

Notes to the Accounts

1 Significant Accounting Policies

The principal accounting policies applied in the preparation of these accounts are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a Basis of Preparation

The accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ('HKFRS'), and under the historical cost convention, except as disclosed in the accounting policies below.

In 2006, the Group adopted certain new standards and amendments of HKFRSS which were issued and became effective during the year ended 31 December 2006.

The adoption of such standards or amendments does not result in substantial changes to the Group's accounting policies and has no significant effect on the results reported for the year ended 31 December 2006.

The Group has not early adopted the amendments, new standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants ('HKICPA') that are not yet effective for the year ended 31 December 2006, and is in the process of assessing their impact on future accounting periods.

b Basis of Consolidation

The consolidated accounts incorporate the accounts of the Company and all its subsidiary companies made up to the balance sheet date. The results of subsidiary companies acquired or disposed of during the year are included as from the effective dates of acquisition or up to the effective dates of disposal respectively.

c Goodwill

Positive goodwill arising on acquisition of subsidiary companies, jointly controlled entities and associated companies represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Negative goodwill arising on acquisition of subsidiary companies, jointly controlled entities and associated companies represents the excess of the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities acquired over the cost of the acquisition.

Positive goodwill will be stated in the consolidated balance sheet as a separate asset or included within jointly controlled entities and associated companies at cost less accumulated impairment losses and subject to impairment testing at least annually. Negative goodwill is recognised in profit and loss immediately on acquisition.

1 Significant Accounting Policies *continued*

d Subsidiary Companies

A subsidiary company is a company which is controlled by the Company through direct or indirect interest. Control represents the power to govern the financial and operating policies of that company.

Investments in subsidiary companies are carried in the Company's balance sheet at cost less any impairment losses. The results of subsidiary companies are accounted for by the Company on the basis of dividends received and receivable.

e Jointly Controlled Entities

A jointly controlled entity is a joint venture in which the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated profit and loss account includes the Group's share of the results of the jointly controlled entities for the year adjusted by impairment losses, if any. The consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and goodwill on acquisition.

In the Company's balance sheet the investments in jointly controlled entities are stated at cost less any impairment losses. The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

f Associated Companies

Associated companies are companies, other than subsidiary companies and jointly controlled entities, in which the Group holds not more than 50 per cent of their equity share capital for the long term and can exercise significant influence in their management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year adjusted by impairment losses, if any. The consolidated balance sheet includes the Group's share of net assets of the associated companies, after attributing fair values to the net assets at the date of acquisition.

In the Company's balance sheet the investments in associated companies are stated at cost less impairment losses. The results of associated companies are accounted for by the Company on the basis of dividends received and receivable.

g Property, Plant and Equipment

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

Freehold land is not amortised.

Depreciation of the vehicular tunnel was provided with reference to projected usage of the tunnel as compared to the actual tunnel usage.

Property, plant and equipment are depreciated at rates sufficient to write off their cost, less impairment losses, if any, over their estimated useful lives on a straight line basis at the following annual rates:

- Buildings: 2% – 4% or the remaining lease period of the land
- Plant and machinery: 9% – 20%
- Other property, plant and equipment, comprising telecommunications equipment, traffic equipment, cargo lighters, computer installations, motor vehicles, furniture, fixtures and equipment: 10% – 25%

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

1 Significant Accounting Policies *continued*

h Investment Properties

Investment properties are interests in land and / or buildings in respect of which construction work and development have been completed and which are held for their investment potential, these include land held for a currently undetermined future use.

Investment properties are stated in the balance sheet at fair value and reviewed annually. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss account.

i Properties under Development

Properties under development consist of investments in land for development and buildings under construction and development pending any positive intention either to retain them for investment purposes or to sell them for proceeds. Investments in leasehold land are amortised over the lease term of the land, and are stated at cost less accumulated amortisation and any accumulated impairment losses. Such amortisation cost will be capitalised as the cost of buildings during the construction period. The investments in buildings under construction and development are stated at cost less any accumulated impairment losses.

j Capitalisation of Development Costs

Property development expenditure, inclusive of interest and professional fees, is capitalised as cost of development.

Borrowing costs incurred on assets under development that take a substantial period of time to get ready for their intended use or sale are capitalised into the carrying value of the assets under development.

The capitalisation rate applied to funds borrowed for the development of the assets is based on the attributable cost of funds to the Group.

All other borrowing costs are charged to the profit and loss account in the period in which they are incurred.

k Properties Held for Sale

Properties held for sale consisting of leasehold land and building cost are classified under current assets and stated at the lower of cost and net realisable value. Leasehold land is stated at cost less accumulated amortisation and any impairment loss. Building costs are stated at cost less any impairment loss.

l Leasehold Land

Leasehold land comprise land held under operating lease arrangements and are amortised on a straight-line basis over the lease terms.

m Intangible Assets

Intangible assets comprise goodwill and expenditure on mining rights. The accounting policy for goodwill is outlined in accounting policy 1(c) on page 83.

Expenditure on mining rights which gives rise to future economic benefits is capitalised as part of intangible assets and is amortised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

1 Significant Accounting Policies *continued*

n Trade and Other Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flow, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

o Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

p Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

q Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

r Revenue Recognition

i) Motor vehicles

Revenue arising from the sale of motor vehicles is recognised when the registration document is issued or on delivery of motor vehicles, whichever is earlier, which are taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes any government taxes and is after deduction of any trade discounts.

ii) Sales of properties under development and properties held for sale

Revenue from sales of properties under development is only recognised when the significant risks and rewards of ownership have been transferred to the buyer. The Group considers that the significant risks and rewards of ownership are transferred when the buildings contracted for sales are completed and the relevant permits essential for the delivery of the properties have been issued by the authorities.

Income from properties held for sale is recognised at the date when sale agreement is signed.

1 Significant Accounting Policies *continued*

r Revenue Recognition *continued*

iii) Sales of goods

Revenue arising from the sale of goods is recognised on the delivery of goods to customers. Revenue is determined after deduction of any trade discounts.

iv) Income from co-operative joint venture

Other income or dividend from co-operative joint venture is recognised when the right to receive is established.

Income from disposal of co-operative joint venture is recognised at the date when sale agreement is signed.

v) Rendering of services

Commission income and revenue arising from the rendering of repairing services are recognised when the goods concerned are sold to customers and when the relevant work is completed respectively.

vi) Revenue from the provision of telecommunications services is recognised upon delivery of the services.

vii) Rental income

Rental income is recognised on a straight-line basis over the period of the relevant leases.

viii) Dividend income

Dividend income is recognised when the right to receive the dividend is established.

Dividends proposed or declared after their balance sheet date by companies in which the Group has an investment are not recognised as revenue at the balance sheet date but on the date when the right to receive is established.

s Financial Instruments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date.

These are classified as non-current assets. Loans and receivables are included in debtors, accounts receivable, deposits and prepayments in the notes to the accounts.

1 Significant Accounting Policies *continued*

S Financial Instruments *continued*

iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are recognised on trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs and are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Available-for-sale investments are carried at fair value or cost less impairment losses if their fair value cannot be reliably measured. Gains and losses arising from changes in fair value are recognised in investment revaluation reserve. On the disposal of the investment or when an investment is determined to be impaired, the cumulative gain or loss previously recognised in investment revaluation reserve will be transferred to the profit and loss account.

iv) Derivative financial instruments

Derivatives are stated at fair value. The gain or loss on changes in fair value is recognised generally in the profit and loss account unless the derivative qualifies for hedge accounting. Where a derivative qualifies for hedge accounting and is designated as a cash flow hedge, the effective part and the ineffective part of any unrealised gain or loss on the instrument is recognised directly in hedging reserve and in the profit and loss account respectively. The cumulative gain or loss associated with the effective part of the cash flow hedge recorded in hedging reserve will be recognised in the profit and loss account in the same period or periods during which the gain or loss arising from the hedged transaction is recognised in the profit and loss account.

t Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals payable and receivable under operating leases are accounted for on a straight line basis over the respective periods of the leases.

u Impairment of assets

The Group reviews the carrying amounts of assets including goodwill for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are considered to be impaired, the impairment to be recognised in the profit and loss account is measured by the amount by which the carrying amount of the assets exceeds the recoverable amount.

v Inventories

Inventories comprising mainly motor vehicles, spare parts, electrical appliances, food, trading items and steels are valued at the lower of cost and net realisable value. Cost represents the actual cost of purchase or production and is calculated on the first-in first-out, specific identification or weighted average basis as appropriate. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

1 Significant Accounting Policies *continued*

W Foreign Currencies

The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

Transactions in foreign currencies are translated into Hong Kong dollars at the rates ruling at the transaction dates.

Assets and liabilities of subsidiary companies, jointly controlled entities and associated companies, together with all other monetary assets and liabilities expressed in foreign currencies, are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Results in foreign currencies are translated at the average rates of exchange ruling during the year.

Exchange differences arising from the retranslation of the net investment in foreign entities, and of financial instruments which are designated as hedges of such investment, are taken directly to exchange reserve. On the disposal of these investments, such exchange differences are recognised in the consolidated profit and loss account as part of the profit or loss on disposal. All other exchange differences are dealt with in the consolidated profit and loss account.

Goodwill and fair value adjustments arising on acquisition of a foreign entity after 1 January 2005 are treated as assets and liabilities of the foreign entity and translated at the rate of exchange ruling at the balance sheet date, such differences are taken directly to exchange reserve.

X Deferred Taxation

A balance sheet liability method is adopted whereby deferred tax is recognised in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts. Provision for withholding tax that will arise on the remittance of retained earnings is only made where there is a current intention to remit such earnings. Deferred tax assets are recognised to the extent that the future utilisation is probable.

Deferred tax arising from revaluation of the investment properties is recognised on the basis that the recovery of the carrying amount of the properties would be through use and calculated at the applicable profits tax rate.

Y Share-based Payment

The Group operates a share option scheme. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense over the vesting period with a corresponding increase in capital reserve. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable and recognises the impact of the revision, if any, in the consolidated profit and loss account.

2 Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i) Investment properties

The fair values of investment properties are determined annually by independent qualified valuers on open market value in existing use basis calculated on the net income allowing for reversionary potential.

In making the judgment, considerations have been given to assumptions that are mainly based on market conditions existing at the balance sheet date and appropriate capitalisation rates.

ii) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 1(u). For the purposes of impairment testing goodwill acquired has been allocated to individual cash-generated units which are reviewed for impairment based on forecast operating performance and cash flows. The recoverable amount of an asset or a cash-generating unit has been determined based on value-in-use calculations. Cash flow projections are prepared on the basis of reasonable assumptions reflective of prevailing and future market conditions, and are discounted appropriately.

iii) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Recognition of deferred tax assets, which principally related to tax losses, depends on the management's expectation of future taxable profit that will be available against which the tax losses can be utilised. The outcome of their actual utilisation may be different.

3 Turnover

The principal activity of the Company is holding its subsidiary companies and the principal activities of its principal subsidiary companies are set out in Note 31 to the accounts.

Turnover of the Group comprises the total invoiced value of goods supplied net of government taxes where applicable, and services rendered to customers, fees from provision of telecommunication services, gross proceeds from sale of investments and properties, amounts received and receivable in respect of dividends, income from co-operative joint ventures, toll income, gross property rental and godown and cold storage income, analysed as follows:

<i>in HK\$ million</i>	2006	Group 2005
Sales of goods	27,613	22,255
Services rendered to customers	2,214	1,669
Gross proceeds from aviation restructuring	7,731	–
Properties sales and rental income	8,320	1,409
Toll income	679	607
Others	492	624
	47,049	26,564

4 Segment Information

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

a Turnover and Segment Profit

An analysis of the Group's turnover and profit from consolidated activities and share of results of jointly controlled entities and associated companies by business are as follows:

in HK\$ million	turnover		profit from consolidated activities		share of results of jointly controlled entities		share of results of associated companies		group total		segment allocations		segment profit	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Special Steel	15,278	12,160	1,809	1,083	119	-	-	-	1,928	1,083	-	-	1,928	1,083
Property (Note)	8,320	1,409	1,942	675	-	-	276	495	2,218	1,170	84	78	2,302	1,248
Aviation	7,731	-	2,236	-	(1)	44	1,037	1,006	3,272	1,050	-	-	3,272	1,050
Power Generation	2	155	(151)	121	425	245	(7)	(2)	267	364	-	-	267	364
Civil Infrastructure	717	637	501	427	120	114	55	50	676	591	-	-	676	591
Marketing & Distribution (Note)	13,222	10,984	437	377	36	28	(23)	(8)	450	397	(84)	(78)	366	319
Communications	1,731	1,219	78	4	215	(140)	105	110	398	(26)	-	-	398	(26)
Others	48	-	(93)	-	119	36	-	-	26	36	-	-	26	36
Change in Fair Value of Investment Properties	-	-	735	520	-	-	439	333	1,174	853	-	-	1,174	853
Less: General and Administration Expenses	-	-	(569)	(369)	-	-	-	-	(569)	(369)	-	-	(569)	(369)
	47,049	26,564	6,925	2,838	1,033	327	1,882	1,984	9,840	5,149	-	-	9,840	5,149
Net finance charges													(481)	(507)
Taxation													(644)	(345)
Profit for the year													8,715	4,297

Note:

The presentation of segment turnover is same as turnover with an exception of segment allocations attributable to property segment as disclosed above.

An analysis of the Group's turnover by geographical area is as follows:

in HK\$ million	Group	
	2006	2005
Hong Kong	23,106	8,756
Mainland China	22,278	16,452
Overseas	1,665	1,356
	47,049	26,564

4 Segment Information *continued*

b Assets and Liabilities

An analysis of the Group's segment assets and liabilities by business segment is as follows:

<i>in HK\$ million</i>	segment assets		investments in jointly controlled entities		investments in associated companies		segment liabilities		total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Special Steel	12,835	12,101	3,158	967	-	-	(3,831)	(3,589)	12,162	9,479
Iron Ore Mining	2,390	-	-	-	-	-	(60)	-	2,330	-
Property	14,925	13,602	2,347	1,101	4,676	8,996	(1,109)	(1,046)	20,839	22,653
Aviation	7	-	604	582	9,232	11,815	-	-	9,843	12,397
Power Generation	448	204	3,812	3,576	1,995	1,906	(11)	(34)	6,244	5,652
Civil Infrastructure	1,125	1,217	1,775	1,534	93	91	(43)	(36)	2,950	2,806
Marketing & Distribution	5,564	4,946	289	277	210	194	(1,677)	(1,337)	4,386	4,080
Communications	1,175	1,032	1,553	1,179	300	298	(546)	(402)	2,482	2,107
Others	2,586	635	1,513	1,367	-	-	-	-	4,099	2,002
Segment assets / (liabilities)	41,055	33,737	15,051	10,583	16,506	23,300	(7,277)	(6,444)	65,335	61,176
Corporate	3,945	2,890	-	-	-	-	(19,101)	(21,442)	(15,156)	(18,552)
Provision for taxation									(319)	(199)
Net deferred tax liabilities									(1,851)	(1,229)
									48,009	41,196

An analysis of the Group's segment assets by geographical area is as follows:

<i>in HK\$ million</i>	2006	Group 2005
Hong Kong	13,342	11,638
Mainland China	24,296	21,116
Overseas	3,417	983
	41,055	33,737

5 Profit from Consolidated Activities

<i>in HK\$ million</i>	2006	Group 2005
<i>The profit from consolidated activities is arrived at after crediting</i>		
Dividend income from other financial assets	9	155
Rental income from investment properties		
Gross income	515	461
Less: Direct outgoings	(77)	(87)
	438	374
other operating leases	133	130
Profit on disposal of subsidiary companies and associated companies	3,507	362

<i>in HK\$ million</i>	2006	Group 2005
<i>And after charging</i>		
Cost of inventories	23,458	19,261
The following expenses are included in cost of sales, distribution and selling expenses and other operating expenses:		
Staff costs	1,868	1,548
Depreciation of property, plant and equipment	1,034	774
Amortisation of leasehold land	47	38
Other operating expenses	2,845	2,196
Auditors' remuneration	18	16
Contributions to staff retirement schemes	99	86
Impairment losses on other financial assets (Note)	105	19
Impairment losses on property, plant and equipment (Note)	120	–
Impairment losses on jointly controlled entities (Note)	152	–
Impairment loss on properties held for sale (Note)	–	77
Management fee payable to CITIC Hong Kong (Holdings) Limited ('CITIC HK'), a substantial shareholder of the Company	2	2
Operating lease rentals land and buildings	136	122

Note:

Impairment losses represents to special steel of HK\$88 million (2005: HK\$nil), power generation of HK\$154 million (2005: HK\$19 million), property of HK\$nil (2005: HK\$77 million), communication of HK\$32 million (2005: HK\$nil) and others of HK\$103 million (2005: HK\$nil million).

The Group's total future minimum lease payments receivable under non-cancellable operating leases are as follows:

<i>in HK\$ million</i>	2006	2005
Within 1 year	428	400
After 1 year but within 5 years	353	323
After 5 years	17	7
	798	730

6 Net Finance Charges

<i>in HK\$ million</i>	2006	Group 2005
<i>Finance charges</i>		
Interest expense		
Bank loans and overdrafts wholly repayable within five years	520	325
Bank loans not wholly repayable within five years	35	24
Other loans wholly repayable within five years	338	90
Other loans not wholly repayable within five years	20	268
	913	707
Amount capitalised	(323)	(111)
	590	596
Exchange gain	(5)	(10)
Other finance charges	63	36
Fair value gains on financial instruments	(8)	(62)
	640	560
<i>Finance income</i>		
Interest income	(159)	(53)
	481	507

7 Taxation

Hong Kong profits tax has been calculated at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year. Overseas taxation has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates. Tax provisions are reviewed regularly to take into account changes in legislation, practice and status of negotiations.

<i>in HK\$ million</i>	2006	Group 2005
<i>Current income tax</i>		
Hong Kong profits tax	188	165
Overseas taxation	309	105
<i>Deferred taxation (Note 26)</i>		
Change in fair value of investment properties	123	70
Origination and reversal of other temporary difference	24	5
	644	345

7 Taxation *continued*

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

<i>in HK\$ million</i>	2006	Group 2005
Profit before taxation	9,359	4,642
Less: share of results of jointly controlled entities	(1,033)	(327)
associated companies	(1,882)	(1,984)
	6,444	2,331
Calculated at taxation rate of 17.5% (2005: 17.5%)	1,128	408
Effect of different taxation rates in other countries	119	(74)
Income and expenses not subject to taxation	(550)	(64)
Utilisation of unrecognised tax losses this year and net of tax losses not recognised	(42)	14
(Over) / under provision in prior years	(26)	31
Others	15	30
Taxation charge	644	345

8 Profit Attributable to Shareholders of the Company

The Group's profit attributable to shareholders of the Company is dealt with in the accounts of the Company to the extent of HK\$7,965 million (2005: HK\$1,995 million).

9 Dividends

<i>in HK\$ million</i>	2006	2005
2005 Final dividend paid: HK\$0.80 (2004: HK\$0.80) per share	1,755	1,754
Interim		
2006 Interim dividend paid: HK\$0.30 (2005: HK\$0.30) per share	658	658
2006 Special dividend paid: HK\$0.30 (2005: Nil) per share	658	–
Final		
2006 Final dividend proposed: HK\$0.80 (2005: HK\$0.80) per share	1,756	1,754
2006 Special dividend proposed: HK\$0.30 (2005: Nil) per share	659	–
	3,731	2,412
Dividend per share (HK\$)	1.70	1.10

10 Earnings per Share

The calculation of earnings per share is based on profit attributable to shareholders of HK\$8,272 million (2005: HK\$3,989 million).

The basic earnings per share is based on the weighted average number of 2,193,921,689 shares in issue during the year (2005: 2,192,532,243 shares in issue). The diluted earnings per share is based on 2,198,341,170 shares (2005: 2,195,068,005 shares) which is the weighted average number of shares in issue during the year plus the weighted average number of 4,419,481 shares (2005: 2,535,762 shares) deemed to be issued at no consideration if all outstanding options had been exercised.

11 Directors Emoluments

The remuneration of every Director for the year ended 31 December 2006 is set out below:

<i>in HK\$ million</i> name of director	fees	salaries, allowances and benefits in kind	discretionary bonuses	retirement benefits	share-based payment	2006 total	2005 total
Larry Yung Chi Kin [#]	0.15	3.21	40.00	0.01	7.84	51.21	28.96
Henry Fan Hung Ling [#]	0.15	3.00	34.00	0.01	6.27	43.43	24.94
Peter Lee Chung Hing [#]	0.15	1.69	27.00	0.08	4.70	33.62	18.91
Carl Yung Ming Jie [#]	0.15	0.84	5.00	0.04	2.35	8.38	2.53
Leslie Chang Li Hsien [#]	0.15	1.38	10.00	0.06	3.14	14.73	7.23
Vernon Francis Moore [#]	0.15	2.00	5.00	0.01	2.74	9.90	6.15
Li Shilin [#]	0.15	0.49	1.00	–	–	1.64	1.64
Liu Jifu [#]	0.15	0.55	7.00	0.07	2.74	10.51	5.65
Chau Chi Yin [#]	0.11	1.07	6.00	0.05	3.14	10.37	–
Milton Law Ming To [#]	0.11	0.98	6.00	0.05	3.14	10.28	–
Wang Ande [#]	0.11	0.40	3.00	–	1.96	5.47	–
Norman Yuen Kee Tong [#]	0.15	4.31	5.00	0.14	1.96	11.56	9.58
Yao Jinrong [#]	0.04	0.16	–	–	–	0.20	2.29
Willie Chang	0.30	–	–	–	–	0.30	0.30
Hamilton Ho Hau Hay	0.15	–	–	–	–	0.15	0.15
Alexander Reid Hamilton	0.30	–	–	–	–	0.30	0.30
Hansen Loh Chung Hon	0.25	–	–	–	–	0.25	0.25
Norman Ho Hau Chong	0.20	–	–	–	–	0.20	0.20
André Desmarais	0.15	–	–	–	–	0.15	0.15
Chang Zhenming	0.06	–	1.00	–	–	1.06	0.43
	3.13	20.08	150.00	0.52	39.98	213.71	109.66

The five highest paid individuals of the Group during the year were also directors and their emoluments are reflected in the analysis presented above.

During the year, 10,200,000 share options were granted (2005: Nil) to directors of the Company under the CITIC Pacific Share Incentive Plan 2000.

Mr Yao Jinrong resigned during the year.

The executive directors marked ‘[#]’ of the above being considered as key management personnel of the Group.

12 Retirement Benefits

With the consent of the majority of its members, the Group ceased making contributions to The CITIC Group Retirement Plan ('ORSO Plan'), one of its principal retirement schemes in Hong Kong, with effect from 1 August 2003. The ORSO Plan will be operated as a closed fund and continue to be managed by an independent trustee according to the provisions of the Trust Deed and Rules.

All ORSO Plan members were enrolled onto the CITIC Group Mandatory Provident Fund Scheme ('MPF Scheme'), with a choice of either the Fidelity Retirement Master Trust or the Hang Seng Mandatory Provident Fund – SuperTrust. Contributions to the MPF Scheme as well as forfeited amounts derived from the employer voluntary contributions are administered in accordance with the terms and provisions of the master trusts.

Assets of the ORSO Plan and the MPF Scheme are held separately in funds under the custody of the respective trustees.

Retirement benefits for employees in China and other locations are based primarily on local mandatory requirements.

13 Fixed Assets

a Group

<i>In HK\$ million</i>	property, plant and equipment					sub-total	investment properties	properties under development	leasehold land	total
	self-used properties	vehicular tunnel	plant and machinery	others (Note iii)						
<i>Cost or valuation</i>										
At 1 January 2005	2,363	1,992	3,869	2,773	10,997	8,115	1,725	1,802	22,639	
Exchange adjustments	16	–	83	18	117	(35)	18	13	113	
Additions										
through acquisition of subsidiary companies	491	–	1,095	3	1,589	–	271	30	1,890	
others	30	8	413	1,533	1,984	–	1,323	21	3,328	
Capitalised leasehold land amortisation	–	–	–	–	–	–	27	–	27	
Disposals										
through disposal of subsidiary companies	–	–	–	(31)	(31)	–	(520)	–	(551)	
others	(10)	–	(42)	(210)	(262)	(3)	(56)	–	(321)	
Change in fair value of investment properties	–	–	–	–	–	520	–	–	520	
Transfer from / (to) other assets	–	–	–	–	–	6	(910)	–	(904)	
Reclassification	276	–	(139)	(169)	(32)	42	(2)	(8)	–	
At 31 December 2005	3,166	2,000	5,279	3,917	14,362	8,645	1,876	1,858	26,741	
<i>Accumulated depreciation, amortisation and impairment</i>										
At 1 January 2005	519	714	1,004	1,416	3,653	–	53	206	3,912	
Exchange adjustments	2	–	24	6	32	–	–	–	32	
Charge for the year	69	94	347	264	774	–	27	34	835	
Written back on disposals										
through disposal of subsidiary companies	–	–	–	(4)	(4)	–	–	–	(4)	
others	(5)	–	(21)	(130)	(156)	–	–	–	(156)	
Transfer to property held for sale	–	–	–	–	–	–	(53)	–	(53)	
Reclassification	1	–	(1)	–	–	–	–	–	–	
At 31 December 2005	586	808	1,353	1,552	4,299	–	27	240	4,566	
<i>Net book value</i>										
At 31 December 2005	2,580	1,192	3,926	2,365	10,063	8,645	1,849	1,618	22,175	
<i>Represented by</i>										
Cost	3,166	2,000	5,279	3,917	14,362	–	1,876	1,858	18,096	
Valuation	–	–	–	–	–	8,645	–	–	8,645	
	3,166	2,000	5,279	3,917	14,362	8,645	1,876	1,858	26,741	

13 Fixed Assets *continued*

a Group *continued*

<i>In HK\$ million</i>	property, plant and equipment					investment properties	properties under development	leasehold land	total
	self-used properties	vehicular tunnel	plant and machinery	others (Note iii)	sub-total				
<i>Cost or valuation</i>									
At 1 January 2006	3,166	2,000	5,279	3,917	14,362	8,645	1,876	1,858	26,741
Exchange adjustments	81	-	219	68	368	109	37	27	541
Additions through acquisition of subsidiary companies	79	-	9	67	155	-	-	50	205
others	323	-	586	774	1,683	18	1,849	61	3,611
Capitalised leasehold land amortisation	-	-	-	-	-	-	21	-	21
Disposals through disposal of subsidiary companies	-	-	-	-	-	-	(165)	-	(165)
others	(125)	-	(289)	(216)	(630)	(18)	(313)	-	(961)
Change in fair value of investment properties	-	-	-	-	-	735	-	-	735
Transfer to properties held for sales / inventories	-	-	-	(6)	(6)	-	(442)	-	(448)
Transfer upon completion	736	-	818	(1,554)	-	115	(110)	(5)	-
At 31 December 2006	4,260	2,000	6,622	3,050	15,932	9,604	2,753	1,991	30,280
<i>Accumulated depreciation, amortisation and impairment</i>									
At 1 January 2006	586	808	1,353	1,552	4,299	-	27	240	4,566
Exchange adjustments	22	-	86	9	117	-	1	2	120
Charge for the year	159	90	520	265	1,034	-	28	37	1,099
Acquisition of subsidiary companies	11	-	2	6	19	-	-	-	19
Written back on disposals others	(6)	-	(105)	(135)	(246)	-	(15)	-	(261)
Impairment loss	-	-	88	32	120	-	-	-	120
Transfer to other assets	-	-	-	(4)	(4)	-	-	-	(4)
Reclassification	(2)	-	2	-	-	-	-	-	-
At 31 December 2006	770	898	1,946	1,725	5,339	-	41	279	5,659
<i>Net book value</i>									
At 31 December 2006	3,490	1,102	4,676	1,325	10,593	9,604	2,712	1,712	24,621
<i>Represented by</i>									
Cost	4,260	2,000	6,622	3,050	15,932	-	2,753	1,991	20,676
Valuation	-	-	-	-	-	9,604	-	-	9,604
	4,260	2,000	6,622	3,050	15,932	9,604	2,753	1,991	30,280

Notes:

- i) Interest capitalised in properties under development amounts to HK\$81 million (2005: HK\$58 million).
- ii) As at 31 December 2006, certain of the Group's self-used properties and plant and machinery with the aggregate carrying value of HK\$500 million (2005: HK\$483 million) were pledged to secure banking facilities granted to a subsidiary company.
- iii) Other property, plant and equipment comprise traffic equipment, cargo lighters, computer installations, telecommunications equipment, motor vehicles and furniture, fixtures and equipment.

13 Fixed Assets *continued*

a Group *continued*

<i>in HK\$ million</i>	2006	Group 2005
<i>Analysis of additions by business</i>		
Special Steel	1,716	3,328
Iron Ore Mining	8	–
Property	1,471	1,613
Civil Infrastructure	4	9
Marketing & Distribution	444	145
Communication	164	123
Corporate	9	–
	3,816	5,218
<i>Analysis of additions by geographical area</i>		
Hong Kong	215	197
Mainland China	3,580	5,012
Overseas	21	9
	3,816	5,218
<i>Analysis of depreciation and amortisation by business</i>		
Special Steel	652	406
Property	91	97
Civil Infrastructure	93	96
Marketing & Distribution	139	132
Communication	112	104
Corporate	12	–
	1,099	835

b Company

<i>in HK\$ million</i>	2006	motor vehicles, equipment, furniture and fixtures 2005
<i>Cost</i>		
At 1 January	101	99
Additions	7	5
Disposals	(5)	(3)
At 31 December	103	101
<i>Accumulated depreciation</i>		
At 1 January	74	66
Charge for the year	10	11
Written back on disposals	(5)	(3)
At 31 December	79	74
<i>Net book value</i>		
At 31 December	24	27

13 Fixed Assets *continued*

c The tenure of the properties of the Group is as follows:

<i>in HK\$ million</i>	self-used properties		investment properties		properties under development		leasehold land		total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
<i>Leasehold properties held</i>										
<i>In Hong Kong</i>										
Leases of over 50 years	24	24	751	682	–	–	–	–	775	706
Leases of between 10 to 50 years	1,032	1,030	3,743	3,287	24	–	1,143	1,143	5,942	5,460
Leases of less than 10 years	76	76	–	–	–	–	–	–	76	76
<i>In Mainland China</i>										
Leases of over 50 years	–	–	1,184	950	2,333	1,498	–	–	3,517	2,448
Leases of between 10 to 50 years	2,875	1,811	3,611	3,464	396	378	848	715	7,730	6,368
Leases of less than 10 years	28	–	–	–	–	–	–	–	28	–
<i>Properties held overseas</i>										
Freehold	225	225	315	262	–	–	–	–	540	487
	4,260	3,166	9,604	8,645	2,753	1,876	1,991	1,858	18,608	15,545

d The investment properties were revalued at 31 December 2006 by the following independent, professionally qualified valuers.

properties located in	valuers
Hong Kong and Shanghai	Knight Frank Petty Limited
Japan	Tekko Building Co., Limited

e Fixed assets and properties held for sale under current assets of the Group let under operating leases to generate rental income are as follows:

<i>in HK\$ million</i>	investment properties	self-used properties	other fixed assets	fixed assets total	properties held for sale
Cost or valuation	9,604	22	232	9,858	310
Accumulated depreciation / amortisation	–	(3)	(124)	(127)	(58)
Net book value at 31 December 2006	9,604	19	108	9,731	252
Depreciation charges / amortisation charges for the year	–	1	38	39	3

14 Subsidiary Companies

<i>in HK\$ million</i>	Company 2006	Company 2005
Unlisted shares, at cost less impairment losses	868	364
Amounts due by subsidiary companies	48,458	48,173
Amounts due to subsidiary companies	(7,192)	(7,441)
	42,134	41,096

Particulars of the principal subsidiary companies are shown in Note 31.

15 Jointly Controlled Entities

<i>in HK\$ million</i>	2006	Group 2005
Share of net assets	12,632	8,279
Goodwill		
At 1 January	341	208
Addition	192	133
At 31 December	533	341
	13,165	8,620
Loans due from jointly controlled entities (Note b)	2,036	2,105
Loans due to jointly controlled entities (Note b)	(150)	(142)
	15,051	10,583

<i>in HK\$ million</i>	2006	Company 2005
Unlisted shares, at cost	2,115	1,524
Loan due from jointly controlled entities	477	475
Loan due to jointly controlled entities	(147)	(140)
	2,445	1,859

Note:

- a. Included in jointly controlled entities is Western Harbour Tunnel Company Limited ('WHTCL') whose year end is 31 July which is not coterminous with the Group. The results of WHTCL has been equity accounted for based on its management accounts for the period from 1 January 2006 to 31 December 2006.
- b. Loans due from jointly controlled entities and loans due to jointly controlled entities are interest bearing at market rates except for an amount of approximately HK\$529 million loans to jointly controlled entities (2005: HK\$1,050 million loans to jointly controlled entities), which are non-interest bearing. These loans have no fixed repayment terms.
- c. The following amounts represent the Group's share of the assets and liabilities, and sales and results of jointly controlled entities and are included in the consolidated balance sheet and profit and loss account using the equity method:

<i>in HK\$ million</i>	2006	2005
Assets		
Non-current assets	18,114	13,044
Current assets	14,620	7,644
	32,734	20,688
Liabilities		
Non-current liabilities	(10,276)	(7,686)
Current liabilities	(10,357)	(5,207)
	(20,633)	(12,893)
Net assets	12,101	7,795
Income	8,308	5,419
Expenses	(7,425)	(5,114)
Profit for the year	883	305
Proportionate share of jointly controlled entities' capital commitment	402	698

d. Particulars of the principal jointly controlled entities are shown in Note 31.

16 Associated Companies

<i>in HK\$ million</i>	2006	Group 2005
Share of net assets	12,114	16,087
Goodwill		
At 1 January	1,829	1,825
Addition	–	9
Disposal	(385)	(5)
At 31 December	1,444	1,829
Loans due from associated companies (Note b)	2,969	5,406
Loans due to associated companies (Note b)	(21)	(22)
	16,506	23,300
<i>Investment at cost</i>		
Unlisted shares	4,593	5,299
Shares listed in Hong Kong	6,253	6,995
	10,846	12,294
Market value of listed shares	13,194	11,644
<i>in HK\$ million</i>	2006	Company 2005
<i>Investment at cost</i>		
Unlisted shares	2,197	2,197
Shares listed in Hong Kong	931	931
	3,128	3,128
Loans due from associated companies	2,516	2,522
Loans due to associated companies	(18)	(19)
	5,626	5,631
Market value of listed shares	1,373	970

Dividend income from associated companies during the year is as follows:

<i>in HK\$ million</i>	2006	Group 2005
Listed associated companies	632	559
Unlisted associated companies	262	546
	894	1,105

Note:

- Included in associated companies is Hong Kong Resort Company Limited ('HKR') whose year end is 31 March which is not coterminous with the Group. The results of HKR has been equity accounted for based on its management accounts for the period from 1 January 2006 to 31 December 2006.
- Loans due from associated companies and loans due to associated companies are interest bearing at market rates except for an amount of approximately HK\$60 million (2005: HK\$14 million) loans from / to associated companies, which are non-interest bearing. These loans have no fixed repayment terms.
- Particulars of the principal associated companies are shown in Note 31.

16 Associated Companies *continued*

Summarised financial information of the associated companies on a gross basis:

<i>in HK\$ million</i>	2006	Group 2005
Assets	176,945	154,959
Liabilities	114,552	97,108
Revenue	77,903	69,721
Profit	6,184	5,957

17 Other Financial Assets

<i>in HK\$ million</i>	2006	Group 2005
<i>Co-operative joint ventures</i>		
Unlisted investments, at fair value	65	65
Amounts due by co-operative joint ventures	37	53
	102	118
<i>Listed investments, at fair value</i>		
Shares listed in Hong Kong	2,591	530
Shares listed in overseas	112	144
	2,703	674
<i>Unlisted investments</i>		
Shares, at cost	26	26
Add: Advances made	14	16
	40	42
Less: Impairment	(25)	(25)
	15	17
Less: Advances received	(1)	(2)
	14	15
Performance guarantee deposit	-	122
	2,819	929

Particulars of the principal co-operative joint ventures are shown in Note 31.

18 Intangible Assets

<i>in HK\$ million</i>	goodwill	mining right	total
<i>Cost</i>			
At 1 January 2006	603	–	603
Additions	565	1,865	2,430
Disposals	(22)	–	(22)
At 31 December 2006	1,146	1,865	3,011
<i>Accumulated impairment losses</i>			
At 1 January 2006	–	–	–
Impairment charge	25	–	25
At 31 December 2006	25	–	25
<i>Net book value</i>			
At 31 December 2006	1,121	1,865	2,986
<i>Cost and net book value</i>			
At 1 January 2005	507	–	507
Fair value adjustments	55	–	55
Additions	41	–	41
Disposals	–	–	–
At 31 December 2005	603	–	603

Analysed by:

<i>in HK\$ million</i>	2006		2005
	goodwill	mining rights	goodwill
Special Steel	57	–	74
Iron Ore Mining	507	1,865	–
Property	297	–	235
Civil Infrastructure	7	–	7
Marketing & Distribution	170	–	169
Communications	83	–	118
	1,121	1,865	603

19 Inventories

<i>in HK\$ million</i>	2006	2005
Raw materials	842	652
Work-in-progress	520	506
Finished goods	2,482	2,182
Others	76	87
	3,920	3,427

20 Debtors, Accounts Receivable, Deposits and Prepayments

<i>in HK\$ million</i>	2006	Group 2005	2006	Company 2005
<i>Trade debtors</i>				
Within 1 year	2,150	1,649	–	–
Over 1 year	24	45	–	–
	2,174	1,694	–	–
Accounts receivable, deposits and prepayments	3,979	3,997	259	138
	6,153	5,691	259	138

Note:

- i) Trade debtors are net of provision and the ageing is classified based on invoice date.
- ii) The Group has a defined credit policy for the respective business units.
- iii) The carrying amounts of debtors, accounts receivable, deposits and prepayments approximates their fair value.
- iv) Accounts receivable, deposits and prepayments included derivative financial assets of HK\$14 million (2005: HK\$12 million).

21 Creditors, Accounts Payable, Deposits and Accruals

<i>in HK\$ million</i>	2006	Group 2005	2006	Company 2005
<i>Trade creditors</i>				
Within 1 year	2,553	2,464	–	–
Over 1 year	314	214	–	–
	2,867	2,678	–	–
Accounts payable, deposits and accruals	5,163	3,950	99	120
	8,030	6,628	99	120

Note:

- i) Accounts payable, deposits and accruals included derivative financial liabilities of HK\$9 million (2005: HK\$17 million).
- ii) The carrying amounts of creditors, accounts payable, deposits and accruals approximate their fair value.

22 Share Capital

	number of shares of HK\$0.40 each	HK\$ million
<i>Authorised</i>		
At 31 December 2005 and 2006	3,000,000,000	1,200
<i>Issued and fully paid</i>		
At 1 January 2006	2,192,920,160	877
Issue of shares pursuant to the Plan	4,311,000	2
Repurchase during the year	(1,627,000)	(1)
At 31 December 2006	2,195,604,160	878

Changes during the year:

During the year, the Company repurchased a total of 1,627,000 of its own shares on The Stock Exchange of Hong Kong Limited, all of which have been cancelled, as follows:

month / year	number of shares repurchased	total purchase price HK\$ million	purchase price per share highest HK\$	lowest HK\$
June 2006	1,627,000	35	22.00	21.50

Changes subsequent to the year end:

Since 1 January 2007 to the date of this report, the Company issued and allotted a total of 3,350,000 shares at HK\$18.20 per share, 3,349,000 shares at HK\$19.90 per share and 130,000 shares at HK\$22.10 per share upon the exercise of share options which were granted under the Plan.

22 Share Capital *continued*

Share Option Plan:

Under the CITIC Pacific Share Incentive Plan 2000 ('the Plan') adopted on 31 May 2000, the Board may invite any director, executive or employee of the Company or any of its subsidiary companies to subscribe for options over the Company's shares on payment of HK\$1 per acceptance. The subscription price determined by the Board will be at least the higher of (i) the closing price of the Company's share as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the Company's share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant and (iii) the nominal value of the Company's shares. The maximum number of shares over which options may be granted under the Plan shall not exceed 10% of (i) the issued share capital of the Company from time to time or (ii) the issued share capital of the Company as at the date of adopting the Plan, whichever is the lower.

Since adoption of the Plan, the Company have granted three lots of share options on 28 May 2002, 1 November 2004 and 20 June 2006 respectively. On 28 May 2002 options to subscribe for a total of the 11,550,000 shares in the Company representing 0.53% of the issued share capital, at the exercise price of HK\$18.20 per share, were granted under the Plan. The closing price of the Company's shares immediately before the date of grant was HK\$18.10. On 1 November 2004 options to subscribe for a total of the 12,780,000 shares in the Company representing 0.58% of the issued share capital, at the exercise price of HK\$19.90 per share, were granted under the Plan. The closing price of the Company's shares immediately before the date of grant was HK\$19.90. On 20 June 2006 options to subscribe for a total of the 15,930,000 shares in the Company representing 0.73% of the issued share capital, at the exercise price of HK\$22.10 per share, were granted under the Plan. The closing price of the Company's shares immediately before the date of grant was HK\$22.50. All options granted and accepted can be exercised in whole or in part within 5 years from the date of grant. All were accepted, and none were cancelled or lapsed in the period up to 31 December 2006.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2006		2005	
	average exercise price in HK\$ per share	options	average exercise price in HK\$ per share	options
At 1 January		19,370,000		20,750,000
Granted	22.10	15,930,000		–
Exercised	20.10	(4,311,000)	18.61	(880,000)
Lapsed		–	18.20	(500,000)
At 31 December		30,989,000		19,370,000

Details of share options exercised during the year:

period	exercise price HK\$	number of shares	
		2006	2005
3 January to 8 December 2006	18.20	1,560,000	670,000
27 January to 21 December 2006	19.90	1,151,000	210,000
20 June 2006	22.10	1,600,000	–
		4,311,000	880,000

23 Reserves

a Group

<i>in HK\$ million</i>	share premium	capital redemption reserve	goodwill	investment revaluation reserve	exchange fluctuation reserve	hedging reserve	general reserve	retained profits	total
At 1 January 2005	24,848	19	(2,494)	168	(325)	(152)	244	13,698	36,006
Share of reserves of associated companies	–	–	–	(67)	–	350	–	–	283
Share of reserves of jointly controlled entities	–	–	–	–	–	40	–	–	40
Exchange translation differences	–	–	–	–	158	–	–	–	158
Gain on cash flow hedge of financial instruments	–	–	–	–	–	163	–	–	163
Fair value loss on other financial assets	–	–	–	(17)	–	–	–	–	(17)
Transfer from profits	–	–	–	–	–	–	57	(57)	–
Issue of share pursuant to the Plan	16	–	–	–	–	–	–	–	16
Profit attributable to shareholders of the Company	–	–	–	–	–	–	–	3,989	3,989
Dividends (Note 9)	–	–	–	–	–	–	–	(2,412)	(2,412)
At 31 December 2005	24,864	19	(2,494)	84	(167)	401	301	15,218	38,226
<i>Representing</i>									
At 31 December 2005 after proposed final dividend									36,472
2005 Final dividend proposed									1,754
									38,226
<i>Retained by</i>									
Company and subsidiary companies	24,864	19	(2,494)	25	164	62	283	7,305	30,228
Jointly controlled entities	–	–	–	–	–	3	15	996	1,014
Associated companies	–	–	–	59	(331)	336	3	6,917	6,984
	24,864	19	(2,494)	84	(167)	401	301	15,218	38,226

23 Reserves *continued*

a Group *continued*

<i>in HK\$ million</i>	share premium	capital redemption reserve	capital reserve	goodwill	investment revaluation reserve	exchange fluctuation reserve	hedging reserve	general reserve	retained profits	total
At 1 January 2006	24,864	19	–	(2,494)	84	(167)	401	301	15,218	38,226
Share of reserves of associated companies	–	–	–	–	183	–	(129)	–	106	160
Share of reserves of jointly controlled entities	–	–	17	–	–	–	(1)	1	–	17
Exchange translation differences	–	–	–	–	–	870	–	–	–	870
Reserves released on disposal of associated companies	–	–	–	–	(84)	103	(91)	–	–	(72)
Loss on cash flow hedge of financial instruments	–	–	–	–	–	–	(50)	–	–	(50)
Fair value gain on other financial assets	–	–	–	–	1,064	–	–	–	–	1,064
Transfer to Profit and Loss account on impairment of other financial assets	–	–	–	–	103	–	–	–	–	103
Transfer from profits	–	–	–	–	–	–	–	163	(163)	–
Issue of share pursuant to the Plan	92	–	(6)	–	–	–	–	–	–	86
Profit attributable to shareholders of the Company	–	–	–	–	–	–	–	–	8,272	8,272
Dividends (Note 9)	–	–	–	–	–	–	–	–	(3,071)	(3,071)
Share repurchase	–	1	–	–	–	–	–	–	(36)	(35)
Share-based payment	–	–	62	–	–	–	–	–	–	62
At 31 December 2006	24,956	20	73	(2,494)	1,350	806	130	465	20,326	45,632
<i>Representing</i>										
At 31 December 2006 after proposed final and special dividend										43,217
2006 Final and special dividend proposed										2,415
										45,632
<i>Retained by</i>										
Company and subsidiary companies	24,956	20	56	(2,494)	1,192	1,034	12	446	9,392	34,614
Jointly controlled entities	–	–	17	–	–	–	2	16	2,029	2,064
Associated companies	–	–	–	–	158	(228)	116	3	8,905	8,954
	24,956	20	73	(2,494)	1,350	806	130	465	20,326	45,632

23 Reserves *continued***b Company**

<i>in HK\$ million</i>	capital redemption reserve	hedging reserve	share premium	retained profits	total
At 1 January 2005	19	(110)	24,848	10,494	35,251
Issue of shares pursuant to the Plan	–	–	16	–	16
Gain on cash flow hedge of financial instruments	–	173	–	–	173
Profit for the year available for distribution (Note 8)	–	–	–	1,995	1,995
Dividends (Note 9)	–	–	–	(2,412)	(2,412)
At 31 December 2005	19	63	24,864	10,077	35,023
<i>Representing</i>					
At 31 December 2005 after proposed final dividend					33,269
2005 Final dividend proposed					1,754
					35,023

<i>in HK\$ million</i>	capital redemption reserve	capital reserve	hedging reserve	share premium	retained profits	total
At 1 January 2006	19	–	63	24,864	10,077	35,023
Share-based payment	–	62	–	–	–	62
Issue of shares pursuant to the Plan	–	(6)	–	92	–	86
Loss on cash flow hedge of financial instruments	–	–	(55)	–	–	(55)
Profit for the year available for distribution (Note 8)	–	–	–	–	7,965	7,965
Dividends (Note 9)	–	–	–	–	(3,071)	(3,071)
Share repurchase	1	–	–	–	(36)	(35)
At 31 December 2006	20	56	8	24,956	14,935	39,975
<i>Representing</i>						
At 31 December 2006 after proposed final and special dividend						37,560
2006 Final and Special dividend proposed						2,415
						39,975

Distributable reserves of the Company at 31 December 2006, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to HK\$14,935 million (2005: HK\$10,077 million).

24 Borrowings

a

in HK\$ million	Group		Company	
	2006	2005	2006	2005
<i>Bank loans</i>				
unsecured	12,529	14,804	9,599	12,101
secured	795	519	–	–
	13,324	15,323	9,599	12,101
<i>Other loans</i>				
unsecured	3,920	4,713	–	780
	17,244	20,036	9,599	12,881
Amounts repayable within one year included under current liabilities	(640)	(1,224)	(27)	(807)
	16,604	18,812	9,572	12,074

Note:

- i) Bank loans and other loans of the Group not wholly repayable within five years amounted to HK\$6,294 million (2005: HK\$7,229 million).
- ii) The Company had issued a US\$100,000,000 Senior Note due 15 February 2006 (the 'Notes'). The Notes was fully repaid in 2006.
- iii) On 1 June 2001, CITIC Pacific Finance (2001) Limited, a wholly owned subsidiary of the Company, issued and sold a total of US\$450 million principal amount of 7.625% guaranteed notes due 2011 ('Guaranteed Notes') for refinancing the indebtedness of the Company and for general corporate purposes, to investors pursuant to the purchase agreements dated 24 May 2001 and 1 June 2001. All of the Guaranteed Notes remained outstanding at the end of the year.
- iv) On 26 October 2005, CITIC Pacific Finance (2005) Limited, a wholly owned subsidiary of the Company, issued and sold JPY8.1 billion in aggregate principal amount of guaranteed floating rate note due 2035 ('JPY Notes') to investors for general corporate purposes pursuant to the subscription agreement dated 26 October 2005. All of the JPY Notes remained outstanding at the end of the year.
- v) Bank loans and other loans, other than the JPY Notes, are fully repayable up to 2031 and bear interest at the prevailing market rate.
- vi) As at 31 December 2006, certain of the Group's inventories, time deposit, accounts receivable, leasehold land and self-used properties with the aggregate carrying value of HK\$696 million (2005: HK\$585 million) were pledged to secure loans and banking facilities granted to certain subsidiary companies of the Group.

b The maturity of the Group's and the Company's long term liabilities is as follows:

in HK\$ million	Group		Company	
	2006	2005	2006	2005
<i>Bank loans are repayable</i>				
in the first year	636	440	27	27
in the second year	1,359	2,167	8	526
in the third to fifth years inclusive	5,441	9,416	3,676	8,248
after the fifth year	5,888	3,300	5,888	3,300
	13,324	15,323	9,599	12,101
<i>Other loans are repayable</i>				
in the first year	4	784	–	780
in the second year	–	–	–	–
in the third to fifth years inclusive	3,510	–	–	–
after the fifth year	406	3,929	–	–
	3,920	4,713	–	780
	17,244	20,036	9,599	12,881

24 Borrowings *continued*

c The exposure of the Group's total borrowings to interest-rate changes and the contractual repricing dates are as follows:

<i>in HK\$ million</i>	one year or less
At 31 December 2005	
Total borrowings	16,456
Effect of interest rate swap	4,575
At 31 December 2006	
Total borrowings	13,990
Effect of interest rate swap	5,125

Part of the interest rate exposure are hedged by interest rate swaps.

The effective interest rates of the Group's borrowing were as follows:

	2006	2005
Total borrowings	5.2%	4.3%

d The carrying amounts of borrowings approximate their fair value. The fair values are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

e The carrying amounts of the total borrowings are denominated in the following currencies:

<i>in HK\$ million</i>	Group		Company	
	2006	2005	2006	2005
Hong Kong dollar	8,147	12,226	7,429	11,516
US dollar	5,348	4,519	1,665	857
Renminbi	3,684	3,351	-	-
Other currencies	1,114	1,122	505	511
	18,293	21,218	9,599	12,884

The Group has the following undrawn borrowing facilities:

<i>in HK\$ million</i>	2006	2005
Floating rate		
expiring within one year	2,184	1,767
expiring beyond one year	14,614	8,390
	16,798	10,157

25 Derivative Financial Instruments

Financial Risk Management

The Group exposes to a variety of financial risk. The Group employs a combination of financial instruments, including derivative products, to manage its exposure to financial risk.

Risk management is centralised at head office level in accordance with the Group's risk management policy. The policy provided written principles and guidelines for financial risk management, use of derivative transactions and measurement of derivative transactions.

a Exposure to Interest Rate Fluctuations

Most of the Group's bank borrowings are on floating rate basis. Interest rate risk arises from the movement in interest rate.

The Group aims to maintain a suitable mixture of fixed rate / floating rate borrowings in order to stabilise interest costs despite rate movements. Interest rate hedging ratio is determined after taking into consideration of the general market trend, the Group's cash flow pattern, interest coverage ratio and etc. Interest rate swaps, forward rate agreements and interest rate options may be employed to maintain the desired hedging ratio.

b Exposure to Foreign Currency Fluctuations

The Group's reporting currency is HKD. Foreign currency risk arises from the assets / liabilities which are denominated in currencies other than HKD. Foreign exchange swap or forward contract (include non-deliverable forward) and foreign exchange option may be employed to minimise potential exposure to foreign currency fluctuations. Currently, the Renminbi is not a free convertible currency, therefore, RMB exchange swap market is not readily available or efficient at this time. In addition, 'Registered Capital', which usually accounts for no less than 25% of the total project investment amount in mainland China, is required to be paid in US dollars. As the Group's investment in mainland China is expanding, the Group has an increasing exposure to the Renminbi.

c Credit Exposure

When depositing surplus funds or entering into derivative contracts, the Group controls its exposure to non-performance of counterparties by transacting only with those institutions that have investment grade. Credit monitoring procedures will also be applied. In addition, the counterparties' lending exposure to the Group is also an important consideration as a means to control credit risk.

d Liquidity Risk

Liquidity risk is prudently managed by maintaining a sufficient amount of available committed credit facilities. In addition, the Group actively manages and extends its debt maturity profile to ensure that the Group's maturing debt each year will not exceed the Group's anticipated cash flow and the Group's ability to refinance the debt in that year.

25 Derivative Financial Instruments *continued*

<i>in HK\$ million</i>	Group			
	2006		2005	
	assets	liabilities	assets	liabilities
Interest-rate swaps	120	38	169	41
Forward foreign exchange contracts	11	26	11	16
	131	64	180	57
Less: current portion				
Interest-rate swaps	4	5	5	5
Forward foreign exchange contracts	10	4	7	12
	14	9	12	17
	117	55	168	40

i) Forward Foreign Exchange Contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2006 were HK\$6,256 million (2005: HK\$5,000 million).

ii) Interest Rate Swaps

The main floating rates of our borrowings are HIBOR and LIBOR. The notional amounts of the outstanding interest rate swap contracts at 31 December 2006 were HK\$10,780 million (2005: HK\$11,400 million). At 31 December 2006, the fixed interest rates under interest rate swaps vary from 2.65% to 7.23% (2005: 2.65% to 7.28%). Gains and losses recognised in the hedging reserve in equity (Note 23) on interest rate swap contracts qualified for hedge accounting as of 31 December 2006 will be released to the income statement until the repayment of the bank borrowings (Note 24).

<i>in HK\$ million</i>	Company			
	2006		2005	
	assets	liabilities	assets	liabilities
Interest-rate swaps	104	38	151	41
Forward foreign exchange contracts	5	23	7	10
	109	61	158	51
Less: current portion				
Interest-rate swaps	4	5	5	5
Forward foreign exchange contracts	4	1	3	6
	8	6	8	11
	101	55	150	40

26 Deferred Taxation

a Group

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2005: 17.5%). The components of deferred tax (assets) and liabilities recognised in the consolidated balance sheet and the movements during the year is as follows:

in HK\$ million	depreciation allowances in excess of related depreciation		losses		revaluation of investment properties and valuation of other properties		mining rights and others		total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
<i>Deferred tax arising from</i>										
At 1 January	573	510	(240)	(107)	886	818	10	13	1,229	1,234
Exchange adjustment	(1)	(3)	(1)	–	(29)	(3)	–	(3)	(31)	(9)
Acquisition of subsidiary companies	–	–	–	(72)	–	–	–	–	–	(72)
Charged to revaluation reserve	–	–	–	–	–	1	–	–	–	1
Charged to goodwill	–	–	–	–	–	–	507	–	507	–
Charged / (credited) to consolidated profit and loss account	(14)	66	55	(61)	123	70	(17)	–	147	75
Others	(30)	–	–	–	30	–	(1)	–	(1)	–
At 31 December	528	573	(186)	(240)	1,010	886	499	10	1,851	1,229
<i>in HK\$ million</i>								2006	2005	
Net deferred tax assets recognised on the consolidated balance sheet								(103)	(158)	
Net deferred tax liabilities recognised on the consolidated balance sheet								1,954	1,387	
								1,851	1,229	

b Deferred tax assets unrecognised

The Group has not recognised deferred tax assets in respect of the following items:

in HK\$ million	Group	
	2006	2005
Deductible temporary difference	309	727
Tax losses	2,360	3,570
Taxable temporary difference	(82)	(237)
	2,587	4,060
<hr/>		
in HK\$ million	Company	
	2006	2005
Deductible temporary difference	17	15
Tax losses	452	402
	469	417

Note:

Deductible temporary differences and tax losses in certain tax jurisdictions of HK\$125 million (2005: HK\$158 million) will expire within the next five years. The rest of the amount does not expire under current tax legislation.

26 Deferred Taxation *continued*

c Deferred Tax Liabilities not Recognised

At 31 December 2006, temporary differences relating to the undistributed profits of subsidiary companies amounted to HK\$627 million (2005: HK\$641 million). Deferred tax liabilities of HK\$128 million (2005: HK\$131 million) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the company controls the dividend policy of these subsidiary companies and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

27 Capital Commitments

<i>in HK\$ million</i>	2006	Group 2005
Authorised but not contracted for (Note)	17	759
Contracted but not provided for (Note)	4,359	3,538

<i>in HK\$ million</i>	2006	Company 2005
Contracted but not provided for	2,015	–

Note:

The capital commitments of authorised but not contracted for and contracted but not provided for of the Group in respect of property, plant and equipment, properties under development and leasehold land amount to HK\$17 million (2005: HK\$759 million) and HK\$3,941 million (2005: HK\$1,891 million) respectively. The balance of contracted but not provided for represents amount committed for investments in special steel of HK\$196 million (2005: HK\$1,421 million), power generation of HK\$nil (2005: HK\$173 million) and others of HK\$222 million (2005: HK\$53 million).

28 Operating Lease Commitments

The future aggregate minimum lease payments under non-cancellable operating leases at 31 December are as follows:

<i>in HK\$ million</i>	Group		Company	
	2006	2005	2006	2005
<i>Properties commitments</i>				
Within 1 year	147	109	19	18
After 1 year but within 5 years	187	115	2	21
After 5 years	90	39	–	–
	424	263	21	39
<i>Other commitments</i>				
Within 1 year	38	24	–	–
After 1 year but within 5 years	65	67	–	–
After 5 years	27	38	–	–
	130	129	–	–
	554	392	21	39

29 Contingent Liabilities

a The Company together with other beneficial shareholders of Western Harbour Tunnel Company Limited ('WHTCL') have agreed jointly and severally to guarantee the Government of the Hong Kong Special Administrative Region that WHTCL will complete the Western Harbour Crossing ('Crossing') within budget of approximately HK\$7.5 billion including repair costs to be incurred after the operation date of the Crossing but before the issuance of the Maintenance Certificate. The Crossing was completed in April 1997 with total cost of approximately HK\$6.8 billion, pending the issuance of the Maintenance Certificate.

The beneficial shareholders of WHTCL have agreed that in relation to any claim made or asserted under the aforesaid guarantee, as between themselves, the total of all liabilities in respect of a claim thereunder and of all costs, charges and expenses suffered or incurred by any of them resulting therefrom or attributable thereto shall be shared by them in proportion to their respective ultimate ownership in WHTCL.

b The Company has provided a guarantee on the US\$450 million Guaranteed Notes issued by a wholly owned subsidiary of the Company.

c The Company has provided a guarantee on the JPY8.1 billion Guaranteed Floating Rate Notes issued by a wholly owned subsidiary of the Company.

d The Company has provided guarantees to support banking facilities of up to HK\$354 million granted to a subsidiary of the Company.

e The Company has provided guarantees to support banking facilities of up to RMB600 million granted to a subsidiary of the Company. The guarantees will be released in early 2007.

f The Company has provided guarantees to support banking facilities of RMB200 million and US\$10 million granted to a subsidiary of the Company. The US\$10 million facility was not utilised as at 31 December 2006. The guarantees will be released in early 2007.

g Hubei Xin Yegang Co. Ltd., a 95% owned subsidiary of the Company, has provided guarantees to support banking facilities of up to RMB300 million granted to another subsidiary of the Company, Hubei Xin Hua Neng.

h The Company has provided guarantees to support banking facilities of up to RMB260 million granted to a wholly owned subsidiary of the Company. These facilities were not utilised as at 31 December 2006.

i The Company has provided a guarantee to support a banking facility of RMB400 million granted to a subsidiary of the Company. The facility was not utilised as at 31 December 2006.

30 Approval of Accounts

The accounts were approved by the Board of Directors on 15 March 2007.

31 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies

The following are the principal subsidiary companies, jointly controlled entities and associated companies of the Group which in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of all companies would in the opinion of the directors result in particulars of excessive length.

name	place of incorporation / principal place of operation kind of legal entity*	attributable to the group %	interest in equity shares held by		particulars of issued shares [†]		principal activities
			company %	subsidiary %	no. of shares	par value	
Power Generation							
<i>Jointly controlled entities</i>							
Huaibei Guoan Power Company Ltd.	People's Republic of China Sino-foreign equity joint venture*	12.5	–	12.5	–	–	Building, possession and operation of power plant and sale of electricity
Inner Mongolia Fengtai Electric Power Generation Company Limited	People's Republic of China Sino-foreign equity joint venture*	35	–	35	–	–	Coal-fired power station operation and management
Jiangsu Ligang Electric Power Company Limited	People's Republic of China Sino-foreign equity joint venture*	56.31	–	56.31	–	–	Electric power plant construction and operation
Jiangyin Ligang Electric Power Generation Company Limited	People's Republic of China Foreign investment stock company*	54.31	–	54.31	1,170,000,000	RMB1	Electric power plant construction and operation
Kaifeng Xinli Power Generation Co., Ltd. [§]	People's Republic of China Sino-foreign equity joint venture*	50	–	50	–	–	Coal-fired power station operation
Sunburst Energy Development Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	65	–	65	–	–	Investment holding
Widewin Investments Limited [§]	British Virgin Islands	37.5	–	37.5	–	–	Investment holding
Wuxi Taihu Lake Pumped Storage Power Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	70	–	70	–	–	Pumped storage hydraulic power plant construction
Zhengzhou Xinli Electric Power Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	50	–	50	–	–	Electric power plant construction and operation
江陰利電能源材料有限公司	People's Republic of China Sino-foreign equity joint venture*	54.31	–	54.31	–	–	Coal related businesses and provision of maintenance and technical services for electrical appliances

31 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies *continued*

name	place of incorporation / principal place of operation kind of legal entity*	attributable to the group %	interest in equity shares held by		particulars of issued shares [†]		principal activities
			company %	subsidiary %	no. of shares	par value	
<i>Associated companies</i>							
North United Power Corporation	People's Republic of China Sino-foreign equity joint venture*	20	20	–	–	–	Investment holding and generation of electricity and heat and related businesses
Tunnels							
<i>Subsidiary companies</i>							
New Hong Kong Tunnel Company Limited	Hong Kong	70.8	–	70.8	75,000,000	HK\$10	Tunnel operation
<i>Jointly controlled entities</i>							
Eastern Harbour Crossing Company Limited [§]	Hong Kong	50	–	50	–	–	Tunnel operation
Hong Kong Transport, Logistics and Management Company Limited	Hong Kong	35	–	35	–	–	Management, operation and maintenance of the Cross Harbour Tunnel
Western Harbour Tunnel Company Limited [§]	Hong Kong	35	–	35	–	–	Franchise to construct and operate the Western Harbour Crossing
Environmental							
<i>Jointly controlled entities</i>							
Changzhou CGE Water Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	24.01	–	24.01	–	–	Production and supply of tap water
Ecoserve Limited	Hong Kong	50	–	50	–	–	Design, construction and operation of refuse transfer station
Veolia Water (Kunming) Investment Limited	Hong Kong	25	–	25	–	–	Investment holding

31 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies *continued*

name	place of incorporation / principal place of operation kind of legal entity*	attributable to the group %	interest in equity shares held by		particulars of issued shares [†]		principal activities
			company %	subsidiary %	no. of shares	par value	
<i>Associated companies</i>							
Enviropace Limited	Hong Kong	20	–	20	–	–	Design, construction, operation and management of chemical waste treatment plant
Green Valley Landfill, Limited	Hong Kong	30	–	30	–	–	Landfill construction and operation
South China Transfer Limited	Hong Kong	30	–	30	–	–	Design, construction and operation of transfer station
上海老港生活垃圾處置有限公司	People's Republic of China Sino-foreign equity joint venture*	30	–	30	–	–	Design, construction and operation of landfill
Communications							
<i>Subsidiary companies</i>							
Asia Pacific Internet Exchange Limited	Hong Kong	75	–	75	100,000	HK\$1	Provision of financial and operational support to Hong Kong Internet Exchange
ChinaUIP Hong Kong Limited (Formerly AAA Internet Limited)	Hong Kong	100	–	100	2	HK\$1	Provision of information technology and telecom services
CITIC 1616 Holdings Limited (Formerly World Navigation Limited) (Change of name on 5 January 2007)	Hong Kong	100	–	100	1,000	HK\$1	Provision of sales and marketing functions
CITIC Concept 1616 Limited	Hong Kong	100	–	100	2	HK\$1	Provision of systems integration services
CITIC Consultancy 1616 Limited	Hong Kong	100	–	100	2	HK\$1	Provision of telecommunications consultancy services in Hong Kong

31 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies *continued*

name	place of incorporation / principal place of operation kind of legal entity*	attributable to the group %	interest in equity shares held by		particulars of issued shares [†]		principal activities
			company %	subsidiary %	no. of shares	par value	
CITIC Data 1616 Limited	Hong Kong	100	–	100	2	HK\$1	Provision of data services in Hong Kong
CITIC Media 1616 Limited	Hong Kong	100	–	100	1	HK\$1	Provision of content services to licensed telecoms operators in Hong Kong
CITIC Networks 1616 Limited	Hong Kong	100	–	100	2	HK\$1	Provision of systems integration services
CITIC Pacific Communications Limited	Bermuda	100	–	100	100,000	HK\$1	Investment holding
CITIC Telecom 1616 Limited	Hong Kong	100	–	100	2	HK\$1	Provision of licensed telecommunications services in Hong Kong
CITIC TeleSoft 1616 Limited	Hong Kong	100	–	100	2	HK\$1	Provision of systems integration services
CPCNet Hong Kong Limited	Hong Kong	100	–	100	394,866,986	HK\$1	Provision of telecommunications services
CPCNet Japan Limited	Japan	100	–	100	10,000	JPY1,000	Provision of telecommunications services
CPCNet Macau Limited	Macau	85	–	85	N/A	N/A	Provision of internet and e-commerce services
CPCNet Singapore Private Limited	Singapore	100	–	100	2	S\$1	Provision of telecommunications services
Dalian CP Digital Technology Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	73.30	–	73.30	N/A	N/A	Broadband network and related businesses
Data Communication Services Limited	Hong Kong	100	–	100	1,000 38,000,000 ⁺	HK\$1 HK\$1	Equipment holding
Global Link Information Services Limited	Hong Kong	100	–	100	300,000	HK\$10	Provision of internet services
Vision Network Limited	Hong Kong	100	–	100	2,250,000	HK\$1	Provision of internet services

31 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies *continued*

name	place of incorporation / principal place of operation kind of legal entity*	attributable to the group %	interest in equity shares held by		particulars of issued shares [†]		principal activities
			company %	subsidiary %	no. of shares	par value	
Wonder Delight Enterprises Inc.	British Virgin Islands	100	–	100	1	US\$1	Provision of e-commerce services
廣州市泰富信通技術有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Provision of internet value added services
廣州市泰富信通科技有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Provision of internet value added services
<i>Jointly controlled entities</i>							
Belarian Enterprises Corp.	British Virgin Islands	55	–	55	–	–	Provision of internet and e-commerce services
Brilliant Base Enterprises Corp.	British Virgin Islands	45	–	45	–	–	Provision of internet and e-commerce services
China Interactive Sports Technology Company Limited [‡]	People's Republic of China Wholly foreign-owned enterprise*	50	–	50	–	–	Provision of sports related online services
Chingyang Enterprises Corp.	British Virgin Islands	45	–	45	–	–	Provision of internet and e-commerce services
CITIC Guoan Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	50	–	50	–	–	Investment holding
Joystar International Holdings Inc.	British Virgin Islands	45	–	45	–	–	Provision of internet and e-commerce services
Primeasia Development Limited	Macau	45	–	45	–	–	Provision of internet and e-commerce services
Prosperity International Limited	Macau	45	–	45	–	–	Provision of internet and e-commerce services
<i>Associated companies</i>							
Companhia de Telecomunicacoes de Macau S.A.R.L.	Macau	20	20	–	–	–	Telecommunications services

31 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies *continued*

name	place of incorporation / principal place of operation kind of legal entity*	attributable to the group %	interest in equity shares held by		particulars of issued shares [†]		principal activities
			company %	subsidiary %	no. of shares	par value	
Aviation							
<i>Jointly controlled entities</i>							
Air China Cargo Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	25	–	25	–	–	Operation of international and domestic air-cargo services and related ground services
<i>Associated companies</i>							
Cathay Pacific Airways Limited*	Hong Kong	17.48	1.82	15.66	–	–	Airlines and related services
Swire Aviation Limited	Hong Kong	33.33	–	33.33	–	–	Investment in Hong Kong Air Cargo Terminals Limited with 10% effective interest
Marketing & Distribution							
<i>Subsidiary companies</i>							
Adachi Trading Company Limited	Japan	100	–	100	250	JPY50,000	Trader of motor vehicle spare parts
Consolidated Parts & Accessories Sales Centre Limited	Hong Kong	100	–	100	1,000	HK\$100	Trader of motor vehicle spare parts
Dah Chong Hong (Canada) Ltd.	Canada	100	–	100	650,000	CAN\$1	General import / export and investment holding
Dah Chong Hong – Dragonair Airport GSE Service Limited	Hong Kong	70	–	70	10,000	HK\$1	Provision of airport ground support equipment maintenance services
Dah Chong Hong (Engineering) Limited	Hong Kong	100	–	100	601,000	HK\$100	Engineering services
Dah Chong Hong Holdings Limited	Hong Kong	100	–	100	21,031,837	HK\$10	Investment holding

31 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies *continued*

name	place of incorporation / principal place of operation kind of legal entity*	attributable to the group %	interest in equity shares held by		particulars of issued shares [†]		principal activities
			company %	subsidiary %	no. of shares	par value	
Dah Chong Hong, Limited	Hong Kong	100	–	100	50,000	HK\$1,000	Investment holding; general importers, retailers and exporters dealing in foodstuffs, electrical appliances and other products
Dah Chong Hong (Japan) Limited	Japan	100	–	100	480,000	JPY1,000	Importer and exporter of foodstuffs, motor vehicles and garments; property investment and investment holding
Dah Chong Hong Motors (China) Limited	Hong Kong	100	–	100	20,000	HK\$100	Investment holding and motor vehicle distributor
Dah Chong Hong (Motor Leasing) Limited	Hong Kong	100	–	100	10,000	HK\$10	Motor leasing
Dah Chong Hong (Motor Service Centre) Limited	Hong Kong	100	–	100	2,000	HK\$100	Motor vehicle repairing and servicing
Dah Chong Hong Motors (Nissan – China) Limited	Hong Kong	100	–	100	2	HK\$10	Motor vehicle distributor
Dah Chong Hong Trading (Singapore) Pte. Ltd.	Singapore	100	–	100	3,500,000	S\$1	Investment holding and trading of foodstuffs
DAS Aviation Support Limited	Hong Kong	70	–	70	10,000	HK\$1	Distributor of air cargo equipment and related spare parts
DAS Nordisk Limited	Hong Kong	49	–	49	10,000	HK\$1	Repairs and maintenance services for air cargo containers and sale of related spare parts

31 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies *continued*

name	place of incorporation / principal place of operation kind of legal entity*	attributable to the group %	interest in equity shares held by		particulars of issued shares [†]		principal activities
			company %	subsidiary %	no. of shares	par value	
DCH Beverage Solutions Limited	Hong Kong	100	–	100	60,000	HK\$10	Distribution of wine and beverage products
DCH Logistics Company Limited	Hong Kong	100	–	100	10,000	HK\$10	Provision of warehouse and transportation services
DCH Motors (Bentley) Limited	Hong Kong	100	–	100	2	HK\$1	Motor vehicle distributor
DCH Motors Ltd.	Canada	100	–	100	100	CAN\$1	Motor vehicle distributor
Epic Motors Limited	Hong Kong	100	–	100	22,000	HK\$10	Motor vehicle distributor
Gentech Vehicle Engineering Limited	Hong Kong	100	–	100	166,000	HK\$1	Trading of special function vehicles
Harmony Motors Limited	Hong Kong	100	–	100	1,000	HK\$100	Motor vehicle distributor
Honest Motors, Limited	Hong Kong	100	–	100	3,000	HK\$1,000	Motor vehicle distributor
Japan Auto Parts Company Limited	Hong Kong	100	–	100	1,000	HK\$100	Trader of motor vehicle spare parts
Jiangmen Dah Chong Hong – Sims Industrial Development Limited	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Construction and development of industrial factories and warehouses
Metro Motors Limited	Hong Kong	100	–	100	3,000,000	HK\$1	Motor vehicle distributor
Premium Motors Limited	Hong Kong	100	–	100	2	HK\$1	Motor vehicle distributor
Regal Motors, Limited	Hong Kong	100	–	100	2,000	HK\$100	Motor vehicle distributor
Reliance Motors, Limited	Hong Kong	100	–	100	3,000	HK\$1,000	Motor vehicle distributor
Shanghai DCH Food Industries Ltd.	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Food processing and trading

31 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies *continued*

name	place of incorporation / principal place of operation kind of legal entity*	attributable to the group %	interest in equity shares held by		particulars of issued shares [†]		principal activities
			company %	subsidiary %	no. of shares	par value	
Sims Trading Company Limited	Hong Kong	100	–	100	3,000	HK\$100	Wholesaling and distribution of grocery stuffs and foodstuffs
Triangle Auto Pte Ltd	Singapore	100	–	100	3,000,000	S\$1	Motor vehicle distributor
Triangle Motors Limited	Hong Kong	100	–	100	30,000	HK\$100	Motor vehicle distributor
Triangle Motors (China) Limited	Hong Kong	100	–	100	2	HK\$10	Investment holding and trading of motor vehicles
Twin Tiger International Limited	Hong Kong	100	–	100	2	HK\$1	Sourcing and supplies of gifts premium and repackaging materials
江門大昌慎昌食品加工倉儲有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Processing of food products and provision of logistics services
<i>Jointly controlled entities</i>							
Alto China Limited [§]	Hong Kong	50	–	50	–	–	Distribution of audio equipment and components
Shiseido Dah Chong Hong Cosmetics Limited	Hong Kong	50	–	50	–	–	Trading in cosmetic products
北京中遠大昌汽車租賃有限公司	People's Republic of China Sino-foreign equity joint venture*	50	–	50	–	–	Motor vehicle leasing
<i>Associated companies</i>							
Otsuka Sims (Guangdong) Beverage Co., Ltd.	People's Republic of China Wholly foreign-owned enterprise*	40	–	40	–	–	Production of beverage
Shanghai Shineway DCH Tyson Co., Ltd. [§]	People's Republic of China Sino-foreign equity joint venture*	22	–	22	–	–	Production and selling of meat and related food products

31 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies *continued*

name	place of incorporation / principal place of operation kind of legal entity*	attributable to the group %	interest in equity shares held by		particulars of issued shares [†]		principal activities
			company %	subsidiary %	no. of shares	par value	
Victory (HK) Industries International Company Limited	Hong Kong	20	–	20	–	–	Sales and distribution of household electrical appliances
Wal-Mart East China Stores Co., Ltd.	People's Republic of China Wholly foreign-owned enterprise*	35	–	35	–	–	Hypermarket business

Property

Subsidiary companies

Admarch Limited	Hong Kong	100	–	100	2	HK\$10	Property investment
Admarch Property Management Company, Limited	Hong Kong	100	–	100	2	HK\$1	Property management
Borgia Limited	Hong Kong	100	–	100	2	HK\$10	Property investment
Broadway Centre Property Management Company Limited	Hong Kong	100	–	100	2	HK\$1	Property management
CITIC Pacific (Yangzhou) Properties Co., Ltd.	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property development
Famous Land Limited	Hong Kong	100	–	100	2	HK\$1	Property investment
Glenridge Company Limited	Hong Kong	100	–	100	2	HK\$10	Property investment
Hang Luen Chong Investment Company, Limited	Hong Kong	100	–	100	80,000	HK\$100	Property investment
Hang Luen Chong Property Management Company, Limited	Hong Kong	100	–	100	2	HK\$1	Property management
Hang Wah Chong Investment Company Limited	Hong Kong	100	–	100	50,000	HK\$100	Property investment
Lindenford Limited	Hong Kong	100	–	100	2	HK\$10	Property investment
Neostar Investment Limited	Hong Kong	100	–	100	2	HK\$1	Property investment
Pacific Grace Limited	Hong Kong	100	–	100	2	HK\$1	Property investment
Shanghai Super Property Co., Ltd.	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property investment and management
Tendo Limited	Hong Kong	100	–	100	2	HK\$10	Property investment

31 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies *continued*

name	place of incorporation / principal place of operation kind of legal entity*	attributable to the group %	interest in equity shares held by		particulars of issued shares [†]		principal activities
			company %	subsidiary %	no. of shares	par value	
Yee Lim Godown & Cold Storage Limited	Hong Kong	100	–	100	1,000,000	HK\$1	Operate a dry and cold storage godown
上海中信泰富廣場有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property investment and management
上海老西門新苑置業有限公司	People's Republic of China Sino-foreign co-operative joint venture*	100	–	100	N/A	N/A	Property development
上海珠街閣房地產開發有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property development
上海雄泰置業有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	100	–	N/A	N/A	Property management
中信泰富(上海)物業管理有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property management
中信泰富萬寧發展有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property development
中信泰富萬寧(聯合)開發有限公司	People's Republic of China Limited liability company*	80	–	80	N/A	N/A	Property development
江陰興澄置業有限公司	People's Republic of China Sino-foreign equity joint venture*	56	–	56	N/A	N/A	Property development
無錫太湖苑置業有限公司	People's Republic of China Sino-foreign equity joint venture*	70	–	70	N/A	N/A	Property investment and development
無錫太湖美生態環保有限公司	People's Republic of China Sino-foreign equity joint venture*	70	–	70	N/A	N/A	Environmental protection
無錫太湖景發展有限公司	People's Republic of China Sino-foreign equity joint venture*	70	–	70	N/A	N/A	Sports related services
萬寧中意發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9	–	99.9	N/A	N/A	Property development

31 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies *continued*

name	place of incorporation / principal place of operation kind of legal entity*	attributable to the group %	interest in equity shares held by		particulars of issued shares [†]		principal activities
			company %	subsidiary %	no. of shares	par value	
萬寧中榮發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9	–	99.9	N/A	N/A	Property development
萬寧中宏發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9	–	99.9	N/A	N/A	Property development
萬寧仁和發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9	–	99.9	N/A	N/A	Property development
萬寧仁信發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9	–	99.9	N/A	N/A	Property development
萬寧百納發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9	–	99.9	N/A	N/A	Property development
萬寧金信發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9	–	99.9	N/A	N/A	Property development
萬寧金誠發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9	–	99.9	N/A	N/A	Property development
萬寧創遠發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9	–	99.9	N/A	N/A	Property development
寧波信富置業有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.29	–	99.29	N/A	N/A	Property development
<i>Jointly controlled entities</i>							
上海瑞明置業有限公司	People's Republic of China Sino-foreign equity joint venture*	49	49	–	–	–	Property development
上海瑞博置業有限公司	People's Republic of China Sino-foreign equity joint venture*	49	49	–	–	–	Property development
中船置業有限公司	People's Republic of China Sino-foreign equity joint venture*	49	49	–	–	–	Property development

31 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies *continued*

name	place of incorporation / principal place of operation kind of legal entity*	attributable to the group %	interest in equity shares held by		particulars of issued shares [†]		principal activities
			company %	subsidiary %	no. of shares	par value	
<i>Associated companies</i>							
CITIC Tower Property Management Company Limited	Hong Kong	40	–	40	–	–	Property management
Goldon Investment Limited	Hong Kong	40	–	40	–	–	Property investment
Hong Kong Resort Company Limited [§]	Hong Kong	50	–	50	–	–	Property development
Kido Profits Limited	British Virgin Islands / Hong Kong	15	–	15	–	–	Property development
Shinta Limited [§]	Hong Kong	20	–	20	–	–	Property investment
Special Steel Manufacturing							
<i>Subsidiary companies</i>							
Daye Special Steel Co., Ltd.	People's Republic of China Sino-foreign joint stock limited company*	56.6	–	56.6	N/A	N/A	Steel making
Hubei Xin Yegang Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	95	–	95	N/A	N/A	Steel making
Jiangyin Xingcheng Special Steel Works Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	79	–	79	N/A	N/A	Steel making
Jiangyin Xingcheng Steel Products Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	80	–	80	N/A	N/A	Steel making
Jiangyin Xingcheng Storage and Transportation Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	80	–	80	N/A	N/A	Loading and unloading business
Jiangsu CP Xingcheng Special Steel Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	77.78	–	77.78	N/A	N/A	Steel making

31 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies *continued*

name	place of incorporation / principal place of operation kind of legal entity*	attributable to the group %	interest in equity shares held by		particulars of issued shares [†]		principal activities
			company %	subsidiary %	no. of shares	par value	
Wuxi Xingcheng Steel Products Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	80	–	80	N/A	N/A	Production and sale of ferrous metal materials
Silver Wings Enterprises Inc.	British Virgin Islands	75	–	75	100	US\$1	Investment holding
江陰泰富興澄特種材料有限公司	People's Republic of China Sino-foreign equity joint venture*	79	–	79	N/A	N/A	Production and sale of hot iron and the related products
湖北中特新化能科技有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Production and sale of coal gas, coke and chemical related products
<i>Jointly controlled entities</i>							
Shijiazhuang Iron & Steel Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	80	–	80	–	–	Production and sale of special steel and related products
Finance							
<i>Subsidiary companies</i>							
CITIC Pacific Finance (2001) Limited	British Virgin Islands	100	100	–	1,000	US\$1	Financing
CITIC Pacific Finance (2005) Limited	British Virgin Islands	100	100	–	1	US\$1	Financing
Idealand Investment Inc.	Republic of Panama	100	–	100	100	US\$1	Financing
<i>Associated companies</i>							
Cheer First Limited [§]	Hong Kong	40	–	40	–	–	Financing
Treasure Trove Limited	Hong Kong	50	–	50	–	–	Financing
Way Chong Finance Limited	Hong Kong	50	–	50	–	–	Provision of hire purchase and leasing finance

31 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies *continued*

name	place of incorporation / principal place of operation kind of legal entity*	attributable to the group %	interest in equity shares held by		particulars of issued shares [†]		principal activities
			company %	subsidiary %	no. of shares	par value	
Iron Ore Mining							
<i>Subsidiary companies</i>							
CP Mining Management Pty Limited	Australia	100	–	100	1	N/A	Mining management
Sino Iron Pty Ltd	Australia	100	–	100	11,526	N/A	Mining extraction and processing of magnetite
Others							
<i>Subsidiary companies</i>							
CITIC Pacific China Holdings Limited	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Investment holding
<i>Jointly controlled entities</i>							
CITIC Capital Holdings Limited (Formerly CITIC Capital Markets Holdings Limited)	Hong Kong	50	–	50	–	–	Investment holding
<i>Associated companies</i>							
上海國睿生命科技有限公司	People's Republic of China Sino-foreign equity joint venture*	24.94	24.94	–	–	–	Research and development of tissue engineering products

Note:

[†] Represented ordinary shares, unless otherwise stated.

[‡] Non-voting deferred shares – the rights, privileges and restrictions of which are set out in the Articles of Association of the respective company.

[§] The above companies are the affiliated companies have been given to financial assistance and guarantees given for facilities granted by the Company and / or its subsidiary company as at 31 December 2006.

^{*} Extracts from the published accounts of Cathay Pacific Airways Limited, a significant associated company of the Group, are shown on pages 136 and 137.