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*Managing Director and
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2006 Results

The Group's profit attributable to the shareholders in 2006 was HK\$705 million, representing an increase of 65% as compared with that of 2005. Earnings per share were HK\$1.16.

The increase in the Group's earnings revealed the profit contributed from property development business. Apart from the contribution from property sales, the surge was also due to the recognition of the discount on acquiring the property assets in Suzhou.

Business Review

Toll Road Business

In 2006, the total traffic volume and revenue of toll road projects were 134 million vehicles and RMB2.23 billion respectively; representing an increase of 2% and 4% compared to those in 2005 (excluding the results of the disposed project). During 2006, the cash generated from the Group's toll road business amounted to HK\$885 million, a growth of 3% over that of 2005.

The total traffic volume and the toll revenue of the Group's expressway projects continued to record strong growth of 8.6% and 7.0% respectively as compared to 2005. However, the performance of the Group's Class I/II highway projects decreased slightly due to the traffic diversion from nearby roads. The Group has taken measures to minimize such impact of diversion on the affected Class I/II highway projects and will consider disposing these projects when opportunity arises. In April 2006, the Group disposed its entire interest in Taiyuan Ximing-Gujiao Highway (Class II highway) in Shanxi Province with a total consideration of RMB125 million, recognising a slight profit.

The Group's direction for its toll road business remains to enhance and expand its portfolio of expressway projects. In 2006, the revenue of the expressway projects contributed 67% to the total revenue of the toll road business. The Group expects revenue and contribution of the expressway projects to grow continuously in the future.



Due to the technical difficulties associated with the regulatory approval procedures, during the past financial year, the Group did not commit to acquire any new projects in toll road business. Nevertheless, the Group will continue to closely monitor market development, maintain close relationship with relevant government authorities and follow up projects with high potential. As soon as the uncertainties are lifted, the Group will move in swiftly to expedite the development in the business.

Property Development Business

The Group has been dedicated to develop high quality projects since the commencement of its property development business in 2004. The property business started to contribute profit to the Group in 2006.

During the year of 2006, total sales and pre-sales of property developments reached approximately 100,000 square meters. The Group expects substantial growth in saleable area in 2007.

In September 2006, the Group announced the acquisition of the projects of Sunco Group in phases. The Sunco acquisition has allowed the Group to rapidly expand its property business and extend its geographical reach to various cities, including Beijing, Tianjin, Jinan, Qingdao, Zhengzhou, Luoyang, Suzhou and Wuhan within a short timespan.

As at 31 December 2006, the Group's unsold developable gross floor area was approximately 2.9 million square meters which would be increased to 6.3 million square meters upon completion of the Sunco acquisition.

Ginseng Business

In December 2006, the Group distributed its shares in the non-core ginseng business – Chai-Na-Ta Corp (“CNT”) to shareholders by way of distribution in specie. As a result, the Company no longer has shareholding interest in CNT.

Financial Review

Liquidity and Financial Resources

As at 31 December 2006, shareholders' funds increased to HK\$6.78 billion (31 December 2005: HK\$5.23 billion). The surge was mainly due to the share placements of 80 million ordinary shares undertaken in late 2006 and profit earned during the year. Net assets per share was HK\$9.82 (31 December 2005: HK\$8.85).

As at 31 December 2006, the Group's total assets were HK\$10.96 billion (31 December 2005: HK\$7.34 billion) and cash and bank balances were HK\$1.11 billion (31 December 2005: HK\$421.19 million).

Financing Activities

To meet the funding requirement for the property development, the Group arranged various short term loan facilities with an aggregate amount of HK\$780 million. The short term loan facilities are being replaced by long term facilities in the first half of 2007. In November and December 2006, the Group successfully raised an aggregate of HK\$850 million from placing of 80,000,000 new shares at the placing price of HK\$10.96 per share.

Debt and Gearing

The gearing ratio of the Group increased from 37% at the end of 2005 to 46% as at 31 December 2006. Interest coverage was 9.7 times (2005: 7.1 times).

As at 31 December 2006, the Group's total borrowings were HK\$3.14 billion (31 December 2005: HK\$1.92 billion). The maturity profile of the Group's total borrowings is set out as follows:

	31 December 2006 HK\$ million	31 December 2005 HK\$ million
Repayable:		
Within one year	1,582	362
After one year but within two years	—	2
After two years but within five years	1,559	1
After five years	—	1,559
Total borrowings	3,141	1,924

The Group's borrowings were primarily denominated in US dollar. Other than the US\$200 million fixed-rate US\$ denominated guaranteed notes, the Group's borrowings were on a floating rate basis.

Financing and Treasury Policies

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

Charges in the Group's Assets

As at 31 December 2006, bank balances were pledged as security in favour of banks for mortgage facilities granted to the buyers of properties under the Group's Phoenix City project. The total of these charged deposits was RMB24 million. In addition to the charged deposits, properties which were valued at RMB70 million were pledged as security for certain loan facilities granted to this project. Apart from these, there was no other charge on the Group's assets.

Exposure on Foreign Exchange Fluctuations

The Group's borrowings are principally denominated in US dollar, but its cash flow is generated from projects denominated mainly in Renminbi, so the continuous appreciation of Renminbi in 2006 had a positive impact on the Group's financial position. Other than that, the Group has no significant exposure to foreign exchange fluctuation.

Material Future Capital Commitments

As at 31 December 2006, the Group's major capital commitments amounted to approximately HK\$36 million which would be settled after 2010.

Contingent Liabilities

As at 31 December 2006, the Group provided guarantees of approximately RMB406 million in favour of its customers for their purchases of the Group's properties. These guarantees provided by the Group will be released when the customers pledge their real estate certificates as securities to banks for the mortgage loans granted.

Employees

Excluding the staff of joint ventures, the total number of employees in the Group was 451 as of 31 December 2006. Expenditure on staff (excluding Directors' emoluments and amounts capitalised) amounted to HK\$72 million. Employees are remunerated according to their performance and contribution. Other employee benefits include but not limited to provident fund, insurance, medical cover and, training programs, as well as a share option scheme. In 2006, 19,340,000 share options were granted to Directors and employees under the Group's share option scheme.

Prospects

Toll road business is the Group's core business and the major source of income. The Group will make additional steps to fortify the toll road management and operation, and to enhance the portfolio of projects. In addition, the Group will also complete all the preliminary work for potential projects to facilitate the prompt capture of investment opportunities when arise, so as to the boarden the income source for the toll road business.

Based on the foundation built up in year 2006, the Group will accelerate the development of existing property projects in 2007 to realize and improve the income derived therefrom. The Group will also strive to complete the acquisition of Sunco and the restructuring of its operations, thereby providing a new stream of income source and a better development platform to help bolstering the Group's property business.

Acknowledgement

I would like to extend my gratitude to our business partners and shareholders for their enduring support, and to thank all staff for their dedication and hard work.

Ko Yuk Bing

Managing Director & CEO

Hong Kong, 3 April 2007