1. GENERAL

The Company is an exempted company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office is Clarendon House, Church Street, Hamilton HM11, Bermuda and principal place of business of the Company is Suite 501, 5/F, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

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

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

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

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

Business combinations

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

Goodwill

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

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

Business combinations (Continued)

Goodwill (Continued)

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

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

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

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

Share-based payments

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

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

Financial instruments

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

Classification and measurement of financial assets and financial liabilities

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

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

Financial assets and financial liabilities other than debt and equity securities

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

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

Financial instruments (Continued)

Derivatives and hedging

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

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

Interests in jointly controlled entities

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

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

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

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

1 Effective for annual periods beginning on or after 1 January 2007.
2 Effective for annual periods beginning on or after 1 January 2006.
3 Effective for annual periods beginning on or after 1 December 2005.
4 Effective for annual periods beginning on or after 1 March 2006.

3. PRINCIPAL ACCOUNTING POLICIES

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

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

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Basis of consolidation

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

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

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

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

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

Goodwill

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

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

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

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

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

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

Revenue recognition

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

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

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

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

Toll highway operation right

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

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Property, plant and equipment

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Joint venture

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

The Group's infrastructure joint ventures are Sino-foreign co-operative joint ventures registered in the PRC in respect of which the partners' cash/profit sharing ratios and the share of net assets upon the expiration of the joint venture periods are predetermined in accordance with the joint venture agreements and may not be in proportion to their capital contribution ratios.

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

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Non-current assets held for sale

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

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

Impairment of tangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

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

Properties under development for sale

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

Inventories and ginseng crops

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All the other leases are classified as operating leases.

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

Retirement benefit costs

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

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into one of the following categories, including financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. All regular way of any purchases or sales of financial assets are recognised and derecongised on a trade date basis. The Group's financial assets comprise loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables including debtors and other receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

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

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

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

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

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

Other financial liabilities

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

Equity instruments

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

Derivatives

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

Derecognition

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

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

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Share-based payment transactions

For share options granted to directors and employees of the Company, the fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve). For share options that were granted after 7 November 2002 and had vested before 1 January 2005, the Group did not recognise the financial impact of these share options until they were exercised.

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

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Credit risk

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

Currency risk

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

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

Fair value interest rate risk

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

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Cash flow interest rate risk

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

Price risk

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Depreciation of toll highway operation rights

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

Ginseng Crops

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

Deferred tax assets

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

6. REVENUE

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

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

7. SEGMENTAL INFORMATION

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

By business segments:

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

7. SEGMENTAL INFORMATION (Continued)

By business segments: (Continued)

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

7. SEGMENTAL INFORMATION (Continued)

By geographical segments:

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

8. SHARE OF RESULTS OF JOINT VENTURES

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

9. FINANCE COSTS

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

10. PROFIT BEFORE TAXATION

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

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' Emoluments

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

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

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

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Employees' Emoluments

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

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

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

	2005 **Number of** **employees**	2004 Number of employees
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,500,001 to HK$3,000,000	**—**	1
HK$5,500,001 to HK$6,000,000	**1**	—
	2	2

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

12. INCOME TAX CREDIT

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

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

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

12. INCOME TAX CREDIT (Continued)

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

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

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

13. DIVIDENDS

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

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

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

14. EARNINGS PER SHARE

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

	2005 **HK$'000**	2004 HK$'000
Earnings for the purposes of basic and diluted earnings per share	**428,300**	368,803

	2005 **Number of shares**	2004 Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	**588,674,000**	585,191,000
Effect of dilutive potential ordinary shares:		
Share options	**1,138,000**	1,167,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**589,812,000**	586,358,000

15. GOODWILL/DISCOUNT ON ACQUISITION

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

15. GOODWILL/DISCOUNT ON ACQUISITION (Continued)

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

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

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

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

16. 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
Cost							
At 1 January 2004	6,917	9,779	3,217	7,956	129,045	6,127	163,041
Additions	3,910	7,989	120	1,619	9,836	3,566	27,040
Disposals	—	(1,319)	(94)	(998)	(2,039)	(1,031)	(5,481)
Exchange adjustments	587	731	11	211	10,937	212	12,689
At 31 December 2004	11,414	17,180	3,254	8,788	147,779	8,874	197,289
Additions	—	75	522	1,405	2,337	970	5,309
Disposals	—	—	—	(63)	(76)	(1,396)	(1,535)
Reclassified as held for sale	(6,690)	(4,687)	—	(173)	(913)	—	(12,463)
Exchange adjustments	357	506	5	110	4,618	140	5,736
At 31 December 2005	5,081	13,074	3,781	10,067	153,745	8,588	194,336
Depreciation							
At 1 January 2004	—	2,028	1,712	6,688	103,060	3,708	117,196
Charge for the year	—	730	795	611	7,459	993	10,588
Eliminated on disposals	—	(980)	—	(997)	(2,035)	(967)	(4,979)
Exchange adjustments	—	195	11	198	9,233	158	9,795
At 31 December 2004	—	1,973	2,518	6,500	117,717	3,892	132,600
Charge for the year	—	828	784	823	5,987	1,257	9,679
Eliminated on disposals	—	—	—	(62)	(44)	(1,314)	(1,420)
Reclassified as held for sale	—	(425)	—	(23)	(152)	—	(600)
Exchange adjustments	—	77	5	86	3,866	79	4,113
At 31 December 2005	—	2,453	3,307	7,324	127,374	3,914	144,372
Carrying values							
At 31 December 2005	5,081	10,621	474	2,743	26,371	4,674	49,964
At 31 December 2004	11,414	15,207	736	2,288	30,062	4,982	64,689

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

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

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

Non-current assets held for sale

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

17. INTERESTS IN JOINT VENTURES

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

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

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

17. INTERESTS IN JOINT VENTURES (Continued)

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

17. INTERESTS IN JOINT VENTURES (Continued)

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

17. INTERESTS IN JOINT VENTURES (Continued)

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

17. INTERESTS IN JOINT VENTURES (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Hunan Changyi (Ningheng) Expressway Co., Ltd. 湖南長益（寧衡）高速公路有限公司	RMB98,458,000	43.17% #	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Ningheng Section) in Hunan, PRC
Hunan Changyi (Zijiang No. 2 Bridge) Expressway Co., Ltd. 湖南長益（資江二橋）高速公路有限公司	RMB78,328,000	43.17% #	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Zijiang No. 2 Bridge) in Hunan, PRC
Liuan Road Universe Liuye Highway Development Co., Ltd. 六安路宇六葉公路開發有限公司	RMB97,800,000	50% #	Construction and management of Liuan - Yeji Highway (Western Section) in Anhui, PRC
Liuan Road Universe Pihe Bridge Development Co., Ltd. 六安路宇淠河大橋開發有限公司	RMB90,364,000	50% #	Construction and management of Pihe Bridge in Anhui, PRC
Luodingshi Luochong Highway Company Limited 羅定市羅沖一級公路有限公司	RMB96,800,000	61% * #	Construction and management of National Highway 324 Luoding - Chonghua Highway in Guangdong, PRC
Pingdingshan Road King Xuchang - Nanyang Highway (Xiangcheng Section) Development Co., Ltd. 平頂山路勁許南公路（襄城段）開發有限公司	RMB73,400,000	50%#	Investment in and development, operation and management of National Highway 311 & Provincial Highway 01 Xuchang - Nanyang Highway, Xiangcheng section in Henan, PRC
Pingdingshan Road King Xuchang - Nannang Highway (Yexian Section) Development Co., Ltd. 平頂山路勁許南公路（葉縣段）開發有限公司	RMB63,400,000	50% #	Investment in and development, operation and management of Provincial Highway 01 Xuchang - Nanyang Highway, Yexian Section in Henan, PRC
Shanxi Lutong Dongguan Highway Co., Ltd. 山西路通東觀公路有限公司	RMB82,340,000	65% * #	Investment in and development, operation and management of National Highway 108 Yuci Dongchangshou - Qixian Dongguan Highway in Shanxi, PRC
Shanxi Lutong Taigu Highway Co., Ltd. 山西路通太古公路有限公司	RMB90,480,000	60% * #	Construction and management of Provincial Highway 104 Taiyuan Ximing - Gujiao Highway in Shanxi, PRC

17. INTERESTS IN JOINT VENTURES (Continued)

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

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

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

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

17. INTERESTS IN JOINT VENTURES (Continued)

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

	2005	2004
	HK$'000	HK$'000
Income statement		
Net toll revenue	**2,021,738**	1,661,552
Depreciation charges	**476,635**	384,857
Profit before taxation	**1,049,962**	884,165
The Group's share of profit before taxation less losses	**647,272**	559,615

	2005	2004
	HK$'000	HK$'000
Balance sheet		
Property, plant and equipment	**10,267,802**	9,080,357
Current assets	**841,032**	625,236
Current liabilities	**(551,428)**	(529,755)
Net current assets	**289,604**	95,481
Amounts due to joint venture partners	**(3,063,647)**	(2,929,154)
Net assets	**7,493,759**	6,246,684

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

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

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

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

19. PROPERTIES UNDER DEVELOPMENT FOR SALE

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

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

20. PREPAID LAND LEASES

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

21. INVENTORIES AND GINSENG CROPS

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

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

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

Notes:

(i) Reconciliation of carrying amounts of inventories:

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

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

22. AVAILABLE-FOR-SALE INVESTMENT

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

23. DEBTORS, DEPOSITS AND PREPAYMENTS

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

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

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

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

24. PLEDGED DEPOSITS

The balances were applied towards the debt repayment in 2005.

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

25. SHARE CAPITAL

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

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

26. SHARE OPTION SCHEME

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

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

26. SHARE OPTION SCHEME (Continued)

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

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

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

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

	2005
Exercise price	**HK$5.80**
Expected volatility	**11.25%**
Expected life	**5 years**
Risk-free rate	**4.23%**
Expected dividend yield	**6.02%**

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

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

26. SHARE OPTION SCHEME (Continued)

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

2005

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

26. SHARE OPTION SCHEME (Continued)

2004

Date of grant	Exercisable period	Exercise price HK$	Balance at 1.1.2004	Granted during the year	Exercised during the year	Cancelled during the year	Balance at 31.12.2004
Directors							
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
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
			4,690,000	3,940,000	(636,000)	—	7,994,000
			14,540,000	14,090,000	(1,986,000)	—	26,644,000

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

27. BANK AND OTHER BORROWINGS

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

The maturity of the above loans is as follows:

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

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

Notes:

(i) The guaranteed notes bear interest at a fixed rate of 6.25% per annum and will mature in July 2011. The fair value of the guaranteed notes based on the quoted market price at 31 December 2005 was HK$1,555,013,000 (2004: HK$1,627,556,000).

(ii) Interest rates on the bank loans are floating and determined with reference to either LIBOR or HIBOR.

28. DEFERRED TAX LIABILITIES/(DEFERRED TAXATION ASSETS)

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

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

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

29. CREDITORS AND ACCRUED CHARGES

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

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

30. DERIVATIVE FINANCIAL INSTRUMENTS

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

At 31 December 2005

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

At 31 December 2004

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

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

31. DISPOSAL OF INTEREST IN AN INFRASTRUCTURE JOINT VENTURE

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

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

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

32. RETIREMENT BENEFIT PLANS

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

For the operations in the PRC, the employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government. The subsidiaries are required to contribute a fixed percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligations of the Group with respect to the retirement scheme is to make the specified contributions.

33. OPERATING LEASE COMMITMENTS

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

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

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

34. CAPITAL COMMITMENTS

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

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

35. CONTINGENT LIABILITIES

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

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

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

36. RELATED PARTY TRANSACTIONS

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

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

Compensation of key management personnel

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

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

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

37. PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary shares capital/registered capital held by the Company		Principal activities
				Directly %	Indirectly %	
Chai-Na-Ta Corp.	Canada	Canada	CAD31,170,628	—	78	Production and sale of North American ginseng
Changzhou Great Gallop Properties Developments Limited*	PRC	PRC	US$30,145,300	—	100	Development and sale of properties
Changzhou Greatmind Properties Developments Limited*	PRC	PRC	US$1,812,290	—	100	Development and sale of properties
Guangzhou Junyue Real Estate Limited*	PRC	PRC	HK$48,009,000	—	100	Development and sale of properties
Herb King International Limited	Barbados	#	US$7,510,000	—	100	Investment holding
Road King (China) Infrastructure Limited	British Virgin Islands	PRC	HK$1,300,000,000	100	—	Investment holding
Road King Infrastructure Finance Limited	British Virgin Islands	#	US$1	100	—	Provision of financial services
Road King Infrastructure Finance (2004) Limited	British Virgin Islands	#	US$1	100	—	Provision of financial services
Road King Infrastructure Management Limited	Hong Kong	Hong Kong	HK$2	—	100	Provision of management services

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

* The subsidiary is a wholly foreign owned enterprise.

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

38. SUMMARISED BALANCE SHEET OF THE COMPANY

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