1. General

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the ''Hong Kong Stock Exchange''). The Company's parent company is China Overseas Holdings Limited, a company incorporated in Hong Kong, and its ultimate holding company is China State Construction Engineering Corporation, an entity established in the People's Republic of China (the ''PRC''). The registered office of the Company is situated at 10th Floor, Three Pacific Place, 1 Queen's Road East, Hong Kong. The Group's business activities are principally carried out in Hong Kong, Macau, Guangzhou, Shanghai, Beijing, Chengdu, Nanjing, Suzhou and other regions in the PRC.

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

The Group, comprising the Company and its subsidiaries, is principally engaged in property development and investment, infrastructure project investments, generation and supply of heat and electricity, real estate agency and management, and treasury operations. The Group had been engaged in building and civil construction, foundation engineering and project management until June, 2005 when such operations were disposed of (see Note 45).

2. Application of New and Revised Hong Kong Financial Reporting Standards (''HKFRSs'')

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations (''new HKFRSs'') issued by the Hong Kong Institute of Certified Public Accountants (the ''HKICPA''), which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the Group's results and the financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required. For the Company's financial statements, the impacts are set out below:

Impacts on the Financial Statements of the Company

Financial guarantee contracts granted to the subsidiaries of the Company

In the current year, the Company has applied Hong Kong Accounting Standard (''HKAS'') 39 and Hong Kong Financial Reporting Standards (''HKFRS'') 4 (Amendments) *Financial guarantee contracts* which is effective for annual periods beginning on or after 1 January 2006.

A financial guarantee contract is defined by HKAS 39 *Financial Instruments: Recognition and Measurement* as ''a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument''.

Prior to 1 January 2006, financial guarantee contracts granted by the Company to its subsidiaries' lenders were not recognised but disclosed as related party transactions and contingent liabilities.

Upon application of these amendments, financial guarantee contracts granted by the Company to its subsidiaries and not designated as at fair value through profit or loss are recognised initially at its fair value. Subsequent to initial recognition, the Company measures the financial guarantee contracts at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue.*

In relation to this change in accounting policy, the Company has applied the transitional provisions in HKAS 39. The fair value of the financial guarantee contracts at the date of grant of HK$8,554,000, representing a deemed capital contribution to the subsidiaries, has been adjusted to the carrying amount of investments in subsidiaries and other financial liabilities as at 1 January 2005.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

Impacts on the Financial Statements of the Company (Continued)

The cumulative effect of the application of the new HKFRSs to the Company's balance sheet as at 31 December 2005 is summarised below:

	As at 31 December 2005 (originally stated)	Adjustment	As at 31 December 2005 (restated)
	HK$'000	*HK$'000*	*HK$'000*
Investments in subsidiaries	83,773	190,736	274,509
Other financial liabilities	—	(169,780)	(169,780)
	83,773	20,956	104,729
Retained profits	583,217	20,956	604,173

3. Potential Impact on New or Revised Standards, Amendment and Interpretations

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

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[3]
HK(IFRIC)-Int 8	Scope of HKFRS 2[4]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[5]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment[6]
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions[7]
HK(IFRIC)-Int 12	Service Concession Arrangements[8]

1 *Effective for annual periods beginning on or after 1 January 2007*

2 *Effective for annual periods beginning on or after 1 January 2009*

3 *Effective for annual periods beginning on or after 1 March 2006*

4 *Effective for annual periods beginning on or after 1 May 2006*

5 *Effective for annual periods beginning on or after 1 June 2006*

6 *Effective for annual periods beginning on or after 1 November 2006*

7 *Effective for annual periods beginning on or after 1 March 2007*

8 *Effective for annual periods beginning on or after 1 January 2008*

4. Principal Accounting Policies

The financial statements have been prepared under the historical cost basis except for certain properties and financial instruments which are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

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

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

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

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

Business Combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on Acquisitions prior to 1 January 2005

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

Goodwill, which arose on acquisitions prior to 1 January 2001, continues to be held in reserves and will be charged to retained profits when the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

4. Principal Accounting Policies (Continued)

Goodwill (Continued)

Goodwill arising on Acquisitions on or after 1 January 2005

Goodwill arising on an acquisition of a subsidiary for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

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

Goodwill arising on acquisition of additional interests in subsidiaries is calculated as the difference between the additional cost of shares acquired and the increase in group's interest attributable to the additional interests (based on fair value of net assets). The minority interest will be reduced by the book value of the net assets. Goodwill arising on acquisition of additional interests in subsidiaries are recognised in the balance sheet but the difference between the consideration paid and the aggregate of goodwill and the book value of the net assets attributable to the additional interest acquired is debited to a reserve. The reserve will be recognised in the income statement upon the earlier of the disposal of the subsidiary or the disposal by the subsidiary of the assets to which it relates.

Investments in Subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Investments in Associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of the changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the associate, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of the losses is recognised.

Investments in Jointly Controlled Entities

Joint venture arrangements that involve the establishment of a separate entity in which the venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

4. Principal Accounting Policies (Continued)

Investments in Jointly Controlled Entities (Continued)

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of the changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Investment Properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising or derecognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year in which the item is derecognised.

Transfer from investment property to property, plant and equipment will be made when there is a change in use, evidenced by commencement of owner occupation. Property interests held under operating lease previously classified as an investment property is accounted for as if it were a finance lease and measured under the fair value model. The Group shall continue to account for the lease as a finance lease, even if subsequent event changes the nature of the property interest so that it is no longer classified as investment property.

Property, Plant and Equipment

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

No depreciation is provided on construction in progress until the development of the related assets are completed. Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

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

When an item of property, plant and equipment is transferred to investment property carried at fair value, if the carrying amount is decreased as a result of a revaluation at the date of transfer, any resulting decrease in the carrying amount of the property is recognised in profit or loss. If the carrying amount is increased, to the extent that the increase reverses a previous impairment loss for that property, the increase is recognised in profit or loss. The amount recognised in profit or loss does not exceed the amount needed to restore the carrying amount to the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised. Any remaining part of the increase is credited directly to equity (other property revaluation reserve). On subsequent disposal of the investment property, the revaluation surplus included in equity may be transferred to retained earnings. The transfer from revaluation surplus to retained earnings is not made through profit or loss.

4. Principal Accounting Policies (Continued)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another Standard, in which case the impairment loss is treated as a revaluation decrease under that Standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another Standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other Standard.

Prepaid Lease Payments for Land

Prepaid lease payments for land are amortised over the lease term on a straight-line basis. For lease payments cannot be allocated reliably between the land and buildings elements, the entire lease is generally treated as a finance lease. When property interest held under an operating lease is classified as an investment property, such property interest is accounted for as if it were a finance lease and measured under the fair value model. The Group shall continue to account for the lease as a finance lease, even if subsequent event changes the nature of the property interest so that it is no longer classified as investment property.

Financial Instruments

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

Financial Assets

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as ''financial assets at fair value through profit or loss'', ''loans and receivables'' and ''held to maturity investments''. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets (comprising investments in syndicated property project companies) are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in subsequent periods.

Financial assets at fair value through profit or loss

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss (comprising trading securities) are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

4. Principal Accounting Policies (Continued)

Financial Instruments (Continued)

Financial Assets (Continued)

Loans and receivables

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

Equity Instruments

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

Financial Liabilities

Financial liabilities (including trade and other payables, related and other deposits, amounts due to associates and jointly controlled entities, bank loans, guaranteed notes payable and amounts due to minority shareholders) are measured at amortised cost, using the effective interest method.

Derivatives that do not Qualify for Hedge Accounting

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

Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designed as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of : (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Derecognition

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

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged or cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Inventories

Inventories, representing raw materials and consumables, are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

4. Principal Accounting Policies (Continued)

Stock of Properties

Completed Properties and Properties Under Development

Completed properties and properties under development for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy, and other attributable expenses. Net realisable value is determined by management based on prevailing market conditions.

Construction Contracts

When the outcome of a construction contract can be estimated reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract cost will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When a contract covers a number of assets, the construction of each asset is treated as a separate contract when separate proposals have been submitted for each asset, each asset has been separately negotiated and the costs and revenue of each asset can be separately identified. A group of contracts, performed concurrently or in a continuous sequence, is treated as a single construction contract when the contracts were negotiated as a single package and they are so closely inter-related that they constitute a single project with an overall profit margin.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amount due to customers for contract work. Amounts received before the related work is performed are included in the balance sheet, as a liability. Amounts billed for work performed but not yet paid by the customer are included in the balance sheet under trade and other receivables.

Borrowing Costs

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

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

Foreign Currencies

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

4. Principal Accounting Policies (Continued)

Foreign Currencies (Continued)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

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

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the exchange translation reserve.

Government Grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as a deduction from the carrying amount of the relevant assets and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the income statement.

Operating Leases

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

Retirement Benefit Costs

Payments to the Mandatory Provident Fund Scheme and other state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

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

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

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

4. Principal Accounting Policies (Continued)

Taxation (Continued)

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

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

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

Share Options Granted to Employees

For share options granted after 7 November 2002 and had not yet vested on 1 January 2005 and all share options granted on or after 1 January 2005, the fair value of services received, determined by reference to the fair value of share options granted at the grant date, is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to share options reserve.

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

In relation to share options granted before 1 January 2005, the Group chose not to apply HKFRS 2 with respect to share options granted on or before 7 November 2002 and vested before 1 January 2005 and accordingly, the consolidated financial statements did not recognise the financial effect of these share options until they were exercised.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of Properties
Revenue from sale of properties in the ordinary course of business is recognised upon the execution of a binding sales agreement or upon the issuance of an occupation permit/completion certificate by the relevant authority, whichever is the later. Deposit received from forward sales of properties are carried in the balance sheet under current liabilities.

Property Rentals
Rental income from properties under operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease.

Supply of Heat and Electricity
Revenue from supply of heat and electricity is recognised when heat and electricity are delivered.

Infrastructure Project Investments
Revenue from infrastructure project investments, where the Group is entitled to a fixed guaranteed return over the contract period, is recognised on an accrual basis so as to produce a constant periodic rate of return on the net investment.

Real Estate Agency and Management Services
Revenue from the provision of real estate agency and management services is recognised when services are provided.

4. Principal Accounting Policies (Continued)

Revenue Recognition (Continued)

Construction Contracts

When the outcome of a construction contract can be estimated reliably, revenue from fixed price contracts is recognised on the percentage completion method, measured by reference to the proportion that contract costs incurred to date bear to the estimated total contract cost for each contract. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract can be estimated reliably, revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the period plus the fees earned, measured by the proportion that contract costs incurred to date bear to the estimated total contract cost of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Project Management Contracts

Revenue and profits from project management contracts are recognised on the basis of work performed.

Dividend Income

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

Interest Income

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

5. Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, 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:

Fair Value of Investment Properties

Investment properties are carried in the balance sheet at 31 December 2006 at their fair value of HK$1,639 million. The fair value was based on a valuation on these properties conducted by an independent firm of professional valuer using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the income statement.

Impairment of Investments in Jointly Controlled Entities

Management assessed the recoverability of the Group's investments in jointly controlled entities undertaking toll bridge projects in the PRC with an aggregate carrying amount of HK$1,754 million included in the balance sheet at 31 December 2006. The assessment was based on the projected revenue to be derived by these entities from the operation of toll bridges over the remaining joint venture periods discounted by a suitable rate to arrive at their present value. Should the actual toll revenue be less than that projected as a result of a reduction of road usage and/or toll fees, an impairment loss may arise.

5. Key Sources of Estimation Uncertainty (Continued)

Impairment of Stock of Properties and Amounts due from Associates, Jointly Controlled Entities and Syndicated Property Project Companies

Included in the consolidated balance sheet at 31 December 2006 are stock of properties with an aggregate carrying amount of HK$22,486 million, amounts due from associates engaging principally in property development activities of HK$1,045 million and syndicated property project companies of HK$474 million. Management assessed the recoverability of these amounts based on an estimation of the net realisable value of the underlying properties which involves, *inter-alia*, considerable analyses of current market price of properties of a comparable standard and location, construction costs to be incurred to complete the development and a forecast of future sales. If the actual net realisable values of the underlying properties are more or less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material reversal of or provision for impairment losses may result.

6. Financial Instruments

a. Financial Risk Management Objectives and Policies

The Group's major financial instruments include investments in infrastructure projects, amounts due from associates, jointly controlled entities and syndicated property project companies, bank borrowings, amounts due to associates and minority shareholders, guaranteed notes payable, trade receivables and payables, and bank deposits. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market Risk

(i) ***Currency Risk***

The Group's guaranteed notes payable and certain other borrowings of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(ii) ***Credit Risk***

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2006 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated balance sheet and in respect of all types of guarantees given by the Group as disclosed in Note 51. Other than the amounts due from associates, jointly controlled entities and syndicated property project companies as disclosed in Note 26, the Group has no significant concentration of credit risk, with exposures adequately secured or spread over a number of counterparties and customers. The recoverability of each individual receivable and the Group's credit risk exposure is regularly reviewed to ensure that adequate provisions are made for impairment losses. The Group has established credit approvals and other monitoring procedures to ensure that follow-up actions are taken to minimise the potential losses from bad credit risk. In this regard, the directors of the Company consider that the Group's credit risk is adequately monitored.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are financial institutions with high credit-ratings.

(iii) ***Interest Rate Risk***

(a) *Fair value interest rate risk*

The Group's fair value interest rate risk relates primarily to the investments in infrastructure projects where the return therefrom is fixed, and the fixed-rate guaranteed notes payable (see Note 41 for details of these notes).

6. Financial Instruments (Continued)

a. Financial Risk Management Objectives and Policies (Continued)

Market Risk (Continued)

(iii) *Interest Rate Risk (Continued)*

(b) *Cash flow interest rate risk*

The Group's cash flow interest rate risk primarily relates to variable-rate bank loans (see Note 40).

The Group currently does not have a specific interest rate hedging policy to hedge against its exposures to interest rate risk. However, management closely monitors interest rate exposures and will consider entering into interest rate swap transactions to hedge significant interest rate risk should the need arise.

In the current year, the Group has been using interest rate swap agreements in order to mitigate its exposure associated with fluctuations relating to interest cash flows. However, these interest rate swap agreements are not designated by the Group as hedging instruments for accounting purpose. The interest rate swap agreements have been accounted for as financial instruments held for trading (see Note 28(c)).

b. Fair Value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- the fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Other than the guaranteed notes payable that is disclosed in Note 41 to the financial statements, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values.

7. Turnover

Turnover represents proceeds from sales of properties, property rentals, revenue from supply of heat and electricity, revenue from infrastructure project investments, real estate agency and management service fees and revenue from construction contracts and project management and other income. An analysis of the Group's turnover for the year, for both continuing and discontinued operations, is as follows:

	2006	2005
	HK$'000	*HK$'000*
Continuing Operations		
Proceeds from sales of properties	**9,773,279**	5,991,640
Property rentals	**104,168**	127,591
Revenue from supply of heat and electricity	**319,986**	273,087
Revenue from infrastructure project investments	**23,835**	26,976
Revenue from real estate agency and management services	**207,820**	179,914
Other income *(Note)*	**481,146**	372,138
	10,910,234	6,971,346
Discontinued Operations		
Revenue from construction contracts and project management	**—**	959,417
	10,910,234	7,930,763

Note: Other income mainly comprises of revenue from the provision of logistic operations, building design consultancy services, and manufacture and sale of cement.

8. Business and Geographical Segments

Business Segment

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

Property development — development and sale of properties

Property investment — property letting

Infrastructure — investments in entities undertaking toll highways

Construction — building and civil construction, foundation engineering and project management

Other operations — property management, property agency, logistic operations, building design consultancy services, supply of heat and electricity, securities trading, and manufacture and sales of cement

Segment information about these businesses is presented below.

8. Business and Geographical Segments (Continued)

Business Segment (Continued)

REVENUE AND RESULTS

Year ended 31 December 2006

	Continuing operations					
	Property development HK$'000	Property investment HK$'000	Infrastructure HK$'000	Other operations HK$'000	Intragroup eliminations HK$'000	Consolidated HK$'000
TURNOVER						
External	9,773,279	104,168	23,835	1,008,952	—	10,910,234
Inter-segment	—	1,619	—	184,670	(186,289)	—
Total turnover	9,773,279	105,787	23,835	1,193,622	(186,289)	10,910,234

Inter-segment revenue was charged at prices determined by management with reference to market prices.

RESULTS						
Segment results	2,391,233	295,375	13,807	318,298	(19,977)	2,998,736
Interest income						135,132
Other income						74,820
Unallocated corporate expenses						(97,324)
						3,111,364
Share of profits (losses) of						
Associates	(5,925)	—	—	(1,008)	—	(6,933)
Jointly controlled entities	382,297	—	50,925	427	—	433,649
Finance costs						(361,461)
Profit before tax						3,176,619
Income tax expense						(864,660)
Profit for the year						2,311,959

8. Business and Geographical Segments (Continued)

Business Segment (Continued)

ASSETS AND LIABILITIES
At 31 December 2006

	Continuing operations				
	Property development HK$'000	Property investment HK$'000	Infrastructure HK$'000	Other operations HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	25,528,102	1,761,160	148,131	1,850,018	29,287,411
Interests in associates	1,176,771	—	—	9,406	1,186,177
Interests in jointly controlled entities	523,680	—	1,227,063	3,479	1,754,222
Unallocated corporate assets					3,625,811
Consolidated total assets					35,853,621
LIABILITIES					
Segment liabilities	(8,344,426)	(22,824)	(33,689)	(680,197)	(9,081,136)
Unallocated corporate liabilities					(11,883,076)
Consolidated total liabilities					(20,964,212)

OTHER INFORMATION
Year ended 31 December 2006

	Continuing operations			Discontinued operations
	Property development HK$'000	Property investment HK$'000	Other operations HK$'000	Construction HK$'000
Additions to property, plant and equipment and prepaid lease payments for land	12,266	18	483,292	—
Depreciation and amortisation	8,900	4,345	135,340	—

8. Business and Geographical Segments (Continued)

Business Segment (Continued)

REVENUE AND RESULTS

Year ended 31 December 2005

	Continuing operations				Discontinued operations		
	Property development *HK$'000*	Property investment *HK$'000*	Infrastructure *HK$'000*	Other operations *HK$'000*	Construction *HK$'000*	Intragroup eliminations *HK$'000*	Consolidated *HK$'000*
TURNOVER							
External	5,991,640	127,591	26,976	825,139	959,417	—	7,930,763
Inter-segment	—	484	—	264,415	—	(264,899)	—
Total turnover	5,991,640	128,075	26,976	1,089,554	959,417	(264,899)	7,930,763

Inter-segment revenue was charged at prices determined by management with reference to market prices.

RESULTS							
Segment results	1,462,466	501,839	20,934	90,412	32,509	(11,239)	2,096,921
Interest income							85,870
Gain on change in value of other property interest							106,875
Other income							139,393
Unallocated corporate expenses							(137,502)
							2,291,557
Share of profits (losses) of							
Associates	(1,918)	—	—	(3,737)	—	—	(5,655)
Jointly controlled entities	(9,898)	—	53,052	1,383	—	—	44,537
Finance costs							(249,672)
Profit before tax							2,080,767
Income tax expense							(407,409)
Profit for the year							1,673,358

8. Business and Geographical Segments (Continued)

Business Segment (Continued)

ASSETS AND LIABILITIES
At 31 December 2005

	Continuing operations				
	Property development *HK$'000*	Property investment *HK$'000*	Infrastructure *HK$'000*	Other operations *HK$'000*	Consolidated *HK$'000*
ASSETS					
Segment assets	16,192,128	1,627,788	165,559	1,737,225	19,722,700
Interests in associates	212,731	—	—	12,666	225,397
Interests in jointly controlled entities	494,018	—	1,193,491	2,491	1,690,000
Unallocated corporate assets					3,503,843
Consolidated total assets					25,141,940
LIABILITIES					
Segment liabilities	(4,500,829)	(12,416)	(16)	(572,350)	(5,085,611)
Unallocated corporate liabilities					(9,276,083)
Consolidated total liabilities					(14,361,694)

OTHER INFORMATION
Year ended 31 December 2005

	Continuing operations			Discontinued operations
	Property development *HK$'000*	Property investment *HK$'000*	Other operations *HK$'000*	Construction *HK$'000*
Additions to property, plant and equipment, prepaid lease payments for land and investment properties	28,827	11,298	191,242	10,479
Depreciation and amortisation	6,235	6,534	104,475	12,230

8. Business and Geographical Segments (Continued)

Geographical Segments

The Group's property development and property investment activities are carried out in Hong Kong and regions in the PRC other than Hong Kong. All infrastructure project investments are located in the PRC. The following table provides an analysis of the Group's turnover by geographical market:

	Turnover from continuing operations by geographical market	
	2006	2005
	HK$'000	*HK$'000*
Hong Kong	**496,236**	297,425
Regions in the PRC other than Hong Kong	**10,413,998**	6,673,921
	10,910,234	6,971,346

In prior year, the turnover from the Group's discontinued construction business amounted to HK$959 million, which was substantially derived from Hong Kong.

The following is an analysis of the carrying amounts of segment assets and additions to property, plant and equipment, prepaid lease payments for land and investment properties, analysed by the geographical area in which the assets are located:

	Carrying amounts of segment assets		Additions to property, plant and equipment, prepaid lease payments for land and investment properties	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**6,315,637**	5,163,598	**20,705**	17,017
Regions in the PRC other than Hong Kong and Macau	**25,146,720**	16,623,094	**474,420**	223,464
Macau	**1,394,568**	532,680	**451**	1,365
	32,856,925	22,319,372	**495,576**	241,846

9. Impairment Losses and Allowances Reversed

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Continuing operations		
Reversal of allowance for doubtful recovery of amount due from a syndicated property project company	—	50,000

The allowance for doubtful recovery of the amount due from a syndicated property project company reversed in 2005 was determined by the directors based on the estimated net selling prices of the properties held by the investee by reference to the then market condition.

10. Other Operating Income

	Continuing operations		Discontinued operations		Consolidated	
	2006 **HK$'000**	2005 *HK$'000*	**2006** **HK$'000**	2005 *HK$'000*	**2006** **HK$'000**	2005 *HK$'000*
Other operating income include:						
Interest on bank deposits	**82,647**	44,163	**—**	2,179	**82,647**	46,342
Imputed interest income on amounts due from						
— associates	**9,734**	6,847	**—**	—	**9,734**	6,847
— syndicated property project companies	**41,458**	31,734	**—**	—	**41,458**	31,734
Other interest income	**1,293**	947	**—**	—	**1,293**	947
Total interest income	**135,132**	83,691	**—**	2,179	**135,132**	85,870
Gain on changes in value of interest rate swap agreements	**—**	28,810	**—**	—	**—**	28,810
Net exchange gains	**26,423**	10,353	**—**	—	**26,423**	10,353
Gain on disposal of associates	**—**	26,769	**—**	—	**—**	26,769
Gain on disposal of subsidiaries	**23,674**	—	**—**	—	**23,674**	—
Gain on disposal of property, plant and equipment	**3,646**	6,742	**—**	4	**3,646**	6,746

11. Finance Costs

	Continuing operations		Discontinued operations		Consolidated	
	2006 **HK$'000**	2005 *HK$'000*	**2006** **HK$'000**	2005 *HK$'000*	**2006** **HK$'000**	2005 *HK$'000*
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	**333,416**	214,740	**—**	1	**333,416**	214,741
Interest on guaranteed notes not wholly payable within five years	**134,550**	63,231	**—**	—	**134,550**	63,231
Imputed interest expense on amounts due to minority shareholders	**73,274**	50,660	**—**	—	**73,274**	50,660
Other finance costs	**26,337**	17,957	**—**	131	**26,337**	18,088
Total finance costs	**567,577**	346,588	**—**	132	**567,577**	346,720
Less: Amount capitalised in properties under development	**(206,116)**	(96,916)	**—**	—	**(206,116)**	(96,916)
	361,461	249,672	**—**	132	**361,461**	249,804

The finance costs for both years presented were incurred on financial liabilities that are not carried at fair value through profit or loss. Borrowing costs capitalised during the year are calculated by applying an average capitalisation rate of 5.75% (2005: 5.75%) per annum to expenditure on qualifying assets.

12. Income Tax Expense

	Continuing operations		Discontinued operations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong Profits Tax						
Current year	**17,566**	4,358	**—**	4,122	**17,566**	8,480
Prior year's overprovision	**(5,139)**	(25,022)	**—**	—	**(5,139)**	(25,022)
	12,427	(20,664)	**—**	4,122	**12,427**	(16,542)
PRC income tax						
Current year	**861,350**	376,160	**—**	—	**861,350**	376,160
Prior year's overprovision	**(885)**	—	**—**	—	**(885)**	—
	860,465	376,160	**—**	—	**860,465**	376,160
	872,892	355,496	**—**	4,122	**872,892**	359,618
Deferred tax *(note 43)*						
Current year	**(8,232)**	51,913	**—**	—	**(8,232)**	51,913
	864,660	407,409	**—**	4,122	**864,660**	411,531

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profit for the year.

PRC income tax is calculated at the prevailing PRC tax rates on the estimated assessable profits for the year.

Details of deferred taxation are set out in Note 43.

The income tax expense for the year can be reconciled to the profit before tax per the income statement as follows:

	2006	2005
	HK$'000	*HK$'000*
Profit before tax		
Continuing operations	**3,176,619**	2,048,258
Discontinued operations	**—**	36,631
	3,176,619	2,084,889
Tax at the applicable tax rate of 33% (2005: 33%)	**1,048,284**	688,013
Tax effect of expenses not deductible for tax purpose	**77,946**	41,761
Tax effect of income not taxable for tax purpose	**(80,553)**	(148,022)
Overprovision in respect of prior years	**(10,576)**	(47,184)
Tax effect of tax losses not recognised	**116,124**	114,372
Tax effect of utilisation of tax losses not previously recognised	**(38,651)**	(77,617)
Tax effect of deductible temporary differences previously not recognised	**—**	(62,959)
Tax effect of share of results of associates and jointly controlled entities	**(140,816)**	(12,831)
Effect of different tax rates applicable to subsidiaries operating in Hong Kong and regions in the PRC other than Hong Kong	**(107,098)**	(84,002)
Income tax expense for the year	**864,660**	411,531

In addition to the amount charged to the income statement, deferred tax arising from revaluation of the Group's properties amounted to HK$4.5 million in the prior year has been dealt with directly in equity.

13. Profit for the Year from Discontinued Operations

As detailed in Note 45, in prior year the Company entered into an agreement to dispose of its entire interest in Zetson Enterprises Limited (''Zetson'') which was, through its subsidiaries, principally engaged in project management, construction and other related activities. The disposal was completed and the Group's project management, construction and related activities were discontinued on 30 June 2005, on which date control of Zetson was passed.

The results of the activities carried out by Zetson and its subsidiaries for the period from 1 January 2005 to 30 June 2005, which have been included in the consolidated income statement, were as follows:

	1 January 2005 to 30 June 2005 *HK$'000*
Turnover	959,417
Cost of sales	(899,588)
	59,829
Other operating income	4,288
Administrative expenses	(28,651)
Operating profit	35,466
Share of profits of associates	1,297
Finance costs	(132)
Profit before tax	36,631
Income tax expense	(4,122)
Profit for the period	32,509

The carrying amounts of the consolidated assets and liabilities of Zetson and its subsidiaries at the date of disposal are disclosed in Note 45.

14. Profit for the Year

	Continuing operations		Discontinued operations		Consolidated	
	2006 **HK$'000**	2005 HK$'000	**2006** **HK$'000**	2005 HK$'000	**2006** **HK$'000**	2005 HK$'000
Profit for the year has been arrived at after charging (crediting):						
Auditors' remuneration	**9,615**	4,000	**—**	600	**9,615**	4,600
Depreciation of property, plant and equipment	**136,518**	106,048	**—**	12,230	**136,518**	118,278
Amortisation of prepaid lease payments for land (included in administrative expenses)	**12,067**	11,196	**—**	—	**12,067**	11,196
Staff costs including directors' emoluments *(Note)*	**366,956**	258,884	**—**	191,331	**366,956**	450,215
Rental expenses in respect of land and buildings under operating leases	**14,415**	14,246	**—**	—	**14,415**	14,246
Loss on changes in value of interest rate swap agreements	**2,156**	—	**—**	—	**2,156**	—
Loss on disposal of associates	**1,309**	—	**—**	—	**1,309**	—
Share of tax of						
Associates	**179**	445	**—**	471	**179**	916
Jointly controlled entities	**72,886**	18,020	**—**	—	**72,886**	18,020
Cost of stock of properties recognised as expense	**6,948,473**	4,278,727	**—**	—	**6,948,473**	4,278,727
Cost of inventories recognised as expenses	**241,475**	235,522	**—**	—	**241,475**	235,522
Rental income in respect of land and buildings under operating leases, net of outgoings of HK$9,631,000 (2005: HK$7,215,000)	**(94,537)**	(120,376)	**—**	—	**(94,537)**	(120,376)
Dividend income from syndicated property project companies	**(12,601)**	(20,959)	**—**	—	**(12,601)**	(20,959)

Note: *The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of the trustees.*

The employees of the Company's subsidiaries established in the PRC are members of a state-managed retirement scheme operated by the PRC government. Theses subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme.

The total cost charged to income statement of HK$16 million (2005: HK$19 million), which has been included in staff costs disclosed above, represents contributions payable to the schemes by the Group in respect of the current accounting period.

15. Directors' Emoluments

The emoluments paid or payable to the directors of the Company are as follows:

	Year ended 31 December 2006				
	Directors' fees HK$'000	**Basic salaries, allowances and benefits-in-kind** HK$'000	**Performance related bonus** HK$'000	**Contributions to provident fund schemes** HK$'000	**Total** HK$'000
Kong Qingping	**—**	**4,548**	**3,000**	**12**	**7,560**
Cui Duosheng	**—**	**3,770**	**3,000**	**12**	**6,782**
Yao Peifu	**—**	**—**	**—**	**—**	**—**
Hao Jian Min	**—**	**2,400**	**2,600**	**12**	**5,012**
Wu Jianbin	**—**	**2,640**	**2,600**	**12**	**5,252**
Xiao Xiao	**—**	**2,400**	**2,600**	**12**	**5,012**
Jin Xinzhong	**—**	**—**	**—**	**—**	**—**
Wang Man Kwan, Paul	**—**	**1,910**	**230**	**12**	**2,152**
Yip Chung Nam	**—**	**—**	**—**	**—**	**—**
Cheung Shiu Kit	**—**	**—**	**—**	**—**	**—**
Li Kwok Po, David	**360**	**—**	**—**	**—**	**360**
Lam Kwong Siu	**250**	**—**	**—**	**—**	**250**
Wong Ying Ho, Kennedy	**250**	**—**	**—**	**—**	**250**
Chen Bin	**—**	**100**	**—**	**1**	**101**
	860	**17,768**	**14,030**	**73**	**32,731**

	Year ended 31 December 2005				
	Directors' fees HK$'000	Basic salaries, allowances and benefits-in-kind HK$'000	Performance related bonus HK$'000	Contributions to provident fund schemes HK$'000	Total HK$'000
Kong Qingping	—	4,721	2,500	12	7,233
Cui Duosheng	—	3,526	2,200	12	5,738
Yao Peifu	—	3,035	2,200	12	5,247
Hao Jian Min	—	2,150	2,200	12	4,362
Wu Jianbin	—	2,475	2,200	12	4,687
Xiao Xiao	—	1,780	2,200	12	3,992
Jin Xinzhong	—	1,200	—	12	1,212
Wang Man Kwan, Paul	—	1,650	150	13	1,813
Sun Wen Jie	—	320	—	—	320
Yip Chung Nam	—	190	—	—	190
Cheung Shiu Kit	—	650	—	3	653
Li Kwok Po, David	200	—	—	—	200
Lam Kwong Siu	200	—	—	—	200
Wong Ying Ho, Kennedy	200	—	—	—	200
	600	21,697	13,650	100	36,047

All the five highest paid individuals in the Group for both years presented are directors of the Company, whose emoluments are included above.

16. Dividends

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Dividends recognised as distributions during the year:		
Interim dividend paid in respect of 2006 of HK4 cents (2005: HK3 cents) per share	**278,729**	191,617
Special interim distribution in specie in respect of 2005 *(Note)*	**—**	424,017
Final dividend paid in respect of 2005 of HK4 cents (2004: HK4 cents) per share	**257,390**	254,996
	536,119	870,630

Note: In prior year, a special dividend was paid to the Company's shareholders by way of a distribution of the shares in China State Construction International Holdings Limited ("CSCIHL") on the basis of one CSCIHL share for every 18 shares in the Company then held (Note 45). The carrying amount of the investment in CSCIHL as carried in the Company's balance sheet is minimal.

The final dividend of HK6 cents (2005: HK4 cents) per ordinary share has been proposed by the directors and is subject to approval by the shareholders at the forthcoming Annual General Meeting. The amount of final dividend proposed was calculated based on the number of ordinary shares in issue at the date of approval of the financial statements.

17. Earnings Per Share

From Continuing and Discontinued Operations

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

	2006	2005
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**2,370,750**	1,534,684

	2006	2005
	'000	*'000*
Number of Shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**6,672,210**	6,405,883
Effect of dilutive potential ordinary shares in respect of		
— share options granted	**79,036**	80,598
— bonus warrants granted	**28,126**	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**6,779,372**	6,486,481

17. Earnings Per Share (Continued)

From Continuing Operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to the equity shareholders of the Company is based on the following information:

Earnings figures are calculated as follows:

	2006	2005
	HK$'000	*HK$'000*
Profit for the year attributable to equity shareholders of the Company	**2,370,750**	1,534,684
Less: Profit for the year from discontinued operations	—	(32,509)
Earnings for the purposes of basic and diluted earnings per share from continuing operations	**2,370,750**	1,502,175

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operations

Basic earnings per share for the discontinued operations in prior year is HK0.51 cents per share and diluted earnings per share for the discontinued operations is HK0.50 cents per share, based on the profit for the prior year from the discontinued operations of HK$33 million and the denominators detailed above for both basic and diluted earnings per share.

18. Investment Properties

	HK$'000
FAIR VALUE	
At 1 January 2005	1,833,200
Additions	9,756
Reclassified from property, plant and equipment and prepaid lease payments for land	187,000
Disposal of a subsidiary	(824,724)
Disposals	(25,167)
Increase in fair value recognised in income statement	391,495
At 31 December 2005	1,571,560
Reclassified from property, plant and equipment and prepaid lease payments for land	11,000
Transferred to property, plant and equipment	(86,800)
Disposals	(62,620)
Increase in fair value recognised in income statement	205,440
At 31 December 2006	**1,638,580**

18. Investment Properties (Continued)

An analysis of the investment properties of the Group at the balance sheet date is as follows:

	2006	2005
	HK$'000	*HK$'000*
Investment properties:		
In Hong Kong		
On long leases	**157,900**	144,000
On medium-term leases	**1,236,600**	1,148,500
In the PRC other than in Hong Kong		
On medium-term leases	**244,080**	279,060
	1,638,580	1,571,560

The fair value of the Group's investment properties, including both land and building elements, at 31 December 2006 has been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited, an independent firm of professional valuers not connected with the Group, who has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation report on these properties was signed by a director of DTZ Debenham Tie Leung Limited who is a member of The Hong Kong Institute of Surveyors (''HKIS''). The valuation, which conforms to the Valuation Standards on Valuation of Properties published by the HKIS, was arrived at by considering the capitalised income to be derived from the properties or, where appropriate, by reference to market evidence of transaction prices for similar properties.

In prior year, certain properties with an aggregate fair value of HK$187 million were reclassified from property, plant and equipment and prepaid lease payments for land. The fair value of such properties at the date of reclassification was determined by reference to the valuation conducted by DTZ Debenham Tie Leung Limited on that date. The difference between the fair value of these properties and their carrying value amounted to HK$134 million of which HK$107 million was attributable to leasehold interest in land which has been credited to income statement. The remaining balance of the difference of HK$27 million has been dealt with in reserve.

All of the Group's investment properties held under operating leases to earn rentals or for capital appreciation purposes are classified as investment properties and are accounted for using the fair value model.

19. Property, Plant and Equipment

	Leasehold land and buildings HK$'000	Heat and electricity supply facilities HK$'000	Plant, machinery and equipment HK$'000	Furniture, fixtures, office equipment and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
THE GROUP						
COST						
At 1 January 2005	316,084	377,849	683,535	196,926	286,011	1,860,405
Exchange adjustments	13,818	9,717	5,452	1,697	4,744	35,428
Acquisition of subsidiaries	7,404	—	—	3,367	—	10,771
Additions	43,371	19,680	7,661	69,999	115,223	255,934
Disposal of subsidiaries	(206)	—	—	(3,656)	—	(3,862)
Disposal arising from discontinued operations	—	—	(405,507)	(38,544)	—	(444,051)
Other disposals	(20,335)	(6,949)	(2,127)	(55,465)	—	(84,876)
Government grants received	—	—	—	—	(34,615)	(34,615)
Reclassified to investment properties	(72,484)	—	—	—	—	(72,484)
Transfers between categories	37,984	220,025	—	—	(258,009)	—
At 31 December 2005	325,636	620,322	289,014	174,324	113,354	1,522,650
Exchange adjustments	9,519	10,487	7,106	5,891	18,306	51,309
Additions	35,682	8,036	14,131	46,206	389,488	493,543
Disposal of subsidiaries	(90,813)	(62,751)	(32,256)	(9,064)	(7,937)	(202,821)
Other disposals	(800)	(1,818)	(11,378)	(35,771)	—	(49,767)
Reclassified from investment properties	86,800	—	—	—	—	86,800
Reclassified to investment properties	(7,392)	—	—	—	—	(7,392)
Transfers between categories	2,137	50,574	749	4,890	(58,350)	—
At 31 December 2006	360,769	624,850	267,366	186,476	454,861	1,894,322
DEPRECIATION						
At 1 January 2005	54,532	54,709	437,095	116,594	—	662,930
Exchange adjustments	803	1,821	1,072	1,330	—	5,026
Provided for the year	14,941	62,166	18,965	22,206	—	118,278
Eliminated on disposal of subsidiaries	—	—	—	(2,370)	—	(2,370)
Eliminated on disposal arising from discontinued operations	—	—	(382,747)	(31,296)	—	(414,043)
Eliminated on other disposals	—	(928)	(1,972)	(15,520)	—	(18,420)
Eliminated on reclassification to investment properties	(42,366)	—	—	—	—	(42,366)
At 31 December 2005	27,910	117,768	72,413	90,944	—	309,035
Exchange adjustments	640	8,610	950	2,706	—	12,906
Provided for the year	15,833	68,773	22,844	29,068	—	136,518
Eliminated on disposal of subsidiaries	(9,388)	(9,822)	(6,520)	(2,997)	—	(28,727)
Eliminated on other disposals	(210)	(995)	(7,849)	(28,692)	—	(37,746)
Eliminated on reclassification to investment properties	(1,995)	—	—	—	—	(1,995)
At 31 December 2006	32,790	184,334	81,838	91,029	—	389,991
CARRYING VALUES						
At 31 December 2006	**327,979**	**440,516**	**185,528**	**95,447**	**454,861**	**1,504,331**
At 31 December 2005	297,726	502,554	216,601	83,380	113,354	1,213,615

19. Property, Plant and Equipment (Continued)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the shorter of the term of the relevant lease or 25 years
Heat and electricity supply facilities	8 to 12 years
Plant, machinery and equipment	3 to 10 years
Other assets	3 to 8 years

The cost of construction in progress, on which the government grants apply is HK$115 million (2005: HK$115 million).

	Buildings *HK$'000*	Furniture, fixtures, office equipment and motor vehicles *HK$'000*	Total *HK$'000*
THE COMPANY			
COST			
At 1 January 2005	950	30,353	31,303
Additions	—	2,017	2,017
Disposals	—	(35)	(35)
At 31 December 2005	950	32,335	33,285
Additions	—	17,866	17,866
Disposals	—	(20,004)	(20,004)
At 31 December 2006	950	30,197	31,147
DEPRECIATION			
At 1 January 2005	455	28,753	29,208
Provided for the year	62	1,268	1,330
Eliminated on disposals	—	(35)	(35)
At 31 December 2005	517	29,986	30,503
Provided for the year	62	5,041	5,103
Eliminated on disposals	—	(19,832)	(19,832)
At 31 December 2006	579	15,195	15,774
CARRYING VALUES			
At 31 December 2006	**371**	**15,002**	**15,373**
At 31 December 2005	433	2,349	2,782

20. Prepaid Lease Payments for Land

	THE GROUP		THE COMPANY	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepaid lease payments for land comprise:				
Leasehold land in Hong Kong				
Long lease	**1,042**	1,043	**—**	—
Medium-term lease	**3,364**	9,797	**—**	—
Leasehold land outside Hong Kong on				
Medium-term lease	**76,129**	199,884	**372**	433
	80,535	210,724	**372**	433
Analysed for reporting purposes as				
Non-current asset	**76,861**	199,801	**310**	371
Current asset	**3,674**	10,923	**62**	62
	80,535	210,724	**372**	433

21. Investments in Subsidiaries

	THE COMPANY	
	2006	2005
	HK$'000	*HK$'000*
Cost of investments, unlisted	**279,095**	274,509

Particulars of the principal subsidiaries are set out in note 55.

22. Investments in Associates

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Cost of investments, unlisted	**30,808**	14,972
Share of post-acquisition profits less losses, and reserves net of dividends received	**110,480**	111,698
	141,288	126,670

	THE COMPANY	
	2006	2005
	HK$'000	*HK$'000*
Cost of investments, unlisted	**—**	—

Set out below are the particulars of the principal associates at 31 December 2006 which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group.

22. Investments in Associates (Continued)

Name of entity	Place of incorporation and operations	Proportion of nominal value of issued ordinary capital/ registered capital indirectly held %	Principal activities
Chest Gain Development Limited	Hong Kong	30	Property development
Guangzhou Xin Yue Real Estate Development Co., Ltd.	PRC	40	Property development and trading

Movements of goodwill included in the cost of investments in associates are set out below:

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
COST		
At 1 January	**—**	33,248
Eliminated on disposals	**—**	(33,248)
At 31 December	**—**	—
AMORTISATION AND IMPAIRMENT		
At 1 January	**—**	32,754
Eliminated on disposals	**—**	(32,754)
At 31 December	**—**	—
CARRYING VALUES		
At 31 December	**—**	—

The summarised financial information in respect of the Group's associates is set out below:

	2006	2005
	HK$'000	*HK$'000*
Total assets	**3,987,206**	3,721,366
Total liabilities	**(7,692,333)**	(7,062,435)
Net liabilities	**(3,705,127)**	(3,341,069)
Group's share of net liabilities of the associates	**(1,074,121)**	(970,179)
Revenue	**8,754**	494,516
Loss for the year	**(413,011)**	(264,312)
Group's share of loss of the associates for the year	**(6,933)**	(5,655)

22. Investments in Associates (Continued)

The Group has discontinued recognition of its share of losses of certain associates. The amounts of unrecognised share of those associates, extracted from the relevant management accounts of associates, both for the year and cumulatively, are as follows:

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Unrecognised share of losses of associates for the year	**118,608**	110,922
Accumulated unrecognised share of losses of associates	**1,223,215**	1,104,607

The unrecognised share of losses of associates for the year and the accumulated unrecognised share of losses of associates include an associate's interest expenses amounted to HK$100 million (2005: HK$79 million) and HK$800 million (2005: HK$700 million) respectively, arising from the amount due to the Group. The Group considers the inflow of economic benefit associated with the interest is uncertain and therefore does not recognise the corresponding interest income. Furthermore, the Group has taken into account an accumulated balance of impairment losses of HK$421 million (2005: HK$421 million) in determining the carrying amount of the amount due from the associate.

23. Investments in Jointly Controlled Entities

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Cost of investments, unlisted	**1,244,302**	1,244,526
Share of post-acquisition profits less losses, and reserves net of dividends received	**509,481**	44,536
	1,753,783	1,289,062

Set out below are the particulars of the principal jointly controlled entities at 31 December 2006, which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. These jointly controlled entities are established and operating in the PRC.

Name of entity	**Proportion of nominal value of registered capital held by the Group** %	**Operation period**	**Principal activities**
南京長江第二大橋有限責任公司	65	10 February 1999 to 25 March 2031	Operation and management of a toll bridge
深圳中海信和地產開發有限公司	50	28 April 2004 to 27 April 2014	Property development
Nanchang COB Infrastructure Ltd.	55.24*	29 March 2003 to 30 June 2025	Operation and management of a toll bridge
Nanchang COIL City Bridge Ltd.	55.24*	29 March 2003 to 30 June 2025	Operation and management of a toll bridge
Nanchang COVC City Bridge Ltd.	55.24*	29 March 2003 to 30 June 2025	Operation and management of a toll bridge

* *Pursuant to the joint venture agreements, the Group is entitled to share a 92% of the operating results of these jointly controlled entities in their first 11 years of operation and thereafter at the reduced rate of 55.24% for the remaining operation period.*

23. Investments in Jointly Controlled Entities (Continued)

The summarised financial information in respect of the Group's jointly controlled entities which are accounted for using the equity method is set out below:

	2006 HK$'000	2005 HK$'000
Current assets	**1,117,083**	957,981
Non-current assets	**3,124,620**	3,300,581
Current liabilities	**883,177**	1,051,022
Non-current liabilities	**1,554,625**	1,663,177
Income	**1,320,726**	298,387
Expenses	**887,077**	253,850

24. Investments in Syndicated Property Project Companies

	THE GROUP	
	2006 *HK$'000*	2005 *HK$'000*
Unlisted		
Available-for-sale equity investments, at fair value	**143,895**	153,637

The investments represent the Group's interests in the following syndicated property project companies which are carried at the balance sheet date at 31 December 2006 at fair value as estimated by the directors by reference to the fair value of the properties held by these companies.

The syndicated property project companies are incorporated and operating in Hong Kong unless otherwise indicated.

Name of entity	Attributable equity interests held by the Group %	Principal activities
Benefit Bright Limited	10	Property development
Direct Profit Development Limited	8	Property development
Dramstar Company Limited	12	Property development
Harvest Sun Limited	10	Property development
Moricrown Ltd.*	7	Property development
Victory World Limited	10	Property development

* *Incorporated in the British Virgin Islands*

25. Investments in Infrastructure Projects/Amounts due from Infrastructure Projects

	THE GROUP 2006 HK$'000	2005 HK$'000
Investments in infrastructure projects	**148,131**	165,559
Less: Portion due within one year included in current assets	**(20,240)**	(17,428)
	127,891	148,131

The Group is entitled under the agreements entered into with certain PRC entities to share a fixed amount of the operating surplus of the investee companies available for appropriation to enable the Group to recover its cost of investment and receive a periodic return therefrom. The PRC partners will be entitled to all of the remaining surplus. The Group's returns under the agreements are guaranteed by the PRC partners. Upon the expiration of the contracted periods, all assets of the investee companies will revert to the PRC partners without compensation. Accordingly, the Group's entitlements to the operating results of the investee companies are limited to the guaranteed fixed returns and the investments classified as loans and receivables which are measured at amortised cost at effective interest rate of 15% (2005: 15%) per annum.

Particulars of the investee companies at 31 December 2006, all of which are established and are operating in the PRC, are as follows:

Name of entity	Registered capital US$'000	Capital contributed by the Group US$'000	Operation period	Nature of business
Guilin COLI Communication Development Ltd.	23,530	3,750	18 years from 19 December 1997	Operation and management of toll highways
Guilin COLI Infrastructure Investment Ltd.	23,530	3,750	18 years from 19 December 1997	Operation and management of toll highways
Nanning COLI Infrastructure Investment Ltd.	29,450	8,000	16 years from 24 December 1996	Operation and management of toll bridges
Nanning Shachuan Bridge Investment Ltd.	29,620	8,000	16 years from 24 December 1996	Operation and management of toll bridges
Nanning Xixiangtang Road Investment Ltd.	29,740	8,000	16 years from 24 December 1996	Operation and management of toll highways

26. Amounts Due from Associates/Jointly Controlled Entities/Syndicated Property Project Companies

The Group

	2006			2005		
	Interest free	**Interest bearing**	**Total**	Interest free	Interest bearing	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due from						
— associates	**177,194**	**10,033**	**187,227**	88,227	10,500	98,727
— jointly controlled entities	**439**	**—**	**439**	400,938	—	400,938
— syndicated property project companies	**490,954**	**—**	**490,954**	542,364	—	542,364

The amounts due from associates, jointly controlled entities and syndicated property project companies are unsecured and repayable more than one year from the balance sheet date. Except that the amount of HK$10 million (2005: HK$11 million) due from associates carries interest rate at 8.75% which is based on the prevailing prime rate plus 1%, the other amounts due are interest free and carried at amortised cost at effective interest rate of 8.75% (2005: 8.75%) per annum.

The Company

The amounts due from associates are unsecured, carry interest at 8.75% per annum which is based on prevailing prime rates plus 1% and due one year after balance sheet date.

27. Amounts Due from Subsidiaries

	THE COMPANY					
	2006			2005		
	Interest free	**Interest bearing**	**Total**	Interest free	Interest bearing	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
The amounts comprise:						
Unsecured and due one year after the balance sheet date included in non-current assets	**1,944,814**	**2,738,080**	**4,682,894**	—	3,587,701	3,587,701
Unsecured and repayable on demand included in current assets	**12,563,557**	**—**	**12,563,557**	9,709,319	—	9,709,319

The interest bearing amounts due from subsidiaries carry interest rates ranging from 3.5% to 8.25% per annum (2005: prime rate). Except for those amounts due from subsidiaries which bear interest at prevailing market rate, all the amounts due are carried at amortised cost at effective interest rate of the prevailing prime rate.

28. Other Financial Assets and Liabilities

	THE GROUP 2006 HK$'000	THE GROUP 2005 HK$'000	THE COMPANY 2006 HK$'000	THE COMPANY 2005 HK$'000
Other Financial Assets				
Instalments receivable *(Note a)*	**6,938**	9,022	**—**	—
Pledged bank deposits *(Note b)*	**26,782**	27,611	**—**	—
Included in non-current assets	**33,720**	36,633	**—**	—
Derivative financial instruments *(Note c)* included in current assets	**3,080**	12,763	**3,080**	12,763
Other Financial Liabilities				
Financial guarantee contracts due				
— within one year	**—**	—	**33,358**	33,358
— more than one year, but not exceeding two years	**—**	—	**24,804**	24,804
— more than two years, but not exceeding five years	**—**	—	**74,412**	74,412
— over five years	**—**	—	**12,402**	37,206
	—	—	**144,976**	169,780
Less: Amounts due within one year included in current liabilities	**—**	—	**(33,358)**	(33,358)
	—	—	**111,618**	136,422

Notes:

(a) *The instalments receivable are unsecured, carry interest at prime rate plus a specified margin and are not wholly repayable within five years.*

(b) *The pledged bank deposits represent deposits pledged to banks to secure the banking facilities granted to the Group. The deposits, which carry variable interest rate, will be released upon the settlement of the relevant bank borrowings.*

(c) *The derivative financial instruments represent interest rate swap agreements entered into by the Group to manage its exposure to interest rate movements on its bank borrowings by swapping a portion of those borrowings from floating rates to fixed rates. These agreements are deemed to be financial instruments held for trading and are therefore carried at the balance sheet date at fair value, determined by reference to prices for equivalent instruments quoted by financial institutions. Changes in fair value are recognised directly in profit or loss.*

Major terms of the interest rate swap agreements are as follows:

Notional amount outstanding at 31 December 2006	Maturity	Terms
HK$420,000,000	2007	From HIBOR to the fixed rate of 3.298% per annum
HK$210,000,000	2007	From HIBOR to the fixed rate of 2.953% per annum

29. Inventories

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Raw materials and consumables, at cost	**32,279**	36,641

30. Stock of Properties

	THE GROUP		THE COMPANY	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Completed properties	**2,442,787**	2,127,468	**1,798**	1,798
Properties under development *(note)*	**20,043,694**	11,482,263	**—**	—
	22,486,481	13,609,731	**1,798**	1,798

Note: Included in the amount are properties under development for sale of HK$8,794,636,000 (2005: HK$4,144,276,000) expected not to be realised within 12 months from the balance sheet date.

31. Investments Held-for-trading

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong	**362,563**	11,489

The amount is stated at fair value based on quoted market prices.

32. Trade and Other Receivables

Except for the proceeds from sales of properties, rental income from lease of properties and income from investments in infrastructure projects which are payable in accordance with the terms of the relevant agreements, the Group generally allows a credit period of not exceeding 60 days to its customers.

The following is an analysis of trade and other receivables at the balance sheet date:

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Receivables, aged		
0–30 days	**835,329**	400,699
31–90 days	**193,245**	131,543
Over 90 days	**441,861**	467,914
	1,470,435	1,000,156

33. Amounts Due from an Associate/a Jointly Controlled Entity

The amount due from an associate is unsecured, repayable on demand and carries interest rate at 8.75% which is based on the prevailing prime rate plus 1%. As mentioned in note 22, the Group considers the inflow of economic benefit associated with the interest is uncertain and therefore does not recognise the corresponding interest income. Furthermore, the Group has taken into account the impairment losses in determining the carrying amount of the amount due from the associate.

The amount due from a jointly controlled entity is unsecured, interest free and repayable on demand.

34. Bank Balances and Cash

Included in bank balances and cash in the consolidated balance sheet are restricted bank deposits of HK$167,923,000 (2005: HK$21,386,000) which can be solely applied in the designated property development projects.

The Company has no restricted bank deposits at both years end.

All bank deposits carry interest at market rates which range from 2.25% to 5.2% per annum.

35. Trade and Other Payables

The following is an analysis of trade and other payables at the balance sheet date:

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Payables, aged		
0–30 days	**4,327,089**	1,808,905
31–90 days	**31,813**	51,620
Over 90 days	**738,376**	798,937
Consideration for acquisition of investment payable	**5,710**	57,638
Retentions payable	**264,532**	151,130
	5,367,520	2,868,230

Of the retentions payable, an amount of HK$142 million (2005: HK$80 million) is due beyond twelve months.

36. Amounts Due to Associates/Jointly Controlled Entities

The amounts are unsecured, interest free and repayable on demand.

37. Amounts Due to Subsidiaries

	THE COMPANY	
	2006	2005
	HK$'000	*HK$'000*
The amounts comprise:		
Interest bearing at 5.75%, unsecured and due one year after the balance sheet date included in non-current liabilities	**2,377,892**	2,379,815
Non-interest bearing, unsecured and repayable on demand included in current liabilities	**703,023**	302,722

38. Share Capital

	THE GROUP AND THE COMPANY			
	2006		2005	
	Number of shares	**Nominal value**	Number of shares	Nominal value
	'000	***HK$'000***	*'000*	*HK$'000*
Ordinary shares of HK$0.1 each				
Authorised	**10,000,000**	**1,000,000**	10,000,000	1,000,000
Issued and fully paid				
At beginning of the year	**6,397,976**	**639,798**	6,370,728	637,073
Issue of shares upon exercise of share options	**139,010**	**13,901**	85,990	8,599
Issue of shares upon exercise of warrants	**469,070**	**46,907**	—	—
Shares repurchased	**—**	**—**	(58,742)	(5,874)
At end of the year	**7,006,056**	**700,606**	6,397,976	639,798

All the new shares issued during the year rank pari passu in all respects with the existing shares.

Issue of Shares

During the year, the Company issued a total of 608,080,000 shares, in which 139,010,000 shares were issued at prices ranging from HK$0.52 to HK$4.06 per share to employees upon the exercise of the share options granted, giving a total cash consideration of HK$235,217,000 and 469,070,000 shares were issued at HK$4.50 per share to shareholders upon exercise of warrants, giving a total cash consideration of HK$2,110,814,000.

Share Option Scheme

The Company's share option scheme (''the Scheme'') was adopted pursuant to an ordinary resolution passed on 18 July 2002. The Scheme shall be valid and effective for a period of 10 years and the purpose of which is to provide incentives to directors and eligible employees to contribute further to the Company. The Board is authorised to grant options under the Scheme to any full-time employee, including directors of the Company or any of its subsidiaries, to subscribe for shares in the Company.

The maximum number of shares that can be granted under the Scheme must not exceed 10% of the shares of the Company in issue as at the date of approval of the Scheme. The total number of shares issued and to be issued upon exercise of the options granted to each participant must not, within any 12-month period, exceed 1% of the shares of the Company in issue. Any further grant of the options in excess of this 1% limit is subject to shareholders' approval. Each grant of options to any director or a substantial shareholder must be approved by independent non-executive directors. Where any grant of options to a substantial shareholder or an independent non-executive director or any of their respective associates in the 12-month period, would result in the shares issued and to be issued upon exercise of all options representing over 0.1% of the Company's share capital in issue or having an aggregate value in excess of HK$5 million, such further grant of options must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days from the date of the offer letter upon payment of HK$1 per each grant of option payable as consideration on acceptance, which is recognised in the income statement when received. An option may be exercised at any time during a period of 9 years commencing on the expiry of one year after the offer date. The subscription price per share is determined by the Board and shall be at least the higher of (i) the closing price of the Company's shares on the date of offer; (ii) the average closing price of the shares for the five business days immediately preceding the date of offer; and (iii) the nominal value of the shares.

The fair value of share options granted is charged to the income statement on a straight-line basis over the vesting period in accordance with HKFRS 2 *Share-based Payment.*

38. Share Capital (Continued)

Share Option Scheme (Continued)

The following table discloses details of the Company's share options held by employees and movements in such holdings:

Date of grant	Exercisable period	Exercise price per share	Number of shares under options granted: Outstanding at 1 January 2006	Movements during the year: Exercised	Movements during the year: Cancelled	At 31 December 2006: Outstanding	At 31 December 2006: Exercisable	Closing price of shares at date of exercise
		HK$						HK$
17 July 1997	17 July 1998–16 July 2007	4.06	55,850,000	(32,890,000)	(4,120,000)	18,840,000	18,840,000	4.275 to 9.060
14 February 1998	14 February 1999 –13 February 2008	1.08	70,400,000	(66,190,000)	(1,160,000)	3,050,000	3,050,000	3.175 to 7.840
30 September 1998	30 September 1999 –29 September 2008	0.52	8,050,000	(7,720,000)	—	330,000	330,000	3.300 to 5.900
4 January 2000	4 January 2001 –3 January 2010	0.58	20,590,000	(18,570,000)	(540,000)	1,480,000	1,480,000	3.300 to 7.930
18 June 2004	18 June 2005–17 June 2014	1.13	53,764,000	(13,640,000)	(2,104,000)	38,020,000	3,808,000	3.800 to 8.490
			208,654,000	(139,010,000)	(7,924,000)	61,720,000	27,508,000	
Weighted average exercise price			**HK$1.82**	**HK$1.69**	**HK$2.61**	**HK$2.01**	**HK$3.09**	

Date of grant	Exercisable period	Exercise price per share	Number of shares under options granted: Outstanding at 1 January 2005	Movements during the year: Exercised	Movements during the year: Cancelled	At 31 December 2005: Outstanding	At 31 December 2005: Exercisable	Closing price of shares at date of exercise
		HK$						HK$
17 July 1997	17 July 1998–16 July 2007	4.06	57,080,000	—	(1,230,000)	55,850,000	55,850,000	N/A
14 February 1998	14 February 1999 –13 February 2008	1.08	126,120,000	(54,860,000)	(860,000)	70,400,000	70,400,000	1.53 to 3.325
30 September 1998	30 September 1999 –29 September 2008	0.52	15,500,000	(7,450,000)	—	8,050,000	8,050,000	1.55 to 2.850
4 January 2000	4 January 2001 –3 January 2010	0.58	33,950,000	(13,360,000)	—	20,590,000	20,590,000	1.53 to 3.075
18 June 2004	18 June 2005–17 June 2014	1.13	64,340,000	(10,320,000)	(256,000)	53,764,000	2,452,000	1.46 to 3.45
			296,990,000	(85,990,000)	(2,346,000)	208,654,000	157,342,000	
Weighted average exercise price			HK$1.58	HK$0.96	HK$2.65	HK$1.82	HK$2.04	

38. Share Capital (Continued)

Share Option Scheme (Continued)

Details of the share options held by the directors included in the above table are as follows:

	Number of shares under options granted			
	Outstanding at 1 January	Movements during the year Exercised	Reclassified *(Note)*	Outstanding at 31 December
2006	**69,938,000**	**(30,046,000)**	**(22,870,000)**	**17,022,000**
2005	100,330,000	(6,942,000)	(23,450,000)	69,938,000

Note: The 22,870,000 (2005: 23,450,000) share options represents the net balance of 24,210,000 (2005: 35,540,000) share options held by the directors who had resigned during the year and 1,340,000 (2005: 12,090,000) share options held by certain directors who were appointed during the year.

The Group recognised the total expense of HK$133,000 for the year ended 31 December 2006 (2005: HK$6,163,000) in relation to share options granted by the Company.

Save as disclosed above, no options were granted, exercised, cancelled, forfeited or lapsed during the year.

During the year ended 31 December 2004, 65,140,000 options were granted on 18 June 2004 by the Company at the exercise price of HK$1.13 per share. The vesting and exercisable periods regarding these options are as follows:

Number of options granted	Vesting period	Exercisable period
13,028,000	18 June 2004 to 17 June 2005	18 June 2005 to 17 June 2014
13,028,000	18 June 2004 to 17 June 2006	18 June 2006 to 17 June 2014
13,028,000	18 June 2004 to 17 June 2007	18 June 2007 to 17 June 2014
13,028,000	18 June 2004 to 17 June 2008	18 June 2008 to 17 June 2014
13,028,000	18 June 2004 to 17 June 2009	18 June 2009 to 17 June 2014

The estimated fair value of the 65,140,000 options granted on 18 June 2004 is HK$12,327,000 which was calculated using the Black-Scholes pricing model. The inputs into the model are as follows:

Weighted average share price	HK$1.11
Exercise price	HK$1.13
Expected volatility	45.54%
Expected life	1.5–10 years
Risk-free rate	1.88–4.56%
Expected dividend yield	5.42%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 260 trading days. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

38. Share Capital (Continued)

Warrants

On 25 May 2006, the Company proposed a bonus issue of warrants (''Warrants'') to be made in the proportion of 1 Warrant for every 8 ordinary shares held by shareholders of the Company whose names appeared on the register of members of the Company on 12 July 2006.

Pursuant to an ordinary resolution passed on 12 July 2006, 811,198,451 units of Warrants exercisable from 18 July 2006 to 17 July 2007 (both dates inclusive) were issued to the shareholders of the Company on 14 July 2006. Such Warrants will entitle the registered holder to subscribe in cash for 811,198,451 new shares of HK$0.10 each of the Company at an initial subscription price of HK$4.50 per share (subject to adjustment).

During the year, 469,070,000 shares of HK$0.10 each of the Company were issued upon exercise of 469,070,000 units of Warrants, the subscription money of HK$2,110,814,000 has been received in full upon exercise.

As at 31 December 2006, 342,128,775 units of Warrants were still outstanding which would, under the present capital structure of the Company, result in the issue of 342,128,775 additional shares of HK$0.1 each of the Company. Presume the outstanding warrants were exercised in full and there has been no change to the initial subscription price, the total subscription money received will amount to HK$1,539,579,000.

39. Share Premium and Reserves

	Share premium *HK$'000*	**Capital redemption reserve** *HK$'000*	**Share option reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*
THE COMPANY					
At 1 January 2005	6,702,896	12,924	3,297	753,558	7,472,675
Profit for the year	—	—	—	366,302	366,302
Dividend paid	—	—	—	(254,996)	(254,996)
Repurchase of own shares	—	5,874	—	(90,030)	(84,156)
Issue of shares	75,920	—	(1,985)	—	73,935
Share issue expenses	(64)	—	—	—	(64)
Recognition of share-based payments	—	—	6,163	—	6,163
2005 interim dividend paid	—	—	—	(191,617)	(191,617)
At 31 December 2005 as originally stated	6,778,752	18,798	7,475	583,217	7,388,242
Effect of application of new or revised HKFRS *(Note 2)*	—	—	—	20,956	20,956
At 1 January 2006 as restated	6,778,752	18,798	7,475	604,173	7,409,198
Profit for the year	—	—	—	695,759	695,759
2005 final dividend paid	—	—	—	(257,390)	(257,390)
Issue of shares	2,287,847	—	(2,624)	—	2,285,223
Share issue expenses	(445)	—	—	—	(445)
Recognition of share-based payments	—	—	133	—	133
2006 interim dividend paid	—	—	—	(278,729)	(278,729)
At 31 December 2006	**9,066,154**	**18,798**	**4,984**	**763,813**	**9,853,749**

The Company's reserves available for distribution to shareholders at 31 December 2006 comprised the retained profits of HK$764 million (2005: HK$583 million).

The Group

The PRC statutory reserve of the Group represents general and development fund reserve applicable to PRC subsidiaries which was established in accordance with the relevant PRC regulations.

40. Bank Loans

	THE GROUP		THE COMPANY	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unsecured bank loans repayable				
Within one year	**673,431**	1,921,731	**203,191**	434,000
More than one year, but not exceeding two years	**2,581,500**	1,729,230	**364,500**	1,460,000
More than two years, but not exceeding five years	**3,465,500**	1,550,000	**3,265,500**	1,450,000
	6,720,431	5,200,961	**3,833,191**	3,344,000
Less: Amounts due within one year included in current liabilities	**(673,431)**	(1,921,731)	**(203,191)**	(434,000)
	6,047,000	3,279,230	**3,630,000**	2,910,000

All the bank loans are floating-rate borrowings, thus exposing the Group to cash flow interest rate risk. The effective interest rate on bank loans denominated in Hong Kong dollars is based on HIBOR plus a specified margin. The effective interest rates on bank loans denominated in Renminbi range from 5.022% to 5.67% in the year 2006 and 4.78% to 6.12% in the year 2005.

Including in the outstanding bank loans at 31 December 2006 are the following principal bank loans:

(a) a loan of HK$2,430 million granted on 28 July 2004, repayment of which will commence on 28 July 2008 until 28 July 2009. The loan is unsecured and carries interest at HIBOR plus 0.85%.

(b) a loan of HK$1,200 million granted on 29 September 2006, repayment of which will commence on 29 September 2010 until 29 September 2011. The loan is unsecured and carries interest at HIBOR plus 0.38%.

These principal bank loans shall become immediately due and payable in the event of the failure to perform or observe certain conditions set out in the loan agreements which include, *inter alia*, the compliance of certain undertakings given by the Company.

At 31 December 2006, the Group had available HK$2,816 million (2005: HK$1,880 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

41. Guaranteed Notes Payable

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Guaranteed notes payable, listed in Hong Kong	**2,323,440**	2,320,445

During the year ended 31 December 2005, a subsidiary of the Company issued guaranteed notes with an aggregate principal amount of US$300,000,000 (''the Notes'') at the issue price of 99.404%. The Notes, which bear interest at the rate of 5.75% per annum payable semi-annually, are unconditionally and irrevocably guaranteed by the Company. The Notes shall become immediately due and payable in the event of the failure to perform or observe certain conditions set out in the Trust Deed which includes, *inter alia*, the negative pledge given by the Company and the said subsidiary. The Notes are subject to redemption on the occurrence of certain events and under certain conditions specified in the Trust Deed. The Notes, unless previously redeemed, or repurchased and cancelled, will mature on 13 July 2012 at the principal amount.

The fair value of the notes payable at 31 December 2006 was estimated at HK$2,312 million (2005: HK$2,256 million), which was determined based on the closing market price of the notes at that date.

42. Amounts Due to Minority Shareholders

The minority shareholders of certain subsidiaries have provided advances to those subsidiaries which are unsecured and interest free. Such advances have no fixed repayment terms but repayment will not be demanded within one year from the balance sheet date. The amounts are carried at amortised cost at average effective interest rate of 8.75% (2005: 8.75%) per annum.

43. Deferred Tax Liabilities

The following are the major deferred tax liabilities recognised by the Group and movements thereon during the current and prior reporting periods.

	Accelerated tax depreciation *HK$'000*	**Revaluation of properties** *HK$'000*	**Others*** *HK$'000*	**Total** *HK$'000*
At 1 January 2005	14,817	106,864	110,390	232,071
(Credit) charge to income statement	(9,970)	52,167	9,716	51,913
Charge to equity	—	4,545	—	4,545
Disposal of a subsidiary	—	—	(10,506)	(10,506)
At 31 December 2005	4,847	163,576	109,600	278,023
Exchange realignment	—	—	(456)	(456)
(Credit) charge to income statement	(11,520)	(6,985)	10,273	(8,232)
Acquisition of subsidiaries *(Note 44a, b)*	—	141,852	—	141,852
At 31 December 2006	(6,673)	298,443	119,417	411,187

* *Included in deferred tax liabilities is an amount of HK$85 million (2005: HK$71 million) in respect of income recognised by a subsidiary which is taxable in future years.*

At the balance sheet date, the Group had unused tax losses of HK$6,825 million (2005: HK$6,590 million) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. These losses to the extent of HK$770 million (2005: HK$577 million) have not yet been agreed by the tax authority. Included in the tax losses are losses of HK$172 million (2005: HK$219 million) that will expire within five years. Other losses may be carried forward indefinitely.

44. Acquisition of Subsidiaries

(a) During the year, the Group acquired additional interest in subsidiaries for an aggregate consideration of HK$591.5 million, including remaining 21% interest in each of China Overseas Property Group Co., Ltd. and its subsidiaries, 10% of 瀋陽皇姑粉煤灰建材有限公司, 24.3% of 深圳市中海運輸有限公司, 12.005% of 深圳市中海貨物代理有限公司 and 3.8% of 深圳中海資訊科技有限公司 through the acquisition of the entire equity interest in Prosper Sea Developments Limited, Rise Stand Developments Limited and Wing Sea Group Limited as well as 11% equity interest in China Overseas Property Group Co., Ltd. After the acquisitions, all of these companies became wholly-owned subsidiaries of the Group. The subsidiaries acquired are principally engaged in the property development, investment holding, manufacturing of energy raw material and provision of logistics services.

	Acquiree's carrying amount *HK$'000*
Net assets acquired	
Trade and other receivables *(note i)*	7,802
Bank balances and cash *(note i)*	60,342
Trade and other payables *(note i)*	(23,270)
Tax liabilities *(note i)*	(2,012)
Deferred tax liabilities	(115,976)
Minority interests *(note ii)*	284,651
Reserve on acquisition *(note iii)*	380,000
	591,537
Satisfied by:	
Cash consideration paid	591,537

Notes:

(i) The carrying amounts of these assets and liabilities acquired approximate to their fair values.

(ii) Minority interests represent the minority shareholders' share in the net book value of those assets and liabilities attributable to the additional interest acquired by the Group.

(iii) The reserve on acquisition represents the difference between the book value and the fair value of the net assets attributable to the additional interest. The amount is calculated by the difference between the consideration paid and the carrying value of the net assets attributable to the additional interests acquired by the Group.

Net cash outflow arising on acquisition:

	HK$'000
Cash consideration paid	(591,537)
Bank balances and cash acquired	60,342
Net outflow of cash and cash equivalents in respect of the acquisition	531,195

44. Acquisition of Subsidiaries (Continued)

(b) On 28 April 2006, the Group entered into a sale and purchase agreement to acquire the entire share capital of Classic China Products Limited, from a 50% jointly controlled entity of the Group, at an aggregate cash consideration of RMB84,400,000. Classic China Products Limited holds the entire equity interest in 中海月朗苑物業發展(深圳)有限公司 which is established in PRC and engaged in property development. After the acquisition, Classic China Products Limited and 中海月朗苑物業發展(深圳)有限公司 became wholly-owned subsidiaries of the Group. The transactions have been accounted for by the purchase method of accounting.

	Acquiree's carrying amount before combination	**Fair value adjustment**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
Properties under development	215,475	147,313	362,788
Trade and other receivables	590	—	590
Tax prepaid	4,626	—	4,626
Bank and balances cash	48,426	—	48,426
Trade and other payables	(72,888)	—	(72,888)
Forward sales deposits	(96,048)	—	(96,048)
Bank loan, unsecured	(57,692)	—	(57,692)
Tax liabilities	(10)	—	(10)
Deferred tax liabilities	—	(25,876)	(25,876)
	42,479	121,437	163,916
Less:			
Amounts due from jointly controlled entities, net of negligible post-acquisition results			(81,632)
			82,284
Satisfied by:			
Cash consideration			82,284
Cash consideration paid			(82,284)
Bank balances and cash acquired			48,426
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries			(33,858)

Classic China Products Limited and its subsidiaries, including 中海月朗苑物業發展(深圳)有限公司, had no significant contributions to the Group's profit for the period between the date of acquisition and the balance sheet date.

However, if the acquisition had been completed on 1 January 2006, total group revenue for the year would have been HK$10,910 million, and profit for the year HK$2,370 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 January 2006, nor is it intended to be a projection of future results.

(c) The assets acquired through the acquisition of entire share capital of Entrepot Ltd. during the year ended 31 December 2006 were properties under development of HK$430,000,000.

44. Acquisition of Subsidiaries *(Continued)*

(d) In prior year, the Group acquired subsidiaries for an aggregate consideration of HK$74.8 million, including 100% interest in each of Hua Yi Designing Consultants Limited and its wholly owned subsidiary, Hong Kong Hua Yi Designing Consultants (Shenzhen) Ltd. (together ''Hua Yi Subgroup'') (note 53(g)). The subsidiaries acquired are principally engaged in the provision of building design consultancy services and investment holding. These transactions have been accounted for by the purchase method of accounting.

	Acquiree's carrying amount *(Note)* *HK$'000*
Net assets acquired	
Property, plant and equipment	10,771
Prepaid lease payments for land	13,883
Trade and other receivables	4,622
Deposits and prepayments	773
Bank balances and cash	9,415
Trade and other payables	(20,404)
Rental and other deposits	(8,574)
Tax liabilities	(218)
	10,268
Goodwill on acquisition	64,525
	74,793
Satisfied by:	
Cash consideration paid	74,793

Note: The carrying amounts of assets and liabilities acquired approximates to their fair values.

Net cash outflow arising on acquisition:

	HK$'000
Cash consideration paid	(74,793)
Bank balances and cash acquired	9,415
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(65,378)

The goodwill arising on the acquisition of Hua Yi Subgroup is attributable to the anticipated future operating synergies from the combination.

Hua Yi Subgroup contributed HK$67 million turnover and HK$18 million to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2005, the Group's turnover for the year would have been HK$6,987 million, and its profit for the year would have been HK$1,675 million. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2005, nor is it intended to be a projection of future results.

45. Discontinued Operations

On 30 June 2005, the Company entered into a sale and purchase agreement with China State Construction International Holdings Limited (''CSCIHL'') and the holding company of both of the Company and CSCIHL, China Overseas Holdings Limited (''COHL''), for the disposal to CSCIHL of the Company's entire interest in Zetson which is the holding company of entities engaging principally in construction, project management and other related activities, including the Construction Subsidiaries as referred to in note 53(a). The consideration for the disposal was satisfied by the transfer to the Company of the 357,409,867 issued shares in CSCIHL (''the Consideration Shares''), representing a 72.6% of its issued share capital, held by COHL.

The Consideration Shares were then distributed to the shareholders of the Company by way of a special dividend paid in the form of a distribution in specie.

The aforementioned transactions, which did not give rise to any inflow of economic benefits to the Group, were intended to effect a distribution by the Company of its interest in Zetson to the shareholders, accordingly no gain or loss arising from such transactions was reported by the Group.

The consolidated net assets of Zetson at the date of disposal are set out below:

	HK$'000
ASSETS	
Property, plant and equipment	30,008
Interests in associates	27,144
Interests in jointly controlled entities	56,219
Trade and other receivables	716,469
Amounts due from customers for contract work	6,635
Deposits and prepayments	6,356
Tax prepaid	22,246
Bank balances and cash	485,800
	1,350,877
LIABILITIES	
Trade and other payables	736,394
Amounts due to customers for contract work	171,365
Amounts due to jointly controlled entities	4,949
Tax liabilities	14,104
Bank loans	48
	926,860
Net assets	424,017
Net cash outflow arising on the distribution:	
Bank balances and cash disposed of	485,800

In prior year, Zetson and its subsidiaries contributed HK$77 million to the Group's net operating cash flows, contributed HK$1 million in respect of investing activities and paid HK$0.5 million in respect of financing activities.

46. Disposal of Subsidiaries

Other than the transactions outlined in note 45, during the year the Group disposed of certain subsidiaries, which were established for the purpose of engaging in infrastructure project and provision of logistic services in the PRC, for a consideration of HK$326 million.

	2006 HK$'000	2005 HK$'000
Net assets disposed of		
Investment properties	—	824,724
Property, plant and equipment	174,094	1,492
Prepaid lease payments for land	123,191	—
Inventories	8,066	—
Stock of properties	—	146,691
Trade and other receivables	42,306	18,657
Deposits and prepayments	15,269	52
Bank balances and cash	33,696	11,409
Tax liabilities	(1,942)	(2,229)
Amounts due to minority shareholders	—	(182,456)
Deferred tax liabilities	—	(10,506)
Trade and other payables	(37,740)	—
Tax prepaid	219	—
	357,159	807,834
Exchange translation reserve	(19,228)	(1,570)
Net assets attributable to minority interests	(35,262)	(117,494)
Sales consideration	(326,343)	(688,770)
Gain on disposal	(23,674)	—

Net cash inflow arising on disposal:

	2006 HK$'000	2005 HK$'000
Cash consideration	326,343	688,770
Less: Consideration receivable	—	(1,887)
Cash consideration received	326,343	686,883
Bank balances and cash disposed of	(33,696)	(11,409)
	292,647	675,474

The subsidiaries disposed of did not contribute significantly to the Group's cash flows and turnover. The profit of these subsidiaries included in the Group's financial statements amounted to HK$7 million.

47. Goodwill

As at 31 December 2006 and 2005, the amount represents a goodwill arising from acquisition of subsidiaries, including 100% interest in Hua Yi Subgroup during the year ended 31 December 2005. These subsidiaries are principally engaged in the provision of building design consultancy services and investment holding. As explained in note 8, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, the goodwill, having an indefinite useful lives, has been allocated to the property development segment.

As at 31 December 2006, management determines that there is no impairment of goodwill based on the estimated recoverable amount of the cash generating units to which the goodwill relates. The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 10%. The 10-year cash flows beyond the 5-year period are projected using a zero growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of this unit to exceed its aggregate recoverable amount.

48. Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in cash flow statement can be reconciled to the related items in the consolidated balance sheet as follows:

	2006	2005
	HK$'000	*HK$'000*
Bank balances and cash	**3,760,165**	3,147,767
Less: restricted bank deposits	**(167,923)**	(21,386)
bank overdrafts	**(3,191)**	—
	3,589,051	3,126,381

49. Operating Lease Commitments

The Group as Lessor

At the balance sheet date, investment properties and other properties with carrying amounts of HK$1,639 million (2005: HK$1,572 million) and HK$132 million (2005: HK$344 million) respectively were let out under operating leases.

Property rental income earned during the year is HK$104 million (2005: HK$128 million), of which HK$98 million (2005: HK$113 million) was derived from the letting of investment properties. All of the properties leased out have committed tenants for the next one to three years without termination options granted to tenants.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Within one year	**82,044**	77,342
In the second to fifth year inclusive	**68,047**	40,251
After five years	**600**	8,236
	150,691	125,829

The Group as Lessee

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

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Within one year	**3,942**	12,674
In the second to fifth year inclusive	**—**	39,938
	3,942	52,612

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated and rentals are fixed for two to five years.

49. Operating Lease Commitments (Continued)

The Company as Lessee

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

	THE COMPANY	
	2006	2005
	HK$'000	*HK$'000*
Within one year	**3,856**	9,640
In the second to fifth year inclusive	**—**	38,560
	3,856	48,200

50. Project and Other Commitments

At the balance sheet date, the Group had the following commitments not provided for in the financial statements:

(a) Expenditure on Property Development Projects

(i) Outstanding lease payments in respect of land use rights in the PRC under operating leases payable:

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Within one year	**3,931,203**	1,454,122
In the second to fifth year inclusive	**827,708**	825,783
	4,758,911	2,279,905

(ii) Other development expenditure

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
— Authorised but not contracted	**26,669,263**	9,066,258
— Contracted but not provided for	**5,165,378**	4,026,665
	31,834,641	13,092,923
	36,593,552	15,372,828

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
(b) Acquisitions contracted but not provided for		
— Interest in a subsidiary	**126,733**	588,000
— Property, plant and equipment	**36,153**	158,722
Acquisitions of subsidiaries authorised but not contracted	**225,751**	—

50. Project and Other Commitments (Continued)

(c) The Group has agreed to procure finance to a jointly controlled entity in accordance with the Group's interest therein to enable the jointly controlled entity to repay the loan to the extent of HK$205 million (2005: HK$369 million) from a joint venture partner, which remained outstanding at the balance sheet date, within three years from December 2004. The jointly controlled entity is principally engaged in the operation and management of a toll bridge in the PRC.

The Company had no significant project and other commitments at the balance sheet date.

51. Contingent Liabilities

At the balance sheet date, there were contingent liabilities as follows:

(a) Guarantees given and indemnities provided by the Group and the Company in respect of credit facilities granted to:

	THE GROUP		THE COMPANY	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Subsidiaries	**—**	—	**800,000**	636,538
Associates	**7,000**	9,500	**7,000**	9,500
	7,000	9,500	**807,000**	646,038

(b) At 31 December 2006, the Group and the Company had outstanding counter indemnities amounted to HK$102 million (2005: HK$98 million) and Nil (2005: Nil) respectively for surety bonds issued in respect of property management contracts undertaken by the Group.

(c) The Group provided guarantees amounted to HK$5,072 million (2005: HK$3,091 million) for the repayment of the mortgage bank loans granted to purchasers of the Group's properties.

(d) The Group provided guarantees amounting to HK$139 million (2005: Nil) for completion of a property development project to banks which granted facilities to purchasers of the Group's pre-sale properties.

Other than the guarantee provided by the Company as mentioned in item (a), the directors considered that the fair values of these financial guarantee contracts at their initial recognition are insignificant on the basis of short maturity periods and low applicable default rates. The financial guarantee contracts of the Company have been recognised in the Company's financial statements.

52. Pledge of Assets

At the balance sheet date, the Group's bank deposits of HK$26.8 million (2005: bank deposits and other assets of HK$98.5 million) were pledged to secure the banking facilities granted to the Group.

53. Related Party Transactions

During the year, the Group had the following transaction with related parties:

(a) Pursuant to a project management agreement and a deed of undertaking (together referred to as the ''Project Management Agreement'') entered into in 1993 between the Company's ultimate holding company, CSCEC, and the former subsidiaries of the Company, namely China Overseas Building Construction Limited, China Overseas Civil Engineering Limited and China Overseas Foundation Engineering Limited (together the ''Construction Subsidiaries''), the Construction Subsidiaries were appointed by CSCEC as joint managers for each and every construction contract in Hong Kong participated by CSCEC since 1 January 1993 at a management fee payable by CSCEC, which was calculated based on 7 per cent. of the final contract sum receivable by CSCEC under such construction contracts. The rights and obligations of CSCEC under the Project Management Agreement were subsequently novated to its subsidiary (together with CSCEC referred to as ''the CSCEC Group''). As disclosed in note 45, the Construction Subsidiaries was disposed of in 2005.

In 2005, project management fees paid or payable by the CSCEC Group to the Group pursuant to the Project Management Agreement amounted to HK$161 million and hire charges in respect of plant and machinery leased by the Group to the CSCEC Group, calculated on a cost reimbursement basis, amounted to HK$21 million in respect of that year.

(b) Pursuant to an agreement entered into in 2003 between a subsidiary of the Company, Shenzhen China Overseas Property Co., Ltd. (''SCOP'') and a subsidiary of CSCEC, Shenzhen China Overseas Construction Engineering Company (''SCOCE''), SCOCE was appointed as the main contractor for the construction of the first phase of the property development project undertaken by SCOP at the contract price of RMB185 million. Construction fees paid by SCOP to SCOCE under the agreement amounted to HK$14 million (2005: HK$82 million) in respect of the year.

(c) Certain subsidiaries of the Company had appointed SCOCE as the main contractor for the construction of the property development projects undertaken by them, at an aggregate contract price of RMB152 million. No construction fees paid or payable by the said subsidiaries to SCOCE under the contracts (2005: HK$120 million) in respect of the year.

(d) In April 2005, Goodrich Company Limited (''Goodrich''), a subsidiary of the Company, awarded the piling installation works of the Group's property development project in Macau to China Construction Engineering (Macau) Company Limited (''CCE Macau''), a subsidiary of China Overseas Holdings Limited (''COHL'') which is itself a subsidiary of CSCEC, at the contract sum of HK$56 million.

In August 2005, a construction management contract was entered into between Goodrich and CCE Macau, under which CCE Macau was appointed as the construction manager of Goodrich for the aforementioned property project in Macau at a management fee of HK$20 million plus a bonus payment for a maximum amount of HK$30 million payable upon the satisfaction of certain conditions stipulated in the said contract.

The contract sums and fees paid or payable by the Group under the aforementioned contracts amounted to a total of HK$15 million (2005: HK$53 million) in respect of the year.

(e) In November 2005, Guangzhou China Overseas Property Company Limited (''GCOP''), a subsidiary of the Company, entered into the Acquisition Agreement with Shenzhen China Overseas Investment Management Co., Ltd., a subsidiary of CSCECs whereby GCOP agreed to acquire 11% of the existing registered capital of China Overseas Property Group Co., Ltd (''COPG'') for a consideration of RMB320 million (approximately HK$308 million).

Upon completion of the Acquisition Agreement in January 2006, the Group has 90% equity interest in COPG.

(f) In November 2005, the Company entered into agreements with each of China State Construction International Holdings Limited (''CSCIHL''), SCOCE and CCE Macau individually whereby the Group may continue to engage CSCIHL and its subsidiaries (''CSCIHL Group''), SCOCE and CCE Macau as construction contractors in Hong Kong, Shenzhen and Macau respectively upon successful tender for each of the three financial years ending 31 December 2008. If any contract is granted in favour of CSCIHL Group, SCOCE or CCE Macau, the total contract sum to be awarded by the Group to each of them shall not exceed HK$900 million, HK$1,600 million and HK$200 million respectively.

During the year, the total contract sum granted by the Group to each of them amounted to HK$126 million (2005: Nil), HK$39 million (2005: Nil) and HK$189 million (2005: Nil), respectively.

53. Related Party Transactions (Continued)

(g) In May 2005, the Company and a subsidiary entered into an agreement to acquire from a subsidiary of COHL, the entired issued share capital of Hua Yi Designing Consultants Limited (''Hua Yi'') and the loan in the sum of approximately HK$18 million owing to COHL by Hua Yi for the respective consideration of HK$75 million and HK$18 million. The agreement provides that should the audited net profit of Hua Yi for each of the years ended 31 December 2005 and 2006 be less than HK$17 million, COHL will pay or procure the seller to pay the shortfall to the Company. The audited net profit of Hua Yi is more than HK$17 million for the years ended 31 December 2005 and 2006.

(h) In May 2006, On Success Development Limited (''On Success''), a subsidiary of the Group entered into Master Tenancy Agreement with China Overseas (Hong Kong) Limited (''COHK''), as a subsidiary of CSCIHL, pursuant to which COHK has agreed to lease certain properties as offices of CSCIHL and its subsidiaries. The rent receivable by On Success will be HK$6.6 million, HK$8.6 million and HK$9.0 million for the three years ending 30 June 2007, 30 June 2008 and 30 June 2009, respectively.

During the year, the rent received or receivable by On Success amounted to HK$2.2 million (2005: Nil).

(i) In May 2006, China Overseas Security Services Ltd (''COS''), a subsidiary of the Group and CSCIHL entered into Master Security Agreement pursuant to which COS will provide security service to the worksites of CSCIHL and/or its subsidiaries. The security services fee for each of the three financial years ending 31 December 2008 will not exceed HK$30 million per year.

During the year, the security service fee received or receivable by COS amounted to HK$3.5 million (2005: Nil).

(j) In June 2006, the Company entered into a CSCEC Group Engagement agreement with CSCEC whereby the Group may continue to engage CSCEC and its subsidiaries (''CSCEC Group'') as construction contractor in the PRC upon successful tender for each of the three financial years ending 31 December 2008. If any contract is granted in favour of CSCEC Group, the total sum to be awarded by the Group to CSCEC Group shall not exceed HK$1,600 million.

During the year, the total contract sum granted by the Group to CSCEC Group amounted to HK$762 million (2005: Nil) and the construction cost paid or payable to CSCEC Group amounted to HK$718 million (2005: Nil).

(k) In December 2006, China Overseas Property (Hong Kong) Company Limited (''COPHK''), a subsidiary of the Company, entered into an agreement with Shenzhen China Overseas Investment Management Co. Ltd. (''SCO''), a subsidiary of CSCEC, whereby COPHK agreed to purchase the entire equity interest in China Overseas Property Management Co., Ltd (''COPM'') from SCO for cash consideration of approximately HK$127 million. The principal activity of COPM is provision of management services in the PRC.

(l) In May 2005, China Overseas Property Group Co., Ltd. (''COPG''), a subsidiary of the Group was appointed as the project manager and the sale agent for the property project undertaken by 中海月朗苑物業發展(深圳)有限公司 which became subsidiary of the Group in April 2006, in return for a project management fee of RMB4 million. Further, according to the relevant project management agreement, COPG is entitled to a marketing fee, which is calculated based on 3% of the total proceeds from sale of the property project undertaken by 中海月朗苑物業發展(深圳)有限公司. Pursuant to the project management agreement, COPG has undertaken to pay for any development costs incurred for the project in excess of RMB231 million.

In 2005, project management fees and marketing fees of HK$3 million paid or payable by 中海月朗苑物業發展(深圳)有限公司 to COPG in respect of the year.

(m) The Group had taken out insurance policies with China Overseas Insurance Limited (''COIL''), a subsidiary of CSCEC. The aggregate amount of premium paid or payable by the Group to COIL during the year amounted to HK$2 million (2005: HK$17 million).

(n) In the ordinary course of business, CSCEC acted as guarantor for certain banking facilities granted to the Group. No fees were chargeable by CSCEC to the Group in this connection during the year.

53. Related Party Transactions (Continued)

(o) The Group acted as the contractor for the development of a property project owned by Chest Gain development Limited (''CGD''), an associate of the Group, at the contract price determined by the parties concerned. The development of the property project was completed in 2005 and construction fees for the project paid or payable by CGD to the Group amounted HK$10 million. As at 31 December 2005, construction fees receivable from CGD amounted to HK$1 million.

(p) In February 2005, certain subsidiaries of the Group were awarded a foundation contract by a subsidiary of Sino Land Company Limited, which is a substantial shareholder of a subsidiary of the Company, at the contract sum of HK$40 million. In 2005, the said subsidiaries were disposed of by the Group and the contract sums received or receivable by the said subsidiaries under the contract amounted to HK$16 million in that year.

In addition, pursuant to the construction contract awarded by a subsidiary of Sino Land Company Limited to the Group in prior years, the construction fees paid or payable to the Group under the contract amounted to HK$153 million in 2005.

(q) In 2005, certain subsidiaries of the Group made purchases of construction materials from Shenzhen Hailong Construction Products Ltd., an associate of the Group at the aggregate cost of HK$49 million. The said subsidiaries were disposed of in 2005.

(r) The remuneration of the Company's directors and other members of key management of the Group during the year was as follows:

	2006	2005
	HK$'000	*HK$'000*
Short-term benefits	**54,580**	51,848
Share-based payments	**—**	2,772
Mandatory Provident fund contribution	**97**	100
	54,677	54,720

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

(s) In 2006, the Group has interest income of HK$9.7 million (2005: HK$6.8 million) from its associates.

(t) Transactions with other state-controlled entities in the PRC

The Group operates in an economic environment predominated by entities directly or indirectly owned or controlled by the PRC government. In addition, the Group is itself part of a larger group of companies under CSCEC which is controlled by the PRC government. Apart from the transactions already disclosed above, the Group also conducts business with other state-controlled entities (''State-controlled entities''). The directors consider those State-controlled entities are independent third parties so far as the Group's business with them are concerned.

In connection with their property development activities, the Group and its jointly controlled entities awarded construction and other works contracts to entities, which to the best knowledge of management, are State-controlled entities. These contracts with an aggregate contract sum of HK$2,057 million (2005: HK$1,764 million) remained outstanding as at year end, of which approximately HK$1,307 million (2005: HK$654 million) was paid or payable in respect of the year.

The Group and its jointly controlled entities have also entered into various transactions with government departments or agencies which include the acquisition of land mainly through tendering, the operation and management of toll bridges and the supply of heat and electricity to those government departments or agencies.

In addition, in the normal course of business, the Group and its jointly-controlled entities have maintained various trade balances with contractors and have entered into various deposits and lending transactions with banks and financial institutions which are state-controlled entities. In view of the nature of those transactions, the directors are of the opinion that separate disclosure would not be meaningful.

53. Related Party Transactions (Continued)

The Group and its jointly-controlled entities and associates are active in sales and lease of properties, supply of heat and electricity to consumers, operation and management of toll bridges, the provision of real estate agency and management services, logistic and other services in various provinces in the PRC. The directors are of the opinion that it is impracticable to ascertain the identity of all the counterparties and accordingly whether the transactions are with State-controlled entities. However, the directors are of the opinion that the transactions with State-controlled entities are not significant to the Group's operations.

(u) During the year, the Company had the following transactions with related parties:

(i) With respect to note 53(a), the Company had agreed to provide counter indemnities to financial institutions issuing bid bonds and performance bonds for the CSCEC Group, which were required when lodging tenders for construction and engineering projects in Hong Kong in respect of the projects as disclosed in note 53(a), for an amount not exceeding HK$2,000 million from time to time. No fees were chargeable by the Company in this connection. The counter indemnities were released following the disposal of the Construction Subsidiaries in 2005.

(ii) In November 2005, the Company entered into agreements with each of China State Construction International Holdings Limited (''CSCIHL''), SCOCE and CCE Macau individually whereby the Group may continue to engage CSCIHL and its subsidiaries (''CSCIHL Group''), SCOCE and CCE Macau as construction contractors in Hong Kong, Shenzhen and Macau respectively upon successful tender for each of the three financial years ending 31 December 2008. If any contract is granted in favour of CSCIHL Group, SCOCE or CCE Macau, the total contract sum to be awarded by the Group to each of them shall not exceed HK$900 million, HK$1,600 million and HK$200 million respectively.

(iii) In May 2005, the Company and a subsidiary entered into an agreement to acquire from a subsidiary of COHL, the entired issued share capital of Hua Yi Designing Consultants Limited (''Hua Yi'') and the loan in the sum of approximately HK$18 million owing to COHL by Hua Yi for the respective consideration of HK$75 million and HK$18 million. The agreement provides that should the audited net profit of Hua Yi for each of the years ended 31 December 2005 and 2006 be less than HK$17 million, COHL will pay or procure the seller to pay the shortfall to the Company. The audited net profit of Hua Yi is more than HK$17 million for the years ended 31 December 2005 and 2006.

(iv) In June 2006, the Company entered into a CSCEC Group Engagement agreement with CSCEC whereby the Group may continue to engage CSCEC and its subsidiaries (''CSCEC Group'') as construction contractor in the PRC upon successful tender for each of the three financial years ending 31 December 2008. If any contract is granted in favour of CSCEC Group, the total sum to be awarded by the Group to CSCEC Group shall not exceed HK$1,600 million.

In addition to the above transactions, details of the Group's amounts due from and to its related parties are disclosed in consolidated balance sheet and notes 26, 33 and 36. The details of the Company's amounts due from and to its related parties are disclosed in the Company's balance sheet and notes 26, 27 and 37.

54. Post Balance Sheet Events

Subsequent to the balance sheet date, the Group acquired a piece of land in Hong Kong for a consideration of HK$525 million.

55. Particulars of Principal Subsidiaries

The following are the particulars of the subsidiaries at 31 December 2006 which, in the opinion of the directors, principally affected the results, assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. All subsidiaries registered in the PRC are operating in the PRC. Unless otherwise specified, all other subsidiaries are incorporated and operating principally in Hong Kong.

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
Advocate Properties Limited	100,000 shares of HK$1 each	—	100	Investment holding
Allways Success Development Limited	100,000 shares of HK$1 each	—	100	Property investment
Arch Regent Investments Limited (i)	1 share of US$1	—	100	Investment holding
北京中海豪庭房地產開發有限公司 (v)	RMB10,000,000	—	100	Property development
北京中海豪峰房地產開發有限公司 (v)	RMB50,000,000	—	100	Property development
北京中海地產有限公司 (v)	RMB50,000,000	—	100	Property development
北京中海天成房地產開發有限公司 (iv)	US$12,000,000	—	100	Property development
北京嘉益德房地產開發有限公司 (vi)	RMB10,000,000	—	100	Property development
北京中海廣場置業有限公司 (formerly known as 北京國潤房地產開發經營有限公司) (vi)	RMB30,000,000	—	100	Property development
Beijing Yorkley Real Estate Development Co., Ltd. (v)	US$12,000,000	—	95	Property development
Beijing Zhong Hai Xing Ye Real Estate Development Co., Ltd. (v)	US$8,624,000	—	100	Property development
Beijing Zhonghai Seagarden Real Estate Development Co., Ltd. (iv)	US$11,920,000	—	72	Property development
北京勝古房地產開發有限責任公司 (vi)	RMB16,000,000	—	93.75	Property development
北京中海中稷置業有限公司 (vi)	RMB10,000,000	—	51	Property development
Changchun China Overseas Property Co., Ltd. (iv)	RMB10,000,000	—	100	Property development
China Overseas Building Management Limited	100 shares of HK$1 each	—	100	Real estate management
China Overseas Financial (Cayman) I Limited (ix)	1 share of US$1	100	—	Issuance of notes
China Overseas Industrial Holdings Limited	2 shares of HK$1 each	100	—	Investment holding
China Overseas Infrastructure Limited	2 shares of HK$1 each	—	100	Investment holding
China Overseas Infrastructure Holdings Limited (ix)	1 share of HK$0.10 each	—	100	Investment holding
China Overseas Material Technology Company Limited	100 shares of HK$1 each	—	100	Investment holding
China Overseas Port (Laizhou) Co., Ltd. (ii)	US$35,060,000	—	100	Provision of port services
China Overseas Property Agency Limited	2 shares of HK$1 each	—	100	Real estate agency
China Overseas Property Group Co., Ltd. (iii)	RMB610,200,000	—	100	Property development, trading and investment and investment holding
China Overseas Property Limited	100 shares of HK$10 each	100	—	Investment holding, property consultancy and real estate agency
China Overseas Property (Hong Kong) Co., Ltd.	10,000,000 shares of HK$1 each	—	100	Investment holding
China Overseas Property Services Limited	10 shares of HK$10 each	—	100	Real estate management and investment holding
China Overseas Prosperous Citycharm Investments Limited (i)	1 share of US$1	100	—	Investment holding
China Overseas Ports Investment Company Limited (i)	1 share of US$1	—	100	Investment holding
China Overseas Public Utility Investment Limited (i)	1 share of US$1	—	100	Investment holding
China Overseas Road & Bridge Holdings Limited (i)	1 share of US$1	—	100	Investment holding

55. Particulars of Principal Subsidiaries (Continued)

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
China Overseas Security Services Limited	2 shares of HK$1 each	—	100	Provision of security service
China Overseas (Zhong Guo) Limited	5,000,000 shares of HK$10 each	—	100	Investment holding
Chung Hoi Finance Limited	500,000 shares of HK$10 each	100	—	Loan financing, investment holding and security investments
Goodrich Company Ltd. (x)	MOP25,000	—	100	Property development
Classic China Products Limited	10,000 shares of HK$100 each	—	100	Investment holding
中海寶松物業發展(深圳)有限公司 (ii)	HK$262,500,000	—	100	Property development
COB Development (Shanghai) Co., Ltd. (ii)	US$17,000,000	—	100	Property development and trading
中海興業(成都)發展有限公司 (ii) (COBD Holdings (Chengdu) Co., Ltd. (viii))	US$20,000,000	—	100	Property development
中海信和(成都)物業發展有限公司 (ii)	HK$420,000,000	—	80	Property development
中海地產重慶有限公司 (vi)	RMB20,000,000	—	100	Property development
中海興業(寧波)有限公司 (ii)	US$33,000,000	—	100	Property development
中海發展(廣州)有限公司 (ii) (COBD Holdings (Guangzhou) Company Limited (viii))	US$21,000,000	—	100	Investment holding, building construction and project management
中海發展(西安)有限公司 (ii)	US$13,250,000	—	100	Property development
中海興業(西安)有限公司 (ii)	USD30,000,000	—	100	Property development
中海發展(蘇州)有限公司 (ii)	US$62,500,000	—	100	Property development
中海地產諮詢(上海)有限公司 (ii) (C.O.B. Property Consultants (Shanghai) Co., Ltd. (viii))	US$500,000	—	100	Real estate agency
中海物流(深圳)有限公司 (ii)	RMB50,000,000	—	100	Property investment and investment holding
Dong Kong Holdings Limited	5,000,000 shares of HK$1 each	—	100	Investment holding
佛山市中海房地產發展有限公司 (iv)	RMB230,000,000	—	100	Property development
Entrepot Limited	100 shares of HK$1 each	—	100	Property development
Further Good Development Limited	100 shares of HK$1 each	—	100	Property trading
Grand Shine Development Limited	1 share of HK$1	100	—	Investment holding
Gain Direct Limited (i)	1 share of US$1	—	100	Investment holding
Goldwell Development Limited	100 shares of HK$1 each	—	100	Property development, trading and investment
Great Trend Investment Limited	10,000 shares of HK$1 each	—	100	Investment holding
Guangzhou Haijin Real Estate Development Co., Ltd. (v)	RMB80,000,000	—	100	Property development
廣州海粵房地產發展有限公司 (v) (Guangzhou Haiyue Real Estate Development Co., Ltd. (viii))	RMB138,000,000	—	100	Property trading and investment
廣州中海地產有限公司 (vi)	RMB100,000,000	—	100	Property development
廣州江東房地產開發有限公司 (v)	RMB99,800,000	—	100	Property development
廣州藍灣房地產開發有限公司 (vi)	RMB15,000,000	—	100	Property development
廣州中海名都房地產發展有限公司 (v)	RMB400,000,000	—	100	Property development
Hainan Ruler Limited (i)	1 share of US$1	100	—	Investment holding
Hua Yi Designing Consultants Limited	1,000,000 shares of HK$1 each	100	—	Design consultancy services and investment holding
香港華藝設計顧問(深圳)有限公司 (ii)	RMB12,000,000	—	100	Design consultancy services
Kee Yet Company Limited	2 shares of HK$1 each	—	100	Property development
Landcorp Investments Limited	2 shares of HK$1 each	—	100	Investment holding

55. Particulars of Principal Subsidiaries (Continued)

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
Macfull Limited	1,000 shares of HK$1 each	—	60	Property development
Macwan Limited	10 shares of HK$1 each	—	70	Property development
Macyat Limited	10,000 shares of HK$1 each	—	100	Property development
Maxdo Investments Limited	10,000,000 shares of HK$1 each	—	100	Investment holding
Maxjet Company Limited	10 shares of HK$1 each	—	90	Property development
Mepork Services Limited	100 shares of HK$1 each	—	100	Provision of building cleaning, maintenance and security services
南京中海地產有限公司 (vi)	RMB20,000,000	—	100	Property development
南京海潤房地產開發有限公司 (ii)	USD50,000,000	—	100	Property development
Ocean Group Limited	2 shares of HK$1 each	—	100	Property investment
On Success Development Limited	10,000 shares of HK$1 each	—	100	Property investment
Prosper Sea Developments Limited (i)	1 share of US$1	—	100	Investment holding
Rise Stand Developments Limited (i)	1 share of US$1	—	100	Investment holding
Safe Future Investments Limited (i) & (vii)	1 share of US$1	—	100	Investment holding
Shanghai Hai Xing Realty Co., Ltd. (iv)	US$15,000,000	—	51	Property trading and investment
上海海創房地產有限公司 (vi)	RMB10,000,000	—	100	Property development
上海萬和房地產有限公司 (iv)	US$43,340,000	—	95	Property development
上海新海匯房產有限公司 (iv)	US$40,000,000	—	99.5	Property development
上海中海房地產有限公司 (vi)	RMB10,000,000	—	100	Property development
上海中海海華房地產有限公司 (vi)	RMB10,000,000	—	98	Property development
上海中海海庭房地產有限公司 (vi)	RMB10,000,000	—	98	Property development
瀋陽皇姑熱電有限公司 (ii)	RMB210,000,000	—	100	Generation and supply of heat and electricity
瀋陽皇姑粉煤灰建材有限公司 (vi)	RMB8,000,000	—	100	Manufacturing and sales of coal products
Shenzhen China Overseas Property Co., Ltd. (iv)	HK$50,000,000	—	100	Property development
深圳市中海運輸有限公司 (vi)	RMB10,000,000	—	100	Provision of logistic services
深圳市中海資訊科技有限公司 (vi)	RMB10,000,000	—	100	Provision of logistic services
深圳市中海投資有限公司 (vi)	RMB500,000,000	—	100	Investment holding
深圳市中海深圳灣房地產開發有限公司 (vi)	RMB10,000,000	—	100	Property development
深圳市中海日輝台物業發展有限公司 (前稱"深圳市海鵬物業發展有限公司") (vi)	RMB41,791,000	—	100	Property development
深圳市中海貨物代理有限公司 (vi)	RMB5,000,000	—	100	Provision of logistic services
深圳市志趣諮詢服務有限公司 (ii)	RMB5,000,000	—	100	Investment holding
深圳永福通實業有限公司 (ii)	RMB5,000,000	—	100	Investment holding
深圳市喜逢春諮詢服務有限公司 (ii)	RMB8,600,000	—	100	Investment holding
深圳市凱創置業顧問有限公司 (vi)	RMB1,000,000	—	100	Real estate agency
中海月朗苑物業發展(深圳)有限公司 (ii)	HK$10,000,000	—	100	Property development
Silver Yield Development Limited	100 shares of HK$1 each	—	100	Property trading
Splendid Return Limited (i)	50,000 shares of US$1 each	—	100	Investment holding
Techflex Limited (i) & (vii)	1 share of US$1	—	100	Investment holding

55. Particulars of Principal Subsidiaries (Continued)

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
Total Wonder Limited (i)	1 share of US$1	—	100	Investment holding
Wealth Faith Developments Ltd. (i)	1 share of US$1	—	100	Investment holding
Widenews Company Limited	2 shares of HK$1 each	—	100	Property development
Wing Sea Group Limited (i)	1 share of US$1	—	100	Investment holding
Winwhole Development Limited	100 shares of HK$1 each	—	100	Investment holding
Winwise Development Limited	2 shares of HK$1 each	—	100	Investment holding
Yorkley Group Limited	100 shares of HK$1 each	—	95	Investment holding
中海物業管理廣州有限公司 (vi) (Zhonghai Property Management (Guangzhou) Co., Ltd. (viii))	RMB15,800,000	—	100	Investment holding and real estate management
Zhonghai Property Management (Shanghai) Co., Ltd. (ii)	US$610,000	—	100	Real estate management
中山市中海房地產開發有限公司 (vi)	RMB10,000,000	—	100	Property development

(i) Incorporated in the British Virgin Islands

(ii) Foreign investment enterprise registered in the PRC

(iii) Joint stock limited company established in the PRC

(iv) Sino-foreign equity joint venture registered in the PRC

(v) Sino-foreign cooperative joint venture registered in the PRC

(vi) Limited liability company registered in the PRC

(vii) Operating principally in the PRC

(viii) Business name

(ix) Incorporated in the Cayman Islands

(x) Incorporated in Macau

None of the subsidiaries had any debt securities in issue at the end of the year except for China Overseas Financial (Cayman) I Limited which has issued US$300,000,000 guaranteed notes (see Note 41), none of which was held by the Group.