

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

## 1. GENERAL

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

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

During the year, the Group discontinued its operation of farming and trading of North American ginseng products.

The functional currency of the Company and the Group's jointly controlled entities and its major subsidiaries is Renminbi ("RMB"). However, the financial statements of the Group are presented in Hong Kong dollars as the Directors consider this presentation is more useful for its current and potential investors.

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

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 these new HKFRSs has had no material effect on how the results and financial position for the current and prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

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 is still not yet in the position to reasonably estimate the impact that may arise on the Group's results and financial position from the application of these standards, amendment or interpretations.

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

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

2 Effective for annual periods beginning on or after 1 March 2006.

3 Effective for annual periods beginning on or after 1 May 2006.

4 Effective for annual periods beginning on or after 1 June 2006.

5 Effective for annual periods beginning on or after 1 November 2006.

6 Effective for annual periods beginning on or after 1 March 2007.

7 Effective for annual periods beginning on or after 1 January 2009.

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

### 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance. The principal accounting policies adopted are as follows:

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (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 are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Net assets and goodwill of subsidiaries transferred to shareholders by way of dividend in kind (“dividend in species”) are recorded at carrying amount in the consolidated financial statements.

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 share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority interests 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 are recognised at their fair values at the acquisition date.

Acquisition of additional interests in subsidiaries is recorded at the book value of the net assets attributable to the interests. The excess of the carrying amounts of net assets attributable to the interests over the cost of acquisition is recognised as discount on acquisition.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Business combinations (Continued)

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.

### Excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

### 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 when all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Payments received from purchasers prior to this stage are recorded as "Deposits from pre-sale of properties" under current liabilities.

### Others

Minimum income undertakings from jointly controlled entities, represented the shortfall between the Group's share of the result of the jointly controlled entities and the guaranteed income compensated by the joint venture partners, are recognised when receivable in accordance with the joint venture agreements.

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

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Toll highway operation rights

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

#### Property, plant and equipment

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

Depreciation is provided to write off the cost 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.

#### Joint venture

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

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

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

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Joint venture (Continued)

#### Goodwill arising on acquisitions on or after 1 January 2005

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entity recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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.

### Non-current assets held for sale

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

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

### Impairment of tangible assets

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

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

### Properties under development for sale

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Completed properties held for sale

Completed properties held for sale are included in current assets at the lower of cost and net realisable value. Cost of property comprises land costs, construction expenditure, borrowing cost directly attributable to construction of such properties and other direct costs. Net realisable value is based on the estimated selling price in the ordinary course of business as determined by the management with reference to the prevailing market conditions, less the estimated costs necessary to make the sale.

#### Inventories and ginseng crops

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

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

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

#### Borrowing costs

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

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

#### Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Foreign currencies (Continued)

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

### Leasing

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

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

### Retirement benefit costs

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

### Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the 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 negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments

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

#### Financial assets

Financial assets are classified as loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### *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 loan to a joint venture and related companies, debtors, deposits, pledged deposits 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.

#### Financial liabilities and equity

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

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

The Group's financial liabilities are generally classified into other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

#### *Other financial liabilities*

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

#### *Equity instruments*

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

#### 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 consolidated balance sheet when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration received or receivable is recognised in profit or loss.

### Share-based payment transactions

For share options granted to directors and employee of the Company, the fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

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

## 4. FINANCIAL INSTRUMENTS

### 4a. Financial risk management objectives and policies

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

#### **Credit risk**

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

The credit risk on bank deposits is limited because the counter parties are banks with high credit ratings assigned by international credit-rating agencies.

#### **Market risk**

##### *Fair value interest rate risk*

The Group's fair value interest rate risk relates primarily to fixed-rate guaranteed notes. Details of the Group's interest rate exposure are disclosed in note 29.

##### *Cash flow interest rate risk*

The Group's cash flow interest rate risk relates to bank deposits and bank loans with floating interest rate. Management closely monitors cash flow interest rate risk and will consider hedging significant interest rate exposure should the need arise.

##### *Currency risk*

Several subsidiaries of the Company have foreign currency borrowings, which expose the Group to foreign currency risk. Details of the Group's currency risk are disclosed in note 29.

### 4b. Fair value

The fair value of 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.

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.

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For the year ended 31 December 2006

## 5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, management makes various estimates based on past experience, expectations of the future and other information. The key sources of estimation uncertainty at the balance sheet date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

### Depreciation of toll highway operation rights

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

### Land appreciation tax ("LAT")

Under the Provisional Regulations on LAT implemented upon the issuance of the Provisional Regulations of the PRC on 27 January 1995, all gains arising from transfer of real estate property in the PRC effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including borrowing costs and all property development expenditures.

The provision of LAT is estimated and made according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects.

## 6. REVENUE

An analysis of the Group's revenue for the year, for both continuing and discontinued operations, is as follows:

	2006 HK\$'000	2005 HK\$'000
<b>Continuing operations</b>		
Minimum income undertakings	8,571	40,964
Sales of completed properties held for sale	505,501	—
	<u>514,072</u>	<u>40,964</u>
<b>Discontinued operation</b>		
Farming and trading of ginseng goods	38,167	37,286
<b>Total revenue of the Group</b>	<u>552,239</u>	<u>78,250</u>
<b>Share of toll revenue of infrastructure joint ventures</b>	<u>1,186,650</u>	<u>1,186,528</u>
<b>Revenue of the Group and share of revenue of infrastructure joint ventures</b>	<u>1,738,889</u>	<u>1,264,778</u>

## 7. SEGMENTAL INFORMATION

The Group's revenue and profit for the year ended 31 December 2006 by business activities and geographical markets are as follows:

### By business segments:

	Continuing operations			Total HK\$'000	Discontinued operation	Consolidated HK\$'000
	Toll road HK\$'000	Property development HK\$'000	Unallocated HK\$'000		Ginseng HK\$'000	
<b>2006</b>						
<b>Revenue</b>	8,571	505,501	—	514,072	38,167	552,239
Segment result	(7,598)	114,605	—	107,007	(5,239)	101,768
Discount on acquisition of subsidiary/deemed acquisition of additional interest in subsidiary	—	163,410	—	163,410	10,606	174,016
Interest income	—	—	38,242	38,242	—	38,242
Corporate income	—	—	88,061	88,061	—	88,061
Corporate expenses	—	—	(97,177)	(97,177)	—	(97,177)
Share of results of joint ventures	587,142	(298)	—	586,844	—	586,844
Finance costs	—	—	(123,972)	(123,972)	—	(123,972)
Profit before taxation	579,544	277,717	(94,846)	762,415	5,367	767,782
Income tax expense	—	—	(66,059)	(66,059)	—	(66,059)
Profit for the year	579,544	277,717	(160,905)	696,356	5,367	701,723
<b>Consolidated Balance Sheet</b>						
<b>Assets</b>						
Segment assets	184,889	4,470,188	—	4,655,077	—	4,655,077
Interests in joint ventures	5,073,408	—	—	5,073,408	—	5,073,408
Loan to a joint venture	—	13,408	—	13,408	—	13,408
Unallocated corporate assets	—	—	1,219,935	1,219,935	—	1,219,935
Total assets	5,258,297	4,483,596	1,219,935	10,961,828	—	10,961,828
<b>Liabilities</b>						
Segment liabilities	11,534	949,544	—	961,078	—	961,078
Unallocated corporate liabilities	—	—	3,223,182	3,223,182	—	3,223,182
Total liabilities	11,534	949,544	3,223,182	4,184,260	—	4,184,260
<b>Other information</b>						
Capital additions	134	2,852	355	3,341	1,437	4,778
Depreciation and amortisation	346	152	1,061	1,559	93	1,652
Other non-cash expenses	6,854	—	3,361	10,215	1,599	11,814

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

## 7. SEGMENTAL INFORMATION (Continued)

By business segments: (Continued)

	Continuing operations			Discontinued operation		Consolidated HK\$'000
	Property		Unallocated HK\$'000	Total HK\$'000	Ginseng HK\$'000	
	Toll road HK\$'000	development HK\$'000				
<b>2005</b>						
<b>Revenue</b>	40,964	—	—	40,964	37,286	78,250
Segment result	30,435	(10,608)	—	19,827	(75,963)	(56,136)
Impairment loss on goodwill	(1,343)	—	—	(1,343)	—	(1,343)
Interest income	—	—	8,248	8,248	—	8,248
Corporate income	—	—	11,842	11,842	—	11,842
Corporate expenses	—	—	(57,642)	(57,642)	—	(57,642)
Share of results of joint ventures	596,859	(431)	—	596,428	—	596,428
Finance costs	—	—	(112,945)	(112,945)	—	(112,945)
Profit before taxation	625,951	(11,039)	(150,497)	464,415	(75,963)	388,452
Income tax credit	—	—	27,649	27,649	—	27,649
Profit for the year	625,951	(11,039)	(122,848)	492,064	(75,963)	416,101
<b>Consolidated Balance Sheet</b>						
<b>Assets</b>						
Segment assets	138,805	1,294,677	—	1,433,482	228,376	1,661,858
Interests in joint ventures	5,209,485	—	—	5,209,485	—	5,209,485
Loan to a joint venture	—	13,706	—	13,706	—	13,706
Unallocated corporate assets	—	—	455,725	455,725	—	455,725
Total assets	5,348,290	1,308,383	455,725	7,112,398	228,376	7,340,774
<b>Liabilities</b>						
Segment liabilities	5,814	78,505	—	84,319	62,773	147,092
Unallocated corporate liabilities	—	—	1,927,189	1,927,189	—	1,927,189
Total liabilities	5,814	78,505	1,927,189	2,011,508	62,773	2,074,281
<b>Other information</b>						
Capital additions	206	1,975	666	2,847	2,462	5,309
Depreciation and amortisation	425	174	1,487	2,086	303	2,389
Impairment loss on goodwill	1,343	—	—	1,343	—	1,343
Other non-cash expenses	9,369	—	3,262	12,631	43,384	56,015

## 7. SEGMENTAL INFORMATION (Continued)

By geographical segments:

	Continuing operations			Discontinued operation			Consolidated HK\$'000
	Hong Kong HK\$'000	PRC HK\$'000	Total HK\$'000	Hong Kong HK\$'000	Overseas* HK\$'000	Total HK\$'000	
<b>2006</b>							
<b>Revenue</b>	—	514,072	514,072	31,469	6,698	38,167	552,239
<b>Segment result</b>	—	107,007	107,007	(230)	(5,009)	(5,239)	101,768
<b>Carrying amount of segment assets</b>							
Segment assets	443,185	5,422,251	5,865,436	—	—	—	5,865,436
Interests in joint ventures	—	5,073,408	5,073,408	—	—	—	5,073,408
Loan to a joint venture	—	13,408	13,408	—	—	—	13,408
Total segment assets	443,185	10,509,067	10,952,252	—	—	—	10,952,252
<b>Other information</b>							
Capital additions	355	2,986	3,341	—	1,437	1,437	4,778
<b>2005</b>							
<b>Revenue</b>	—	40,964	40,964	29,569	7,717	37,286	78,250
<b>Segment result</b>	—	19,827	19,827	(944)	(75,019)	(75,963)	(56,136)
<b>Carrying amount of segment assets</b>							
Segment assets	162,164	1,714,485	1,876,649	462	228,229	228,691	2,105,340
Interests in joint ventures	—	5,209,485	5,209,485	—	—	—	5,209,485
Loan to a joint venture	—	13,706	13,706	—	—	—	13,706
Total segment assets	162,164	6,937,676	7,099,840	462	228,229	228,691	7,328,531
<b>Other information</b>							
Capital additions	721	2,126	2,847	2	2,460	2,462	5,309

\* Overseas segments mainly include Canada.

The revenue and segment result are classified according to the location of market, and the assets are classified according to the location of assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

## 8. SHARE OF RESULTS OF JOINT VENTURES

	2006 HK\$'000	2005 HK\$'000
<b>Continuing operations</b>		
Share of post-acquisition profits of infrastructure joint ventures before depreciation and taxation	<b>894,988</b>	884,732
Less: depreciation of toll highway operation rights	<b>(250,618)</b>	(237,460)
Less: current tax	<b>(49,728)</b>	(42,734)
Less: deferred taxation	<b>(7,500)</b>	(7,679)
	<b>587,142</b>	596,859
Share of post-acquisition loss of a property construction joint venture	<b>(298)</b>	(431)
	<b>586,844</b>	596,428

The current tax amount represents the share of PRC income tax attributable to the PRC infrastructure joint ventures.

Deferred tax has been provided for temporary differences between the carrying amount of toll highway operation rights and the corresponding tax base used in the computation of taxable profits for the PRC infrastructure joint ventures.

## 9. FINANCE COSTS

	2006 HK\$'000	2005 HK\$'000
<b>Continuing operations</b>		
Interest on:		
Borrowings wholly repayable within five years	<b>136,610</b>	7,685
Borrowings not wholly repayable within five years	<b>—</b>	97,378
	<hr/>	<hr/>
Total borrowing costs	<b>136,610</b>	105,063
Amortisation of capitalised borrowing costs on financing the construction of the joint ventures' toll highways and expressways (note 20)	<b>6,854</b>	6,593
Other finance costs	<b>4,790</b>	8,138
	<hr/>	<hr/>
	<b>148,254</b>	119,794
Less: amount capitalised in properties under development for sale	<b>(26,327)</b>	(9,058)
	<hr/>	<hr/>
	<b>121,927</b>	110,736
	<hr/>	<hr/>
<b>Discontinued operation</b>		
Interest on:		
Borrowings wholly repayable within five years	<b>2,110</b>	2,251
Less: amount capitalised	<b>(65)</b>	(42)
	<hr/>	<hr/>
	<b>2,045</b>	2,209
	<hr/>	<hr/>
	<b>123,972</b>	112,945
	<hr/> <hr/>	<hr/> <hr/>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

## 10. PROFIT (LOSS) BEFORE TAXATION

	Continuing operations		Discontinued operation		Consolidated	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Profit (loss) before taxation has been arrived at after charging:						
Depreciation of property, plant and equipment	<b>2,332</b>	2,383	<b>5,094</b>	7,296	<b>7,426</b>	9,679
Less: capitalised in inventories and ginseng crops	—	—	<b>(5,001)</b>	(6,993)	<b>(5,001)</b>	(6,993)
Less: capitalised in properties under development for sale	<b>(773)</b>	(297)	—	—	<b>(773)</b>	(297)
	<b>1,559</b>	2,086	<b>93</b>	303	<b>1,652</b>	2,389
Operating lease rentals in respect of leasehold land, premises and equipment	<b>3,853</b>	3,594	<b>4,889</b>	6,559	<b>8,742</b>	10,153
Less: capitalised in inventories and ginseng crops	—	—	<b>(4,715)</b>	(6,333)	<b>(4,715)</b>	(6,333)
Less: capitalised in properties under development for sale	<b>(673)</b>	(617)	—	—	<b>(673)</b>	(617)
	<b>3,180</b>	2,977	<b>174</b>	226	<b>3,354</b>	3,203
Auditors' remuneration	<b>2,505</b>	1,845	—	—	<b>2,505</b>	1,845
Cost of inventories recognised as an expense	<b>336,578</b>	—	<b>37,796</b>	36,199	<b>374,374</b>	36,199
Impairment loss on non-current assets held for sale	—	—	—	1,578	—	1,578
Share-based payments	<b>34,408</b>	3,611	—	—	<b>34,408</b>	3,611
Write-down of inventories	—	—	<b>1,599</b>	26,021	<b>1,599</b>	26,021
Write-down of ginseng crops	—	—	—	17,363	—	17,363

## 10. PROFIT (LOSS) BEFORE TAXATION (Continued)

	Continuing operations		Discontinued operation		Consolidated	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Staff costs (excluding directors' emoluments)	<b>77,370</b>	51,583	<b>16,028</b>	30,685	<b>93,398</b>	82,268
Provident fund scheme contributions, net of forfeited contributions of HK\$86,000 (2005: HK\$169,000) (excluding directors' contribution)	<b>1,989</b>	1,624	<b>14</b>	17	<b>2,003</b>	1,641
Less: capitalised in inventories and ginseng crops	—	—	<b>(12,791)</b>	(25,798)	<b>(12,791)</b>	(25,798)
Less: capitalised in properties under development for sale	<b>(10,383)</b>	(4,922)	—	—	<b>(10,383)</b>	(4,922)
Total staff costs (excluding directors emoluments)	<b>68,976</b>	48,285	<b>3,251</b>	4,904	<b>72,227</b>	53,189
and after crediting:						
Gain on disposal of interest in an infrastructure joint venture (note 34)	<b>5,140</b>	252	—	—	<b>5,140</b>	252
(Loss) gain on disposal of property, plant and equipment	<b>(17)</b>	19	<b>46</b>	44	<b>29</b>	63
Realised gain on disposal of listed equity securities	<b>1,464</b>	—	—	—	<b>1,464</b>	—
Change in fair value on derivative financial instruments	—	7,800	—	—	—	7,800
Realised gain on derivative financial instruments	<b>672</b>	2,655	—	—	<b>672</b>	2,655
Net exchange gain (loss)	<b>85,745</b>	16,448	<b>381</b>	(2,559)	<b>86,126</b>	13,889

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

## 11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### Directors' Emoluments

	Directors' fees HK\$'000	Salaries and allowances HK\$'000	Bonus HK\$'000	Retirement scheme contributions HK\$'000	Other benefits HK\$'000 (Note)	2006 Total HK\$'000
<b>Executive Directors</b>						
Zen Wei Pao, William	20	3,256	—	12	4,448	7,736
Ko Yuk Bing	—	3,456	7,050	346	4,092	14,944
Chan Kam Hung	—	2,149	2,468	178	3,202	7,997
Fong Shiu Leung, Keter	—	1,707	1,410	171	2,491	5,779
Zen Wei Peu, Derek	—	956	—	12	2,313	3,281
<b>Non-executive Directors</b>						
Hu Aimin	165	—	—	—	445	610
Zhang Yijun	165	—	—	—	445	610
<b>Independent Non-executive Directors</b>						
Chan Hing Chiu, Vincent	265	—	—	—	445	710
Chow Shiu Kee, Stephen	265	—	—	—	445	710
Lau Sai Yung	265	—	—	—	445	710
	<u>1,145</u>	<u>11,524</u>	<u>10,928</u>	<u>719</u>	<u>18,771</u>	<u>43,087</u>

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

Note: Other benefits mainly include share-based payments.

## 11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

### Employees' Emoluments

During the year, the five highest paid individuals included five (2005: three) directors, details of whose emoluments were set out above. The emoluments of the remaining two highest paid individuals in 2005 were as follows:

	<b>2006</b> <b>HK\$'000</b>	2005 HK\$'000
Salaries and allowances	—	2,906
Bonus	—	359
Retirement scheme contributions	—	213
Contractual severance payment	—	4,230
Other benefits (Note)	—	41
	<hr/>	<hr/>
	<b>—</b>	<b>7,749</b>
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>2006</b> <b>Number of</b> <b>employees</b>	2005 Number of employees
HK\$1,500,001 to HK\$2,000,000	—	1
HK\$5,500,001 to HK\$6,000,000	—	1
	<hr/>	<hr/>
	<b>—</b>	<b>2</b>
	<hr/> <hr/>	<hr/> <hr/>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

## 12. INCOME TAX EXPENSE (CREDIT)

	2006 HK\$'000	2005 HK\$'000
<b>Continuing operations</b>		
Income tax in the PRC	51,579	—
Deferred taxation	5,885	—
	<u>57,464</u>	<u>—</u>
<b>Discontinued operation</b>		
Deferred taxation	8,595	(27,649)
	<u>66,059</u>	<u>(27,649)</u>

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

Deferred tax has been provided for temporary differences arising from subsidiaries mainly in respect of its accelerated tax depreciation, tax losses and ginseng crops.

The PRC income tax of subsidiaries is calculated at 33% statutory tax rate.

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

	2006 HK\$'000	2005 HK\$'000
Profit before taxation	767,782	388,452
Tax at the PRC income tax rate of 33% (2005: 15%) (Note)	253,368	58,268
Tax effect of expenses not deductible for tax purpose	97,998	31,656
Tax effect of income not taxable for tax purpose	(91,435)	(12,465)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	(214)	(15,644)
Tax effect of share of results of joint ventures	(193,658)	(89,464)
Income tax for the year	<u>66,059</u>	<u>(27,649)</u>
Effective tax rate for the year	<u>8.6%</u>	<u>(7.1%)</u>

Note: It represents the tax rate of major subsidiaries and joint ventures in the PRC. The Group commenced recognising of sales of completed properties held for sale during the year and the profit from such sale of properties is subject to 33% statutory tax rate. In 2005, the Group's toll road operation is subject to applicable tax rate of 15%.

### 13. DIVIDENDS PAID

	2006 HK\$'000	2005 HK\$'000
2005 final dividend paid of HK\$0.26 (2004: HK\$0.18) per share	<b>156,350</b>	105,813
2006 interim dividend paid HK\$0.22 (2005: HK\$0.17) per share	<b>132,614</b>	100,380
2006 special interim dividend	<b>81,072</b>	—
	<b>370,036</b>	206,193

During the year, the Company has distributed its entire interest in CNT by way of a special interim dividend and the details have been disclosed in note 33.

A final dividend in respect of 2006 of HK\$0.26 per share amounting to a total of HK\$191,488,000 is proposed by the Board. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The amount will be accounted for as an appropriation of reserves in the year ending 31 December 2007.

The amount of the final dividend proposed has been calculated on the basis of 736,492,566 shares in issue as at 3 April 2007.

### 14. EARNINGS PER SHARE

#### From continuing and discontinued operations

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

	2006 HK\$'000	2005 HK\$'000
Earnings for the purposes of basic and diluted earnings per share attributable to the shareholders of the Company	<b>705,076</b>	428,300
	<b>2006 Number of shares</b>	2005 Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>608,390,000</b>	588,674,000
Effect of dilutive potential ordinary shares: Share options	<b>8,349,000</b>	1,138,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>616,739,000</b>	589,812,000

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

## 14. EARNINGS PER SHARE (Continued)

### From continuing operations

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

	2006 HK\$'000	2005 HK\$'000
Earnings for the year attributable to the shareholders of the Company	705,076	428,300
Add: Loss for the year from discontinued operation	1,912	38,316
Earnings for the purposes of basic and diluted earnings per share from continuing operations attributable to the shareholders of the Company	<u>706,988</u>	<u>466,616</u>

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

### From discontinued operation

Basic loss per share for discontinued operation attributable to the shareholders of the Company is insignificant (2005: basic loss per share of HK\$0.06) and is based on the loss for the year from discontinued operation attributable to the shareholders of the Company of HK\$1,912,000 (2005: loss of HK\$38,316,000).

## 15. DISCOUNT ON ACQUISITION OF SUBSIDIARY/DEEMED ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARY

During the year, discount on acquisition of HK\$163,410,000 arose on the Group's acquisition of Suzhou Sunco Property Limited ("Suzhou Sunco"), details of the transactions were disclosed in note 32. The amount was recognised in profit and loss.

During the year, the Company converted 10,399,149 convertible preference shares of Chai-Na-Ta Corp. ("CNT"), a former subsidiary, into ordinary shares of CNT, resulting in the increase of Group's shareholding in CNT from 77.5% to 84.2%, the discount on acquisition of additional interest in CNT was recognised in profit or loss.

## 16. DISCONTINUED OPERATION

Details of the discontinued operation are set out in notes 7 and 33.

## 17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Land and buildings	Leasehold improvements	Furniture, fixtures and equipment	Plant and machinery	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost							
At 1 January 2005	11,414	17,180	3,254	8,788	147,779	8,874	197,289
Additions	—	75	522	1,405	2,337	970	5,309
Disposals	—	—	—	(63)	(76)	(1,396)	(1,535)
Reclassified as held for sale	(6,690)	(4,687)	—	(173)	(913)	—	(12,463)
Exchange adjustments	357	506	5	110	4,618	140	5,736
At 31 December 2005	5,081	13,074	3,781	10,067	153,745	8,588	194,336
Additions	—	137	—	1,571	1,151	1,919	4,778
Disposals	—	—	—	(256)	(265)	—	(521)
Disposal of subsidiaries	(5,312)	(12,776)	(502)	(3,349)	(161,619)	(3,579)	(187,137)
Acquisition of subsidiaries	—	—	—	949	—	1,223	2,172
Exchange adjustments	231	550	9	204	6,988	223	8,205
At 31 December 2006	—	985	3,288	9,186	—	8,374	21,833
Depreciation							
At 1 January 2005	—	1,973	2,518	6,500	117,717	3,892	132,600
Charge for the year	—	828	784	823	5,987	1,257	9,679
Eliminated on disposals	—	—	—	(62)	(44)	(1,314)	(1,420)
Reclassified as held for sale	—	(425)	—	(23)	(152)	—	(600)
Exchange adjustments	—	77	5	86	3,866	79	4,113
At 31 December 2005	—	2,453	3,307	7,324	127,374	3,914	144,372
Charge for the year	—	528	192	1,049	4,267	1,390	7,426
Eliminated on disposals	—	—	—	(147)	(247)	—	(394)
Disposal of subsidiaries	—	(2,749)	(499)	(3,021)	(137,244)	(2,000)	(145,513)
Exchange adjustments	—	105	4	146	5,850	113	6,218
At 31 December 2006	—	337	3,004	5,351	—	3,417	12,109
Carrying values							
At 31 December 2006	—	648	284	3,835	—	4,957	9,724
At 31 December 2005	5,081	10,621	474	2,743	26,371	4,674	49,964



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

## 17. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

	2006 HK\$'000	2005 HK\$'000
The Group's land and buildings represent:		
– overseas freehold land	—	5,081
– overseas land and building held under medium term leases	—	9,935
– buildings in the PRC held under medium term leases	<b>648</b>	686
	<b>648</b>	15,702

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

At 31 December 2005, the Group has pledged land and buildings situated overseas with a carrying amount of HK\$15,016,000 to secure the Group's banking facilities.

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

### Non-current assets held for sale

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

## 18. INTERESTS IN JOINT VENTURES

	2006 HK\$'000	2005 HK\$'000
Interests in infrastructure joint ventures		
Cost of investments	<b>5,547,716</b>	6,028,301
Share of post-acquisition undistributed profits and reserves	<b>2,570,265</b>	2,158,482
Reduction of cost of investments	<b>(3,132,909)</b>	(3,078,170)
Net borrowing cost capitalised on financing the construction of infrastructure joint ventures' toll highways and the expressways (note 20)	<b>88,336</b>	100,872
	<b>5,073,408</b>	5,209,485
Interest in a property construction joint venture		
Cost of investment	<b>1</b>	1
Share of post-acquisition loss	<b>(1)</b>	(1)
	<b>—</b>	—
	<b>5,073,408</b>	5,209,485
Loan to a joint venture	<b>14,136</b>	14,136
Less: loss allocated in excess of cost of investment	<b>(728)</b>	(430)
	<b>13,408</b>	13,706

All infrastructure joint ventures are co-operative joint ventures established and operate in the PRC, details of which at 31 December 2006 are as follows:

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

## 18. INTERESTS IN JOINT VENTURES (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Anhui Road Universe Liuan Highway Development Co. Ltd. 安徽路宇六安公路開發有限公司	RMB92,400,000	50% #	Construction and management of Hefei - Liuan Highway, Liuan Section, PRC
Bengbu Road King Huaihe Bridge Highway Development Co., Ltd. 蚌埠路勁淮河公路橋開發有限公司	RMB92,880,000	60% * #	Investment in and development, operation and management of Provincial Highway 307 Bengbu Huaihe Bridge in Anhui, PRC
Bengbu Road King Huai - Meng Highway Development Co., Ltd. 蚌埠路勁懷蒙公路開發有限公司	RMB68,040,000	60% * #	Investment in and development, operation and management of Provincial Highway 307 Bengbu Huaiyuan - Mengcheng Highway in Anhui, PRC
Bengbu Road King Chaoyanglu Huaihe Highway Bridge Development Co., Ltd. 蚌埠路勁朝陽路淮河公路橋開發有限公司	RMB73,592,000	60% * #	Investment in and construction, operation and management of Bengbu Chaoyanglu Huaihe Highway Bridge in Anhui, PRC
Guangxi Hengjing Highway Development Co., Ltd. 廣西恆勁公路開發有限公司	RMB81,520,000	70% * #	Investment in and development, operation and management of Yulin - Gongguan Highway, Yulin Section, in Guangxi Zhuang Autonomous Region, PRC
Guangxi Lutong Highway Development Co., Ltd. 廣西路通公路開發有限公司	RMB99,562,000	70% * #	Investment in and development, operation and management of Yulin City Ring Roads, in Guangxi Zhuang Autonomous Region, PRC
Handan Rongguang Highway Development Co., Ltd. 邯鄲榮光公路開發有限公司	RMB78,200,000	70% * #	Construction and management of National Highway 309, Handan - Feixiang Highway (Hanfei Section) in Hebei, PRC
Handan Xinguang Highway Development Co., Ltd. 邯鄲新光公路開發有限公司	RMB81,800,000	70% * #	Construction and management of National Highway 309, Feixiang - Guantao Highway (Feiguan Section) in Hebei, PRC
Hebei Baofa Expressway Co., Ltd 河北保發高速公路有限公司	RMB38,515,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Bazhou Dong) in Hebei, PRC

## 18. INTERESTS IN JOINT VENTURES (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Hebei Baofeng Expressway Co., Ltd 河北保豐高速公路有限公司	RMB38,280,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Rong Cheng - Xiong Xian) in Hebei, PRC
Hebei Baohui Expressway Co., Ltd 河北保惠高速公路有限公司	RMB38,403,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Bazhou Zhong) in Hebei, PRC
Hebei Baojie Expressway Co., Ltd 河北保捷高速公路有限公司	RMB38,905,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Xiongxian - Bazhou) in Hebei, PRC
Hebei Baojin Expressway Co., Ltd 河北保津高速公路有限公司	RMB38,737,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Xushui - Rongcheng) in Hebei, PRC
Hebei Baoli Expressway Co., Ltd 河北保利高速公路有限公司	RMB38,944,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Xiongxian Dong) in Hebei, PRC
Hebei Baoming Expressway Co., Ltd 河北保明高速公路有限公司	RMB36,012,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Bazhou - Tianjinjie) in Hebei, PRC
Hebei Baosheng Expressway Co., Ltd 河北保昇高速公路有限公司	RMB38,603,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Xiongxian Xi) in Hebei, PRC
Hebei Baoyi Expressway Co., Ltd 河北保怡高速公路有限公司	RMB38,630,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Rong Cheng) in Hebei, PRC
Hebei Baoyu Expressway Co., Ltd 河北保裕高速公路有限公司	RMB38,971,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Bazhouxi) in Hebei, PRC
Hebei Tanghui Expressway Co., Ltd 河北唐惠高速公路有限公司	RMB129,296,000	45% #	Investment in and operation and management of Hebei Tangjin Expressway (Chenzhuang - Fengnan) in Hebei, PRC

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

## 18. INTERESTS IN JOINT VENTURES (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Hebei Tangjin Expressway Co., Ltd 河北唐津高速公路有限公司	RMB112,635,000	45% #	Investment in and operation and management of Hebei Tangjin Expressway (Fengnan - Jijinjie) in Hebei, PRC
Hebei Tangrun Expressway Co., Ltd 河北唐潤高速公路有限公司	RMB77,636,000	45% #	Investment in and operation and management of Hebei Tangjin Expressway (Shuangmiao - Chenzhuang) in Hebei, PRC
Hunan Changyi (Baining) Expressway Co., Ltd. 湖南長益(白寧)高速公路有限公司	RMB97,012,000	43.17% #	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Baining Section) in Hunan, PRC
Hunan Changyi (Cangyi) Expressway Co., Ltd. 湖南長益(滄益)高速公路有限公司	RMB98,985,000	43.17% #	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Cangyi Section) in Hunan, PRC
Hunan Changyi Expressway Co., Ltd. 湖南長益高速公路有限公司	RMB98,554,000	43.17% #	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Changbai Section) in Hunan, PRC
Hunan Changyi (Hengcang) Expressway Co., Ltd. 湖南長益(衡滄)高速公路有限公司	RMB101,695,000	43.17%#	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Hengcang Section) in Hunan, PRC
Hunan Changyi (Ningheng) Expressway Co., Ltd. 湖南長益(寧衡)高速公路有限公司	RMB98,458,000	43.17% #	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Ningheng Section) in Hunan, PRC
Hunan Changyi (Zijiang No. 2 Bridge) Expressway Co., Ltd. 湖南長益(資江二橋)高速公路有限公司	RMB78,328,000	43.17% #	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Zijiang No. 2 Bridge) in Hunan, PRC

## 18. INTERESTS IN JOINT VENTURES (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Liuan Road Universe Liuye Highway Development Co., Ltd. 六安路宇六葉公路開發有限公司	RMB97,800,000	50% #	Construction and management of Liuan-Yeji Highway (Western Section) in Anhui, PRC
Liuan Road Universe Pihe Bridge Development Co., Ltd. 六安路宇淝河大橋開發有限公司	RMB90,364,000	50% #	Construction and management of Pihe Bridge in Anhui, PRC
Luodingshi Luochong Highway Company Limited 羅定市羅沖一級公路有限公司	RMB96,800,000	61% * #	Construction and management of National Highway 324 Luoding - Chonghua Highway in Luoding, PRC
Pingdingshan Road King Xuchang - Nanyang Highway (Xiangcheng Section) Development Co., Ltd 平頂山路勁許南公路(襄城段)開發有限公司	RMB73,400,000	50% #	Investment in and development, operation and management of National Highway 311 & Provincial Highway 103 Xuchang - Nanyang Highway, Xiangcheng section in Henan, PRC
Pingdingshan Road King Xuchang - Nanyang Highway (Yexian Section) Development Co., Ltd. 平頂山路勁許南公路(葉縣段)開發有限公司	RMB63,400,000	50% #	Investment in and development, operation and management of Provincial Highway 01 Xuchang - Nanyang Highway, Yexian Section in Henan, PRC
Shanxi Lutong Dongguan Highway Co., Ltd. 山西路通東觀公路有限公司	RMB82,340,000	65% * #	Investment in and development, operation and management of National Highway 108 Yuci Dongchangshou - Qixian Dongguan Highway in Shanxi, PRC
Shanxi Lutong Taiyu Highway Co., Ltd. 山西路通太榆公路有限公司	RMB83,414,000	65% * #	Construction and management of National Highway 108 Taiyuan - Yuci Highway in Shanxi, PRC
Shanxi Lutong Yuci Highway Co., Ltd. 山西路通榆次公路有限公司	RMB66,412,000	65% * #	Construction and management of National Highway 108 Yuci City Bypass in Shanxi, PRC
Shenzhen Airport - Heao Expressway (Eastern Section) Co., Ltd. 深圳機荷高速公路東段有限公司	RMB440,000,000	45%	Construction and management of Shenzhen Airport-Heao Expressway Eastern Section in Shenzhen, PRC

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

## 18. INTERESTS IN JOINT VENTURES (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Shijiazhuang Luhui Road & Bridge Development Co., Ltd. 石家莊路輝道橋開發有限公司	RMB88,000,000	60% * #	Construction and management of National Highway 307, Shijiazhuang-Gaocheng Highway in Hebei, PRC
Shijiazhuang Luxin Road & Bridge Development Co., Ltd. 石家莊路信道橋開發有限公司	RMB44,000,000	60% * #	Construction and management of National Highway 307, Gaocheng-Jinzhou Highway in Hebei, PRC
Suzhou Road King Shanghai-Suzhou Airport Road Development Co., Ltd. 蘇州路勁蘇滬機場路發展有限公司	RMB130,000,000	50%	Construction and management of Suzhou-Shanghai Airport Highway in Jiangsu, PRC

\* The Group exercises joint control over the financial and operating policies of these companies with other PRC joint venture partners in accordance with joint venture agreements, and accordingly, these companies have not been accounted for as subsidiaries.

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

During 2005, the Group had entered into an agreement with a subsidiary of Build King Holdings Limited, a listed company in Hong Kong in which certain Directors of the Company have significant interests, to establish a joint venture engaging in the business of property construction in the PRC, details of which at 31 December 2006 are as follows:

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

## 18. INTERESTS IN JOINT VENTURES (Continued)

The summary of aggregate financial information of the infrastructure joint ventures which is accounted for using equity method, based on the adjusted financial statements prepared under HKFRSs is as follows:

	<b>2006</b> <b>HK\$'000</b>	2005 HK\$'000
Income	<b>1,186,650</b>	1,186,528
Expenses	<b>(599,806)</b>	(590,100)
Assets	<b>5,289,614</b>	5,985,131
Liabilities	<b>(304,542)</b>	(876,518)

## 19. LOANS TO RELATED COMPANIES

The loans to related companies of HK\$54,700,000 represented cash advance to subsidiaries of CNT in which one of its shareholders being Wai Kee Holdings Limited, which has significant beneficial interest in the Company. The loans are unsecured, interest bearing at LIBOR/HIBOR plus 1.7% and wholly repayable in 2010.

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

	<b>2006</b> <b>HK\$'000</b>	2005 HK\$'000
Gross amount		
At 1 January	<b>153,175</b>	154,729
Released on disposal of infrastructure joint ventures	<b>(8,810)</b>	(1,554)
Released upon expiry of an infrastructure joint venture	<b>(7,294)</b>	—
As 31 December	<b>137,071</b>	153,175
Amortisation		
At 1 January	<b>52,303</b>	46,344
Charge for the year	<b>6,854</b>	6,593
Released on disposal of infrastructure joint ventures	<b>(3,128)</b>	(634)
Released upon expiry of an infrastructure joint venture	<b>(7,294)</b>	—
At 31 December	<b>48,735</b>	52,303
Carrying amount		
At 31 December	<b>88,336</b>	100,872



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

## 21. PROPERTIES UNDER DEVELOPMENT FOR SALE

	2006 HK\$'000	2005 HK\$'000
At cost	<b>2,444,729</b>	429,494
Cost consisted of:		
Advances for land leases	<b>1,714,322</b>	276,153
Construction expenditure	<b>685,545</b>	143,188
Borrowing costs capitalised	<b>44,862</b>	10,153
	<b>2,444,729</b>	429,494

As disclosed in note 32, pursuant to the sale and purchase agreement dated 6 January 2004 in respect of a piece of land held by Suzhou Sunco a newly acquired subsidiary, included in the cost of properties under development for sale disclosed above.

At 31 December 2006, the Group's commitment for outstanding land premium is HK\$1,487,762,000 and the payment schedule is as follows:

	HK\$'000
Within one year	826,535
More than one year but not exceeding two years	661,227
	<u>1,487,762</u>

## 21. PROPERTIES UNDER DEVELOPMENT FOR SALE (Continued)

As at 31 December 2006, properties under development for sale are situated at:

### Guangzhou

- Lot No. G4-1, Zhujiang New City, Tianhe District, Guangzhou, Guangdong, the PRC.
- Lot No. G4-2, Zhujiang New City, Tianhe District, Guangzhou, Guangdong, the PRC.

### Changzhou

- No. 33 Hua Yuan Street, Wujin District, Changzhou, Jiangsu, the PRC.
- No. 88 Yan Zheng Dong Road, Wujin District, Changzhou, Jiangsu, the PRC.
- Lot No. 2005035, Southeast Corner of Nantian Park, Hutang Town, Wujin District, Changzhou, Jiangsu, the PRC.

### Suzhou

- Junction of Susheng Road and Xinghua Road, Suzhou Industrial Park, Suzhou, Jiangsu, the PRC.

## 22. ADVANCES FOR LAND LEASES

As at 31 December 2006, a total advance of HK\$458,758,000 (2005: HK\$849,329,000) was made for the acquisition of several pieces of land. Upon completion of the acquisition and delivery of relevant land title documents to the Group, the amount will be transferred to the account of "Properties under development for sale".

## 23. INVENTORIES AND GINSENG CROPS

	2006 HK\$'000	2005 HK\$'000
Inventories at fair value (note (i))	—	47,514
Ginseng crops, at cost (note (ii))	—	126,040
	—	173,554

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

## 23. INVENTORIES AND GINSENG CROPS (Continued)

Notes:

- (i) Reconciliation of carrying amount of inventories:

	2006 HK\$'000	2005 HK\$'000
Carrying amount at 1 January	47,514	74,148
Carrying amount transfer from ginseng crops upon harvest	—	56,402
Increases due to purchases	363	3,669
Change in fair value of inventories at the point of harvest	—	(20,480)
Decrease due to sales	(37,796)	(39,370)
Write-down of inventories	(1,599)	(26,021)
Disposal of subsidiaries	(9,622)	—
Exchange adjustment	1,140	(834)
	<hr/>	<hr/>
Carrying amount at 31 December	—	47,514
	<hr/> <hr/>	<hr/> <hr/>

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

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

## 24. DEBTORS, DEPOSITS AND PREPAYMENTS

	2006 HK\$'000	2005 HK\$'000
Aged analysis of debtors:		
Within 60 days	6,579	9,442
60 to 90 days	—	1,074
More than 90 days	51,213	66,591
	<hr/>	<hr/>
	57,792	77,107
Deferred consideration due within one year on disposal of an infrastructure joint venture (note 34)	35,183	31,429
Interest receivable	5,710	164
Other receivables	960,932	—
Prepayments on business tax and other taxes	138,980	6,017
Deposits and prepayments	77,822	52,018
	<hr/>	<hr/>
	1,276,419	166,735
	<hr/> <hr/>	<hr/> <hr/>

Included in debtors of the Group is an amount of HK\$51,213,000 (2005: HK\$74,049,000) representing minimum income undertakings due from the PRC joint venture partners. Minimum income undertakings have been recognised in accordance with the terms set out in the relevant joint venture agreements and are settled according to the schedules agreed with the relevant PRC joint venture partners.

## 24. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

During the year, the Group has made cash advance of HK\$960,932,000 to the potential acquirees, and is repayable upon the completion of the acquisition transaction as disclosed in note 40(b). Of which, HK\$802,153,000 were carried interest at 12% per annum.

At 31 December 2006, Suzhou Sunco has prepaid deed tax amounted to HK\$108,396,000 to 蘇州市國土房產局 (“國土局”) in respect of the land certificates obtained from 國土局. The PRC lawyer has advised that according to the confirmation received from 國土局 dated 10 October 2006, Suzhou Sunco has the right to request 國土局 to repay the deed tax to Suzhou Sunco and then to discharge its tax liability by making payment to the relevant government authority. Accordingly, the prepaid deed tax has been included in prepayments on business tax and other taxes.

## 25. DERIVATIVE FINANCIAL INSTRUMENTS

In 2005, the Group entered into foreign currency interest rates swap contracts to swap the periodic fixed rate US\$ interest payments to the fixed rate HK\$ interest payments. The Group was required to exchange the US\$ notional amounts into equivalent HK\$ at a fixed exchange rate of US\$1.00 to HK\$7.80 at maturity date. The terms of the foreign currency interest rates swaps were as follows:

Notional amount	Maturity	Swaps	Fair value gain at 31 December 2005 HK\$'000
USD50,000,000	13 January 2006	Received US\$ interest at 6.25% Paid HK\$ interest at 4.98%	4,836

The above derivative was measured at fair value as provided by banks at 31 December 2005. The swap did not qualify for hedge accounting and the realised loss upon maturity of HK\$14,000 was charged to the consolidated income statement in 2005.

## 26. PLEDGED DEPOSITS/BANK BALANCES AND CASH

The pledged deposits were bank balances pledged as security in favour of banks for mortgage facilities granted to the buyers of Suzhou Sunco's properties.

Bank balances carry interest at market rates ranging from 0.72% to 3.25% per annum (2005: 0.72% to 2.75% per annum). The average effective interest rate of pledged deposits was 0.72%.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

## 27. SHARE CAPITAL

	2006 Number of shares	2005 Number of shares	2006 HK\$'000	2005 HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each	<u>20,000,000,000</u>	20,000,000,000	<u>2,000,000</u>	2,000,000
7.5% convertible preference shares ("CP shares") of HK\$0.1 each	<u>518,380</u>	518,380	<u>52</u>	52
Issued and fully paid:				
Ordinary shares				
At 1 January	<b>590,896,566</b>	586,122,566	<b>59,090</b>	58,612
Ordinary shares issued	<b>19,180,000</b>	4,774,000	<b>1,918</b>	478
Placement of new shares	<b>80,000,000</b>	—	<b>8,000</b>	—
At 31 December	<u><b>690,076,566</b></u>	590,896,566	<u><b>69,008</b></u>	59,090

As a result of the exercise of the Company's share options during the year, 19,180,000 (2005: 4,774,000) ordinary shares were issued by the Company as detailed in note 28. All the new shares issued rank pari passu in all respects with the existing shares.

In November and December 2006, 80,000,000 ordinary shares of in the Company were placed in the market at a price of HK\$10.96 per share. All the new shares issued rank pari passu in all respects with the existing shares.

## 28. SHARE OPTION SCHEME

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

The total number of shares which may be issued under the share option scheme and any other schemes of the Company must not in aggregate exceed 10% (the "10% Limit") of the shares in issue as at the date of adoption of the share option scheme less the aggregate of exercised, cancelled and outstanding options. On 12 May 2004, renewal of the 10% share option scheme mandate limit was approved by the shareholders. Since then, a number of options were granted to eligible participants and the total number of shares available for issue under the share option scheme is 9,577,256 representing approximately 1.3% of the Company's issued share capital as at the date of this report. The 10% Limit may be refreshed with the approval of shareholders of the Company. The maximum number of shares that may be issued upon exercise of all outstanding options granted and are yet to be exercised under the share option scheme and any other schemes must not exceed 30% of the shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares in issue unless the same is approved by the shareholders.

## 28. SHARE OPTION SCHEME (Continued)

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

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

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

During the year, 19,340,000 (2005: 15,460,000) share options were granted under the share option scheme to Directors and employees for an aggregate consideration of HK\$104 (2005: HK\$83). The estimated fair value of the options granted during the year was HK\$34,408,000 (2005: HK\$3,611,000). The fair value was calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	2006	2005
Weight average share price	<b>HK\$11.61</b>	HK\$5.78
Exercise price	<b>HK\$11.66</b>	HK\$5.80
Expected volatility	<b>25.74%</b>	11.25%
Expected life	<b>2.5 years</b>	5 years
Risk-free rate	<b>3.61%</b>	4.23%
Expected dividend yield	<b>4.03%</b>	6.02%

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

The Group recognised the fair value as an expense for the year ended 31 December 2006 and 2005.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

## 28. SHARE OPTION SCHEME (Continued)

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

### 2006

Date of grant	Exercisable period	Exercise price HK\$	Balance at 1.1.2006	Granted during the year	Exercised during the year	Cancelled during the year	Balance at 31.12.2006
<b>Directors</b>							
17 October 2003	17 October 2003 to 16 October 2008	5.15	6,300,000	—	(5,550,000)	—	750,000
26 August 2004	26 August 2004 to 25 August 2009	5.70	9,350,000	—	(3,750,000)	—	5,600,000
14 December 2005	14 December 2005 to 13 December 2010	5.80	10,550,000	—	(1,800,000)	—	8,750,000
20 December 2006	20 December 2006 to 19 December 2011	11.66	—	10,550,000	—	—	10,550,000
			<u>26,200,000</u>	<u>10,550,000</u>	<u>(11,100,000)</u>	<u>—</u>	<u>25,650,000</u>
<b>Employees</b>							
17 October 2003	17 October 2003 to 16 October 2008	5.15	2,010,000	—	(1,550,000)	—	460,000
26 August 2004	26 August 2004 to 25 August 2009	5.70	3,600,000	—	(3,110,000)	—	490,000
14 December 2005	14 December 2005 to 13 December 2010	5.80	4,910,000	—	(3,420,000)	(20,000)	1,470,000
20 December 2006	20 December 2006 to 19 December 2011	11.66	—	8,790,000	—	—	8,790,000
			<u>10,520,000</u>	<u>8,790,000</u>	<u>(8,080,000)</u>	<u>(20,000)</u>	<u>11,210,000</u>
			<u>36,720,000</u>	<u>19,340,000</u>	<u>(19,180,000)</u>	<u>(20,000)</u>	<u>36,860,000</u>

## 28. SHARE OPTION SCHEME (Continued)

2005

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

The weighted average closing price of the Company's shares immediately before the date on which share options were exercised during the year was HK\$9.49 (2005: HK\$5.86).

## 29. BANK AND OTHER BORROWINGS

	2006 HK\$'000	2005 HK\$'000
Guaranteed notes (note (i))	1,559,029	1,558,847
Bank loans (note (ii))	1,582,155	362,234
Other loans	—	3,223
	<u>3,141,184</u>	<u>1,924,304</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

## 29. BANK AND OTHER BORROWINGS (Continued)

The maturity of the above loans is as follows:

	2006 HK\$'000	2005 HK\$'000
Unsecured borrowings repayable:		
Within one year	1,582,155	312,000
More than two years but not exceeding five years	1,559,029	—
More than five years	—	1,558,847
	<u>3,141,184</u>	<u>1,870,847</u>
Secured borrowings repayable:		
Within one year	—	50,388
More than one year but not exceeding two years	—	2,355
More than two years but not exceeding five years	—	714
	<u>—</u>	<u>53,457</u>
Total borrowings	<u>3,141,184</u>	1,924,304
Less: Amount due within one year shown under current liabilities	<u>(1,582,155)</u>	(362,388)
Amount due over one year shown under non-current liabilities	<u>1,559,029</u>	<u>1,561,916</u>

At 31 December 2005, some of the bank loans were secured by plant and machinery.

Notes:

- (i) The guaranteed notes bear interest at a fixed rate of 6.25% per annum and will mature in July 2011. The fair value of the guaranteed notes based on the quoted market price at 31 December 2006 was HK\$1,489,082,000 (2005: HK\$1,555,013,000).
- (ii) The interest rates on the bank loans, which also equal to the effective interest rate, range from LIBOR plus 0.75% per annum to LIBOR plus 0.875% per annum.

The Group's borrowings that are denominated in US dollar other than the functional currencies of the relevant group entities are set out below:

	HK\$'000
As at 31 December 2006	2,993,640
As at 31 December 2005	<u>1,872,000</u>

### 30. DEFERRED TAXATION

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

	Accelerated tax depreciation	Fair value adjustment on Tax property under losses	Fair value adjustment on development	Inventories and ginseng crops	Other	Total
	HK\$'000	HK\$'000	HK\$'000	HKD\$000	HK\$'000	HK\$'000
At 1 January 2005	(1,511)	(2,509)	—	19,797	—	15,777
Charge (credit) for the year	173	(448)	—	(27,374)	—	(27,649)
Exchange adjustments	(42)	(92)	—	(237)	—	(371)
At 31 December 2005	(1,380)	(3,049)	—	(7,814)	—	(12,243)
(Credit) charge for the year	(333)	877	—	8,051	5,885	14,480
Acquisition of a subsidiary	—	(65,347)	55,771	—	—	(9,576)
Disposal of subsidiaries	1,780	2,298	—	—	—	4,078
Exchange adjustments	(67)	(126)	—	(237)	—	(430)
At 31 December 2006	—	(65,347)	55,771	—	5,885	(3,691)

At 31 December 2006, the Group has unused tax losses of HK\$198,021,000 (2005: HK\$16,427,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK\$198,021,000 (2005: HK\$15,096,000) of such losses.

Pursuant to the relevant laws and regulations in the PRC, the unused tax losses at 31 December 2006 will expire in 2011.

### 31. CREDITORS AND ACCRUED CHARGES

	2006 HK\$'000	2005 HK\$'000
Aged analysis of creditors:		
Within 60 days	1,744	4,162
60 to 90 days	235	2,393
More than 90 days	18,839	—
	20,818	6,555
Interest payable	58,124	45,712
Accrued construction costs	342,619	253
Accrued taxes	133,703	1,855
Other accrued charges	60,559	27,222
	615,823	81,597

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

## 32. ACQUISITION OF A SUBSIDIARY

Pursuant to an acquisition agreement dated 1 November 2006, the Group acquired the entire registered capital of Suzhou Sunco and shareholder loan, for an aggregate consideration of RMB370,000,000 (equivalent to HK\$366,337,000) and undertook the obligation for the continuing development of Phoenix City project. The transaction was completed on 28 December 2006. Details of the transaction were set out in the circular dated 5 December 2006.

A discount on acquisition arising as a result of the acquisition has been identified. The Directors have reassessed measurement of Suzhou Sunco's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the acquisition. After the reassessment, the Directors identified that the fair value increase is mainly due to the prepaid lease element being included in the properties under development for sale in respect of properties other than low-rise buildings. As the fair value of the prepaid lease at the date of acquisition exceeds the book value of the prepaid lease, a discount on acquisition of HK\$163,410,000 has been recognised in the profit or loss. The amount of discount on acquisition was significant because Suzhou Sunco was in financial difficulty at the time of negotiation of the acquisition transaction.

As stated in note 21 above, pursuant to the memorandum dated 22 August 2006, 蘇州工業園區國土局 (“國土局”) the grantor of the land may impose penalty charge at 0.3% per day on the outstanding land premium for the land to be acquired by Suzhou Sunco. As the payment of this outstanding land premium has been overdue for six months, the grantor of the land, may terminate the sale and purchase agreement and repossess the land owned by Suzhou Sunco. Based on the memorandum dated 22 August 2006, the grantor has agreed to waive the interest and penalty charge to the extent of RMB2.8 billion on the condition that Suzhou Sunco has fulfilled the requirements as set out in the memorandum in respect of i) the timetable for the property development plan; ii) the payment schedules of the outstanding land premium; and iii) the completion of the acquisition of Suzhou Sunco by the Group.

Suzhou Sunco's PRC counsel has confirmed that the memorandum for the waiver of the RMB2.8 billion penalty charges.

The Directors considered the conditions precedent to the waiver of the penalty can be fulfilled, the likelihood of the imposition of the interest and penalty charges is remote and, therefore, no accrual has been made accordingly.

### 32. ACQUISITION OF A SUBSIDIARY (Continued)

The net assets acquired in the transaction, and the discount on acquisition arising, are as follows:

	<b>Acquiree's carrying amount before combination</b>	<b>Fair value adjustments</b>	<b>Fair value</b>
	HK\$'000	HK\$'000	HK\$'000
Net assets acquired:			
Property, plant and equipment	2,172	—	2,172
Properties under development for sale (note 1)	1,155,790	137,033	1,292,823
Completed properties held for sale (note 1)	281,974	—	281,974
Debtors, deposits and prepayments	256,932	—	256,932
Advances for land leases	165,307	—	165,307
Deferred taxation (note 2)	65,347	(55,771)	9,576
Pledged deposits	23,167	—	23,167
Bank balances and cash	39,838	—	39,838
Creditors and accrued charges	(1,274,414)	—	(1,274,414)
Deposits from pre-sale of properties	(267,628)	—	(267,628)
			529,747
Discount on acquisition			(163,410)
Total consideration satisfied by cash			366,337
Net cash outflow arising on acquisition:			
Cash consideration paid			(366,337)
Bank balances and cash acquired			39,838
			(326,499)

Note 1: Included in properties under development for sale and completed properties held for sale are properties pre-sold but not yet delivered to customers, which are stated at net realisable value of approximately HK\$134 million and HK\$107 million respectively. The Directors considered that there is no net realisable value problem on the remaining portion of completed properties held for sale.

Note 2: Analysis of the net deferred tax assets are as follows:

	HK\$'000
Deferred tax assets in respect of tax losses recognised	65,347
Deferred tax liabilities in respect of the temporary differences arising on fair value adjustment on properties under development	(55,771)
	9,576

The profit contribution of Suzhou Sunco to the Group for the period between the date of acquisition and the balance sheet date was insignificant.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

## 33. DISPOSAL OF SUBSIDIARIES / DISCONTINUED OPERATION

In September 2006, the Company distributed its entire interest in CNT by way of a special interim dividend. At the date of disposal, the Company held 84.2% of the issued share capital of CNT, which was engaged in farming and trading of North American ginseng products. Such operation was discontinued upon the disposal of CNT. The carrying amounts of net assets of CNT at the date of disposal were as follows:

	HK\$'000
Net assets disposed of	
Property, plant and equipment	41,624
Deferred tax assets	4,078
Inventories and ginseng crops	181,503
Debtors, deposits and prepayments	450
Bank balances and cash	1,885
Bank borrowings	(33,720)
Amounts due to related companies	(47,278)
Creditors and accrued charges	(3,616)
	<hr/>
	144,926
Minority interests	(22,969)
Exchange gain realised	(40,885)
	<hr/>
Set-off against the retained profits of the Company	81,072
	<hr/> <hr/>
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	(1,885)
	<hr/> <hr/>

During the year, the disposed subsidiaries contributed to the Group's operating cash inflow of HK\$16,646,000, investing cash inflow of HK\$7,078,000 and financing cash outflow of HK\$24,025,000.

### 34. DISPOSAL OF INTERESTS IN AN INFRASTRUCTURE JOINT VENTURE

On 7 April 2006, Road Well Investment Ltd (“Road Well”), a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with the PRC joint venture partner to dispose of 35% interest in an infrastructure joint venture to the PRC joint venture partner at a consideration of HK\$69,445,000. Accordingly, the Group’s interest in an infrastructure joint venture was reduced from 60% to 25%. On 12 April 2006, the Group entered into a sale and purchase agreement with an independent third party to dispose of its remaining 25% interest in Road Well at a consideration of HK\$49,603,000. The gain on disposal of the infrastructure joint venture was recognised in profit and loss.

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

	HK\$'000
Cost of investment	126,780
Share of post-acquisition undistributed profits	54,197
Reduction of cost of investment	(77,917)
Net borrowing cost capitalised	5,682
	<hr/>
Net assets disposed of	108,742
Expenses in connection with the disposal	5,166
Gain on disposal	5,140
	<hr/>
Total consideration	119,048
	<hr/> <hr/>
Satisfied by:	
Cash consideration	52,381
Deferred consideration due within one year	35,183
Deferred consideration due after one year	31,484
	<hr/>
	119,048
	<hr/> <hr/>
Cash inflow arising on disposal:	
Cash consideration	52,381
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During the year, the disposed infrastructure joint venture did not have significant contributions to the Group’s revenue, profit before taxation and operating, investing and financing cash flows.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

## 34. DISPOSAL OF INTERESTS IN AN INFRASTRUCTURE JOINT VENTURE (Continued)

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

	2005 HK\$'000
Interests in an infrastructure joint venture:	
Cost of investment	139,930
Share of post-acquisition undistributed profits	8,957
Reduction of cost of investment	(47,140)
Net borrowing cost capitalised	920
	<hr/>
Net assets disposed of	102,667
Gain on disposal	252
	<hr/>
Total consideration	102,919
	<hr/> <hr/>
Satisfied by:	
Cash	74,490
Consideration receivable	31,429
Accrued expenses incurred in respect of the disposal	(3,000)
	<hr/>
Net proceeds on disposal of interest in an infrastructure joint venture	102,919
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In 2005, the disposed infrastructure joint venture contributed investing cash flow of HK\$74,490,000 to the Group. The disposed infrastructure joint venture did not make any contribution to the Group's net operating and financing cash flow, turnover and profit attributable to shareholders during 2005.

## 35. RETIREMENT BENEFIT PLANS

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

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

### 36. OPERATING LEASE COMMITMENTS

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

	<b>2006</b> <b>HK\$'000</b>	2005 HK\$'000
Within one year	<b>4,484</b>	9,038
In the second to fifth year inclusive	<b>1,900</b>	11,822
	<b>6,384</b>	20,860

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

### 37. CAPITAL COMMITMENTS

At the balance sheet date, the Group had material capital commitments in respect of investment costs to be injected into infrastructure joint ventures after the fifth year amounted to HK\$36,241,000 (2005: HK\$34,860,000).

### 38. CONTINGENT LIABILITIES

At 31 December 2006, the Group provided guarantees of HK\$401,500,000 (2005: HK\$7,029,000) to banks in favour of its customers in respect of the mortgage loans provided by the banks to such customers for purchase of the Group's developed properties. These guarantees provided by the Group to the banks would be released upon receiving the building ownership certificate of the respective property by the banks from the customers as a pledge for security to the mortgage loan granted. The Directors considered that the fair value of such guarantee on initial recognition was insignificant.

### 39. RELATED PARTY TRANSACTIONS

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

<b>Related parties</b>	<b>Nature</b>	<b>2006</b> <b>HK\$'000</b>	2005 HK\$'000
Infrastructure joint ventures	Dividend received	<b>222,131</b>	230,596
Infrastructure joint ventures	Other income	<b>161</b>	3,586
Property construction joint venture	Construction cost paid	<b>33,339</b>	—
PRC joint venture partners	Minimum income undertakings received and receivable	<b>8,571</b>	40,964
Related companies	Interest income	<b>900</b>	—

The related companies are subsidiaries of Wai Kee Holdings Limited which has significant beneficial interest in the Company.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

## 39. RELATED PARTY TRANSACTIONS (Continued)

### Compensation of key management personnel

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

	2006 HK\$'000	2005 HK\$'000
Short-term employee benefits	33,730	28,946
Post-employment benefits	1,503	1,322
Termination benefits	—	4,230
Share-based payments	22,328	2,841
	<u>57,561</u>	<u>37,339</u>

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

## 40. POST BALANCE SHEET EVENTS

- (a) In February 2007, the Company has entered into a placing agreement and agreed to place 45,000,000 new shares to not less than six independent investors at a price of HK\$12.20 per share.
- (b) In January 2007, the Company completed the subscription of 49% of the enlarged issued share capital of Sunco A. In the meantime, the Company entered into several agreements with Sunco China, Sunco Management and Mr. Sun to have further option to subscribe and purchase the share capital of Sunco A. The agreements were subject to the Company's due diligence and shareholders' approval. The details of the transaction were set out in the announcement dated 25 January 2007. The Directors consider that it is impractical to disclose the fair values of the net assets acquired and the goodwill at the date of completion of the transaction in view of the short period of time since the date of completion of the transaction.

## 41. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2006 are as follows:

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary shares held by the Company		Principal activities
				Directly	Indirectly	
				%	%	
Changzhou Great Gallop Properties Development Limited*	PRC	PRC	US\$30,145,300	—	100	Development and sale of properties
Guangzhou Junyue Real Estate Limited*	PRC	PRC	HK\$48,009,000	—	100	Development and sale of properties
Pida Investments Limited	British Virgin Islands	#	US\$1	—	100	Investment holding
Road King (China) Infrastructure Limited	British Virgin Islands	PRC	HK\$1,300,000,000	100	—	Investment holding
Road King Infrastructure Finance Limited	British Virgin Islands	#	US\$1	100	—	Provision of financial services to group companies
Road King Infrastructure Finance (2004) Limited	British Virgin Islands	#	US\$1	100	—	Provision of financial services to group companies
Road King Infrastructure Management Limited	Hong Kong	Hong Kong	HK\$2	—	100	Provision of management services to group companies
Suzhou Sunco Property Limited*	PRC	PRC	RMB680,000,000	—	100	Development and sale of properties

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

\* The subsidiary is a wholly foreign owned enterprise.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

## 42. TOTAL ASSETS LESS CURRENT LIABILITIES / NET CURRENT ASSETS

The Group's total assets less current liabilities at 31 December 2006 amounted to approximately HK\$8,342,482,000 (2005: HK\$6,828,409,000). The Group's net current assets at 31 December 2006 amounted to approximately HK\$3,150,182,000 (2005: HK\$1,543,011,000).

## 43. SUMMARISED BALANCE SHEET OF THE COMPANY

	2006 HK\$'000	2005 HK\$'000
Investments in subsidiaries	<b>1,388,042</b>	1,388,042
Amounts due from subsidiaries	<b>2,845,453</b>	2,018,548
Other current assets	<b>372,425</b>	151,469
Other current liabilities	<b>(245,887)</b>	(4,735)
	<b>4,360,033</b>	3,553,324
Share capital	<b>69,008</b>	59,090
Reserves	<b>4,291,025</b>	3,494,234
	<b>4,360,033</b>	3,553,324