>HK\$’000</i>	<b>2007</b> <i>HK\$’000</i>
<b>Revenue of the Group</b>		
Sale of completed properties held for sale	<u>4,630,672</u>	<u>2,407,770</u>
<b>Share of toll revenue of infrastructure joint ventures</b>	<u>1,698,633</u>	<u>1,281,524</u>
<b>Revenue of the Group and share of revenue of infrastructure joint ventures</b>	<u>6,329,305</u>	<u>3,689,294</u>

**3. SEGMENTAL INFORMATION**

The businesses based upon which the Group reports its primary segment information are as follows:

Toll road	-	development, operation and management of toll roads through the infrastructure joint ventures
Property development	-	development and sale of properties

The Group's revenue and profit for the year ended 31 December 2008 by business activities are as follows:

	<b>Toll road</b> <i>HK\$'000</i>	<b>Property development</b> <i>HK\$'000</i>	<b>Unallocated</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
<b>2008</b>				
<b>Revenue</b>	<u>—</u>	<u>4,630,672</u>	<u>—</u>	<u>4,630,672</u>
Segment results	(18,649)	(10,359)	—	(29,008)
Gain on disposal of interest in an infrastructure joint venture	10,272	—	—	10,272
Interest income	—	—	19,972	19,972
Corporate income	—	—	335,561	335,561
Corporate expenses	—	—	(46,374)	(46,374)
Share of results of joint ventures	899,617	10,142	—	909,759
Finance costs	—	—	(156,855)	<u>(156,855)</u>
Profit before taxation				1,043,327
Income tax expenses				<u>(366,693)</u>
<b>Profit for the year</b>				<u>676,634</u>
<b>2007</b>				
<b>Revenue</b>	<u>—</u>	<u>2,407,770</u>	<u>—</u>	<u>2,407,770</u>
Segment results	(17,597)	441,909	—	424,312
Gain on disposal of interests in infrastructure joint ventures	11,130	—	—	11,130
Interest income	—	—	96,189	96,189
Corporate income	—	—	367,792	367,792
Corporate expenses	—	—	(179,175)	(179,175)
Share of results of joint ventures	574,835	2,272	—	577,107
Share of results of an associate	—	12,267	—	12,267
Finance costs	—	—	(100,670)	<u>(100,670)</u>
Profit before taxation				1,208,952
Income tax expenses				<u>(342,811)</u>
<b>Profit for the year</b>				<u>866,141</u>

#### 4. SHARE OF RESULTS OF JOINT VENTURES

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Share of post-acquisition profits of infrastructure joint ventures before amortisation and taxation	1,220,488	931,084
Less: Amortisation of toll road operation rights	(208,821)	(201,756)
Current tax	(100,050)	(70,093)
Deferred tax	<u>(12,000)</u>	<u>(84,400)</u>
	899,617	574,835
Share of post-acquisition profits of other joint ventures	<u>10,142</u>	<u>2,272</u>
	<u><u>909,759</u></u>	<u><u>577,107</u></u>

The current tax amount represents the share of the People's Republic of China ("PRC") enterprise 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. For the infrastructure joint ventures that enjoyed preferential rate of 15% or lower up to 31 December 2007, based on a grandfathering provision, the tax rate increases progressively to 25% over five years from 1 January 2008 onwards.

#### 5. FINANCE COSTS

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Interest on:		
Borrowings wholly repayable within five years	319,882	311,430
Borrowings not wholly repayable within five years	<u>122,468</u>	<u>73,851</u>
Total borrowing costs	442,350	385,281
Other finance costs	<u>27,254</u>	<u>29,649</u>
	469,604	414,930
Less: Capitalised in properties under development for sale	<u>(312,749)</u>	<u>(314,260)</u>
	<u><u>156,855</u></u>	<u><u>100,670</u></u>

Borrowing costs capitalised during the year are calculated by applying an average capitalisation rate of 5.71% (2007: 6.76%) per annum to expenditure on qualifying assets.

## 6. PROFIT BEFORE TAXATION

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	15,021	5,824
Less: Capitalised in properties under development for sale	<u>(1,063)</u>	<u>(1,720)</u>
	<u>13,958</u>	<u>4,104</u>
Operating lease rentals in respect of leasehold land, premises and equipment	22,725	4,293
Less: Capitalised in properties under development for sale	<u>(817)</u>	<u>(888)</u>
	<u>21,908</u>	<u>3,405</u>
Amortisation of prepaid lease payment for land	1,461	1,365
Less: Capitalised in property, plant and equipment	<u>(1,461)</u>	<u>(1,365)</u>
	<u>—</u>	<u>—</u>
Staff costs	178,422	116,145
Share-based payments	—	31,508
Provident fund scheme contributions, net of forfeited contributions of HK\$343,000 (2007: HK\$335,000)	24,635	15,140
Less: Capitalised in properties under development for sale	<u>(52,278)</u>	<u>(23,477)</u>
Total staff costs (excluding Directors' emoluments)	<u>150,779</u>	<u>139,316</u>
Auditor's remuneration	5,327	3,974
Loss on disposal of property, plant and equipment	1,017	251
Cost of inventories recognised as an expense	4,110,060	1,741,789
Share of tax of an associate	—	21,742
and after crediting:		
Bank interest income	15,320	40,454
Gain on disposal of interests in infrastructure joint ventures	10,272	11,130
Net exchange gain included in other income	<u>335,384</u>	<u>358,675</u>

## 7. INCOME TAX EXPENSES

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Current tax:		
PRC enterprise income tax	128,034	150,727
PRC Land Appreciation Tax (“LAT”)	<u>115,124</u>	<u>107,299</u>
	<u>243,158</u>	<u>258,026</u>
Deferred tax:		
Current year	123,535	80,021
Attributable to a change in tax rate	<u>—</u>	<u>4,764</u>
	<u>123,535</u>	<u>84,785</u>
	<u>366,693</u>	<u>342,811</u>

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

The PRC enterprise income tax of subsidiaries is calculated at a statutory tax rate of 25% (2007: 33%).

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations.

On 16 March 2007, the National People’s Congress approved the Enterprise Income Tax Law of the People’s Republic of China (the “new EIT Law”), which became effective from 1 January 2008. According to the new EIT Law, both domestic and foreign invested enterprises are subject to an unified income tax rate of 25%. The Tax Law of the People’s Republic of China for Enterprises with Foreign Investment and Foreign Enterprises, and Provisional Regulations of the People’s Republic of China on Enterprise Income Tax were abolished simultaneously. Detailed measures of the new EIT Law, specific provisions concerning the applicable income tax rates, computation of taxable income, as well as specific preferential tax treatments and their transitional provisions for the periods from 2007 and onwards were issued in December 2007. The deferred tax balance had been adjusted during the year ended 31 December 2007 to reflect the tax rates that were expected to apply to the respective periods when the asset is realised or the liability is settled.

According to a joint circular of Ministry of Finance and State Administration of Taxation, Cai Shui 2008 No. 1, dividends distributed out of the profits generated before 1 January 2008 to foreign shareholders of a foreign investment enterprise were exempted from withholding income tax whereas dividends distributed out of profits generated since 1 January 2008 shall be subject to withholding income tax pursuant to Articles 3 and 27 of the new EIT Law and Article 91 of the new Detailed Rules for the Implementation of the new EIT Law. Accordingly, deferred tax liability of HK\$46,000,000 on the undistributed earnings of subsidiaries and joint ventures has been charged to the consolidated income statement for the year.



## 8. DIVIDENDS PAID

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
2007 final dividend paid of HK\$0.28 (2007: HK\$0.26 for 2006) per share	210,752	192,790
2008 interim dividend paid of HK\$0.05 (2007: HK\$0.24) per share	<u>37,534</u>	<u>179,908</u>
	<u>248,286</u>	<u>372,698</u>

A final dividend in respect of 2008 of HK\$0.20 per share amounting to a total of approximately HK\$148,000,000 is proposed by the Board. This dividend is subject to approval by shareholders at the forthcoming Annual General Meeting and has not been included as a liability in these consolidated financial statements. The amount will be accounted for as an appropriation of reserves in the year ending 31 December 2009.

The amount of the final dividend proposed has been calculated on the basis of 738,926,566 shares in issue as at 31 March 2009.

## 9. EARNINGS PER SHARE

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

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Earnings for the purposes of basic and diluted earnings per share attributable to the shareholders of the Company	<u>656,429</u>	<u>851,067</u>

  

	<b>2008</b> <i>Number of shares</i>	<b>2007</b> <i>Number of shares</i>
Weighted average number of ordinary shares for the purpose of basic earnings per share	750,694,000	736,404,000
Effect of dilutive potential ordinary shares: Share options	<u>662,000</u>	<u>8,597,000</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>751,356,000</u>	<u>745,001,000</u>

## 10. AVAILABLE-FOR-SALE INVESTMENTS

On 26 May 2007, 天津順馳濱海不動產投資管理有限公司, a wholly-owned subsidiary of Sunco Property Holdings Company Limited (“Sunco Property”), entered into sale and purchase agreements with certain subsidiaries of Sunco Real Estate Investment Limited (“Sunco Real Estate”), being the vendor, for the acquisition of, inter alia, the entire equity interests in 天津順馳新地置業有限公司 and 天津順馳融信置地有限公司 (collectively referred to as the “Tianjin Companies”) at a total cash consideration of RMB563,180,000 (equivalent to HK\$632,787,000). Sunco Real Estate was controlled by Mr. Sun Hongbin (“Mr. Sun”), the then major beneficial owner of Sunco Property prior to the Group’s acquisitions of Sunco Property. Upon completion of the acquisition of additional 39.46% interest in Sunco Property by the Group on 27 July 2007, Sunco Property became an indirect subsidiary of the Company and, in the absence of the circumstances described below, the Tianjin Companies would also have become indirect subsidiaries of the Company.

The Group’s PRC legal counsel has confirmed that the legal procedures in respect of the acquisition of the Tianjin Companies by the Group have been completed and the acquisition was legally enforceable under the relevant laws in the PRC. However, the Group had not yet obtained effective control over the Tianjin Companies despite the fact that the board of directors of the Tianjin Companies was appointed by the Group as the former management of the Tianjin Companies had not yet allowed the representatives of the Group to access the office of the Tianjin Companies, and had not yet handed over the official seals, the books and records as well as other relevant documents of the Tianjin Companies.

The Group has implemented certain preventive measures to preserve the assets of the Tianjin Companies including, but not limited to, (i) issuing a warning letter to the former management preventing them from taking any actions which will be detrimental to the Tianjin Companies; (ii) publishing a notice in a local newspaper in Tianjin to alert the public to take extra care when entering into any transactions with the Tianjin Companies; and (iii) issuing letters to the relevant banks in Tianjin to alert them to take extra care when entering into mortgage transactions with the customers and any other bank transactions with the Tianjin Companies.

As the Group has not yet obtained effective control or exercise significant influence over the operating and financing policies of the Tianjin Companies, the Tianjin Companies are not currently considered to be subsidiaries or associates of the Company and therefore the financial statements of the Tianjin Companies have not been consolidated into or equity accounted for in the Group’s consolidated financial statements. Instead, the investments in the Tianjin Companies are accounted for as available-for-sale investments at each balance sheet date and have been recorded at cost less impairment as at 31 December 2008 and 2007 because the investments are unquoted equity shares whose range of reasonable fair value estimates is so significant that the Directors are of the opinion that the fair values cannot be measured reliably. Based on the impairment review on the investments in the Tianjin Companies, in the opinion of the Directors, no impairment on the investment cost in the Tianjin Companies is considered necessary.

The Group commenced legal proceedings in the Tianjin Nankai District People's Court in October 2007 to enforce its rights and to assume effective control over the Tianjin Companies. However, the legal proceedings against the former management of the Tianjin Companies had been temporarily suspended in 2008 on the basis that unspecified facts which related to those proceedings might overlap with unspecified matters under investigation by Tianjin authorities.

In January 2009, the Company received a notice advising that an investigation on a criminal accusation by Tianjin authorities was officially dismissed. Based on the advice of the Group's PRC legal counsel, it is highly probable that the Group will be able to lift the suspension of the legal proceedings, which will result in the effective continuation of the Group's legal proceedings to assume the effective control over the Tianjin Companies. The Directors, based on advice of the Group's PRC legal counsel, are of the firm belief that the court ruling will be favourable to the Group and accordingly, the Group will be able to assume effective control over the Tianjin Companies in the foreseeable future. The Group will continue its best endeavours to pursue the lawsuit in order to assume effective control over the Tianjin Companies.

## **AUDIT OPINION**

The audit opinion for the consolidated financial statements of the Group for the year ended 31 December 2008 has been modified in connection with the matters described in note 10 above and is extracted as follows: -

### **“Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with HKFRSs and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Without qualifying our opinion we draw attention to notes 23 and 38 to the consolidated financial statements. The Group currently has not obtained effective control over 天津順馳新地置業有限公司 and 天津順馳融信置地有限公司 (collectively referred to as the “Tianjin Companies”) despite the fact that the board of directors of the Tianjin Companies was appointed by the Group, due to the circumstances described in note 23, and accordingly, the Group has not accounted for the Tianjin Companies as subsidiaries of the Group. The Group has commenced legal proceedings against the former management of the Tianjin Companies with a view to obtain effective control over these companies. However, the legal proceedings against the former management of the Tianjin Companies are temporarily suspended on the basis that unspecified facts which relate to those proceedings may overlap with unspecified matters under investigation by Tianjin authorities. In January 2009, the Company received a notice from Tianjin authorities advising that their investigation was completed. Based on the advice of the Group's legal counsel in the People's Republic of China (“PRC”), it is highly probable that the Group could lift the suspension of the legal proceedings, which will result in the effective continuation of the Group's legal proceedings against the former management of the Tianjin Companies. The Directors, based on advice of the Group's PRC legal counsel, are of the firm belief that the court ruling will be favourable to the Group and accordingly, the Group will be able to assume effective control over the Tianjin Companies in the foreseeable future. Based on the impairment review on the investments in the Tianjin Companies as mentioned in note 23, in the opinion of

the Directors of the Company, no impairment on the investment cost in the Tianjin Companies is considered necessary. However, as the timing of re-opening of the court hearing and the eventual outcome of the court proceedings cannot be determined with certainty, there exist uncertainties which may affect the following:

- the Group being unable to obtain effective control over the Tianjin Companies or otherwise realise the underlying properties of the Tianjin Companies, thereby impacting the recoverability of the Group's investments in these companies amounting to HK\$632,787,000 as at 31 December 2008; and
- the bank seeking payment from the Group in relation to credit facilities to the Tianjin Companies amounting to HK\$337,079,000 as at 31 December 2008 which have been guaranteed by the Group as described in note 38, in the event that the Tianjin Companies are not in a position to repay and the properties pledged by the Tianjin Companies are insufficient to cover the credit facilities by the maturity dates in June 2009.

Other than the fair value of the guarantees amounting to HK\$22,000,000 as at the date the guarantee were initially given and HK\$20,337,000 as at the date the credit facilities were renewed in July 2008, no provision for any liability or impairment that may result has been made in the consolidated financial statements.”

The details of notes 23 and 38 to the consolidated financial statements as stated in the extract of the opinion are summarised in the paragraphs headed “10. AVAILABLE-FOR-SALE INVESTMENTS” and “Contingent liabilities” of this announcement.

## **DIVIDEND**

The Board has resolved to recommend a final dividend of HK\$0.20 (2007: HK\$0.28) per share for the year ended 31 December 2008 to the shareholders of the Company whose names appear in the Register of Members of the Company on Thursday, 21 May 2009, subject to approval of the shareholders at the forthcoming Annual General Meeting. It is expected that payment of the final dividend will be made on or before Monday, 15 June 2009.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Monday, 18 May 2009 to Thursday, 21 May 2009, both days inclusive, during which period no transfer of shares will be registered for the purpose of determining entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on Friday, 15 May 2009.

## **BUSINESS REVIEW**

The Group's profit attributable to shareholders for 2008 was HK\$656 million or HK\$0.87 per share. The Group's property business had a difficult year in light of the prevailing market conditions. Nevertheless, the Group's toll road business remained robust and continued to act as a stable profit centre in 2008.

### **Toll Road Business**

Total traffic volume of the Group's toll road projects in 2008 was 124 million vehicles. Total toll revenue was RMB2,545 million, representing an increase of 10%, as compared to that in 2007. Cash generated from the toll road business amounted to HK\$1,083 million.

The annual toll revenue of the Group's expressways in 2008 exceeded that in 2007 by 29%. Total revenue generated from the expressway projects represented 79% of that of the Group's toll road projects.

In 2008, the Group disposed of its interest in the Luochong Highway in the Guangdong Province. Such disposal is in line with the Group's strategy to consolidate its existing Class I/II highway portfolio.

### **Property Business**

The Group's revenue in property development increased from HK\$2,408 million in 2007 to HK\$4,631 million in 2008 due to the consolidation of the full year results of the Sunco Property Group. Total contracted sales and pre-sales of properties in 2008 was 338,000 sq.m. in aggregate.

2008 was a difficult year to property developers in the PRC. According to the Ministry of Housing and Urban-Rural Development of the PRC, total sales of the property development industry in 2008 are expected to drop more than 20% from 2007. Given the unfavourable market sentiments, the Group's property business recorded a loss in 2008. To cater for the adverse changes in the market, the Group with its prudent and pragmatic business approach abruptly adjusted the magnitude and speed of construction, and promptly stopped all new investment in early 2008. The Group also took the opportunity to implement measures to enhance the skills of the management team, strengthen the management control and execution systems, and improve the quality of products and services. All these measures would help to strengthen the fundamentals of the property development team in preparation for the future.

## **Disputes in connection with Sunco Property**

### *Litigations in the PRC*

The Group has not yet secured effective control of the two Tianjin Companies. The civil litigation proceedings initiated by the Group against the former senior management team of the Tianjin Companies, which have been suspended by the Tianjin Nankai District People's Court since early 2008 on the basis that unspecified facts relating to proceedings which may overlap with unspecified matters under investigation by Tianjin authorities, have yet to be reactivated. The Group has, in the meantime, solicited the support of the Tianjin Municipal Government in facilitating resolution of the disputes. In January 2009, the Company received a notice advising that an investigation on a criminal accusation by Tianjin authorities was officially dismissed. Based on the advice of the Group's PRC legal counsel, it is highly probable that the Group will be able to lift the suspension of the legal proceedings, which will result in the effective continuation of the Group's legal proceedings to assume the effective control over the Tianjin Companies. The Board considers this to be a positive development that may assist the Group in securing full control of the two Tianjin Companies. Further announcement of developments in respect of such dispute will be made as and when appropriate.

### *Litigations in Hong Kong*

The Group commenced in October 2007 litigation proceedings against Sunco China Holdings Limited and Sunco Management Holdings Limited (both of which are beneficially owned by Mr. Sun) and Mr. Sun. The proceedings are now at the stage of discovery and preparation of witness statements and the Company is taking legal advice with regards to the information that has been received. The Group will continue to pursue its claims in a manner that is in the interests of the Company and its shareholders as a whole and further announcement will be made as and when appropriate.

## **FINANCIAL REVIEW**

### **Liquidity and financial resources**

As at 31 December 2008, shareholders' funds increased to HK\$9,369 million (31 December 2007: HK\$8,472 million). The increase was mainly attributable to the profit generated during the year. Net assets per share attributable to shareholders of the Company increased to HK\$12.7 (31 December 2007: HK\$11.3).

As at 31 December 2008, the Group's total assets were HK\$20,909 million (31 December 2007: HK\$21,428 million) and bank balances and cash (including pledged bank deposits) were HK\$960 million (31 December 2007: HK\$2,091 million), of which 83.9% were denominated in Renminbi, 3.6% were denominated in US dollars and the remaining 12.5% were denominated in HK dollars.

## Financing activities

To finance the development of certain property projects, the Group had effectively drawn down several project loans in the PRC amounting to RMB306 million in aggregate and a short term loan of HK\$387 million in Hong Kong in 2008.

## Debt and gearing

The gearing ratio of the Group improved slightly from 79% at the end of 2007 to 76% as at 31 December 2008. Interest coverage was 9.7 times (2007: 16.4 times).

As at 31 December 2008, the Group's total borrowings were HK\$7,163 million (2007: HK\$6,724 million). The maturity profile of the Group's total borrowings is set out as follows:

	As at 31 December	
	2008	2007
	<i>HK\$'million</i>	<i>HK\$'million</i>
Repayable:		
Within one year	1,425	609
After one year but within two years	648	602
After two years but within five years	3,559	4,008
After five years	<u>1,531</u>	<u>1,505</u>
Total borrowings	<u>7,163</u>	<u>6,724</u>

The Group's borrowings were largely denominated in US dollars. Other than the US\$200 million 6.25% fixed rate guaranteed notes due in 2011 and the US\$200 million 7.625% fixed rate senior notes due in 2014, the Group's borrowings were mainly on a floating rate basis.

## Financing and treasury policies

The Group continued to adopt prudent financing and treasury policies. All the Group's financing and treasury activities are centrally managed and controlled. Implementation of the Group's related policies are made under collective but extensive considerations on liquidity risk, financing cost and exchange rate risk.

## **Charges on assets**

As at 31 December 2008, bank balances of HK\$164 million (31 December 2007: HK\$232 million) were pledged as security in favour of banks for mortgage facilities granted to the buyers of the Group's property projects. In addition to these charged deposits, properties valued at HK\$2,074 million (31 December 2007: HK\$1,357 million) and the shares of certain subsidiaries were pledged as securities for certain loan facilities.

## **Exposure on foreign exchange fluctuations**

The Group's borrowings were mainly denominated in US dollars but its cashflow was generated from projects whose earnings were denominated principally in Renminbi. As a result, the appreciation of Renminbi had contributed a net exchange gain of HK\$335 million to the Group's 2008 results. Save for the aforesaid, the Group had no significant exposure to foreign exchange fluctuation.

## **Exposure on interest rate**

Following the global financial turmoil, the interest rates of both the Renminbi and the US dollars were lowered significantly in 2008 in order to support the weakened economy. The one-year interest rate for Renminbi borrowings fell from 747 basis points as at 1 January 2008 to 531 basis points as at 31 December 2008 while the London Interbank Offered Rate dropped from 419 basis points to 200 basis points during the same period.

Since the Group's borrowings are mainly denominated in Renminbi and US dollars, interest payments have been benefited from the interest rate reduction. The Group has not entered into any hedging arrangement. The Directors consider that the monetary policies implemented by the PRC and the US Governments will continue to have a major impact on the Group's results and operation.

## **Contingent liabilities**

As at 31 December 2008, the Group provided guarantees of RMB2,755 million and RMB300 million in favour of its customers for their purchases of the Group's properties and a financial institution for securing credit facilities of two unconsolidated subsidiaries, respectively. The guarantees provided by the Group in favour of its customers will be released when the customers pledge their real estate certificates as securities to the banks for the mortgage loans granted. The credit facilities for the two unconsolidated subsidiaries are also secured by the pledge of their properties, which include land and properties under development for sale.



## **EMPLOYEES**

Excluding the staff of joint ventures, the Group had 1,105 employees as at 31 December 2008. Expenditure on staff (excluding Directors' emoluments and amounts capitalised) amounted to HK\$151 million. Employees are remunerated according to their performance and contribution. Other employee benefits include but not limited to provident fund, insurance, medical cover and training programs, as well as a share option scheme. No share option was issued in 2008.

## **PROSPECTS**

In 2009, the Group's toll road division will continue to maximise the value of its existing portfolio, and if opportunities arise, divest Class I/II highway projects. It is expected that the Group's toll road projects will continue to grow in line with the economic development of their respective area, thus contributing cash and profit to the Group. However, as a result of the standardisation of the PRC profit tax rate and the expiry of the tax holidays of certain expressway projects, the effective profit tax rate of the toll road division will increase in 2009. In addition, the Group will recoup all of its investments in the two expressway projects in Hebei Province within 2009 and the joint venture partners of these two projects will enjoy preferential cash distribution for the next few years to pay back their own investments in accordance with the joint venture agreements. Contributions from these two expressway projects to the Group will therefore decline and the performance of the toll road division will be tarnished to a certain extent.

The PRC Government has reversed the austerity regime and put forward various measures to support the property market. However, it is still an uphill battle and the Group expects that 2009 will continue to be a challenging year as the economy is struggling against the global financial crunch. The Group will therefore focus on maximising the value from the existing portfolio and consolidate its market position in major cities. The Group will also try to maintain an admirable cash position to guard against any prolongation of the crisis.

In respect of new opportunities, the Group will continue to identify and harbour potential projects, and nurture relevant relationships. Actions will only be taken after due consideration of the returns, cash flows and funding requirements.

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

During the year, the Company repurchased a total of 13,760,000 shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of HK\$43,756,690. Details of the repurchases are as follows:

<b>Month of repurchase</b>	<b>Total number of shares repurchased</b>	<b>Price per share</b>		<b>Aggregate consideration</b>
		<b>Highest</b>	<b>Lowest</b>	
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
August 2008	626,000	6.16	5.85	3,745,430
September 2008	2,862,000	6.28	4.26	15,549,850
October 2008	8,454,000	4.30	1.65	20,310,050
November 2008	<u>1,818,000</u>	2.60	1.96	<u>4,151,360</u>
	<u>13,760,000</u>			<u>43,756,690</u>

All of the shares repurchased were cancelled.

Save as the above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE**

The Company is committed to the application of good corporate governance practices and procedures.

The Company has complied throughout the year ended 31 December 2008 with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except for the deviation from code provision A.4.1 that Non-executive Directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with Bye-law 87 of the Company's Bye-laws. The Company considers that this is no less exacting than those provided in the Code.

## **REVIEW OF ACCOUNTS**

The Audit Committee has reviewed the financial statements for the year ended 31 December 2008, including the accounting principles and practice adopted by the Group, in conjunction with the Company's external auditors.

## **ANNUAL GENERAL MEETING**

The Annual General Meeting of the Company will be held at Jade Room, 6th Floor, Marco Polo Hongkong Hotel, Harbour City, 3 Canton Road, Tsimshatsui, Kowloon, Hong Kong on Thursday, 21 May 2009 at 2:30 p.m. and the notice of Annual General Meeting will be published and dispatched to the shareholders in the manner as required by the Listing Rules.

## **PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT**

This results announcement is published on the websites of the Company ([www.roadking.com.hk](http://www.roadking.com.hk)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The Annual Report containing all the information required by the Listing Rules will be dispatched to the shareholders and published on the aforesaid websites in due course.

## **APPRECIATION**

The Board would like to take this opportunity to express hearty gratitude to all shareholders, business partners, and loyal and dedicated staff.

By Order of the Board  
**Road King Infrastructure Limited**  
**Zen Wei Pao, William**  
*Chairman*

Hong Kong, 2 April 2009

*As at the date of this announcement, the Board comprises Messrs. Zen Wei Pao, William, Ko Yuk Bing, Chan Kam Hung, Fong Shiu Leung, Keter, and Zen Wei Peu, Derek as Executive Directors, Messrs. Hu Aimin and Zhang Yijun as Non-executive Directors and Messrs. Chow Shiu Kee, Stephen, Lau Sai Yung, Dr. Chow Ming Kuen, Joseph and Mr. Choy Kwok Hung, Patrick as Independent Non-executive Directors.*