NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2005

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the"Stock Exchange"). Its ultimate holding company is Shanghai Industrial Investment (Holdings) Company Limited, also incorporated in Hong Kong. The addresses of the registered office and principal place of business of the Company are disclosed in the section of"Corporate Information"to the annual report.

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

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 55.

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

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

(i) Share-based payments

HKFRS 2"Share-based Payment"requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"). As the Company, a non-wholly owned subsidiary and a jointly controlled entity adopted share option schemes, the principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Group and a jointly controlled entity determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group and the jointly controlled entity did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1st January 2005. In accordance with the relevant transitional provisions, the Group has not applied HKFRS 2 to share options granted on or before 7th November 2002 and share options that were granted after 7th November 2002 (but prior to 1st January 2005) and had vested before 1st January 2005. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7th November 2002 and which were not yet vested on 1st January 2005. The effect of adoption of this new standard is set out in note 3.

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

(ii) Business combinations

HKFRS 3 "Business Combinations" and HKAS 36 "Impairment of Assets" are effective for business combinations for which the agreement date is on or after 1st January 2005. The principal effects of the application of HKFRS 3 and HKAS 36 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisitions prior to 1st January 2001 was held in reserves, and goodwill arising on acquisitions after 1st January 2001 was capitalised and amortised over its estimated useful life.

The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognised in reserves of approximately HK$889.6 million has been transferred to the Group's accumulated profits on 1st January 2005. With respect to goodwill previously capitalised on the balance sheet, the Group, on 1st January 2005, eliminated the carrying amount of the related accumulated amortisation of approximately HK$19.1 million, with a corresponding decrease in the cost of goodwill. The Group has discontinued amortising such goodwill from 1st January 2005 onwards and such goodwill will be tested for impairment at least annually or in the financial year in which the acquisition takes place. Goodwill arising on acquisitions after 1st January 2005 is measured at cost less accumulated impairment losses after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2004 are not required to be restated.

HKAS 36 requires goodwill acquired in business combinations to be allocated to the cash generating units ("CGUs") that are expected to benefit from that business combination on a reasonable and consistent basis. With respect to goodwill previously capitalised on the balance sheet, certain amount arose on the acquisition of additional interest in a non-wholly subsidiary in prior years, which principal activity is the holding of investments in various subsidiaries, jointly controlled entities and associates and each of these holdings are considered as an individual CGU. As a result of this change in accounting policy, goodwill with carrying amounts (after elimination of accumulated amortisation) of approximately HK$1.8 million and HK$43.6 million were reclassified to interests in jointly controlled entities and interests in associates on 1st January 2005.

In the current year, the Group has also applied HKAS 21 "The Effects of Changes in Foreign Exchange Rates" which requires goodwill of foreign operations to be treated as monetary assets and liabilities and translated at closing rate at each balance sheet date. Previously, goodwill arising on acquisitions of foreign operations was reported at historical rate at each balance sheet date. In accordance with the relevant transitional provisions in HKAS 21, goodwill arising on acquisitions of foreign operations prior to 1st January 2005 is treated as a non-monetary foreign currency item of the Group. Therefore, no prior period adjustment has been made. In the current year, the Group acquired foreign operations and goodwill arose on the acquisition of those foreign operations has been translated at the closing rate at 31st December 2005. As there was no significant difference between the exchange rates at the acquisition dates and the closing rate at 31st December 2005, such translation has had no material effect on the balance of the translation reserve at 31st December 2005.

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

(ii) Business combinations (continued)

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

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous years, negative goodwill arising on acquisitions prior to 1st January 2001 was held in reserves, and negative goodwill arising on acquisitions after 1st January 2001 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance was resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group derecognised all negative goodwill on 1st January 2005 (of which negative goodwill of approximately HK$52.1 million was previously recorded in reserves and approximately HK$2.2 million was previously presented as a deduction from assets), with a corresponding increase to accumulated profits as at 1st January 2005.

(iii) Financial instruments

HKAS 32 "Financial Instruments: Disclosure and Presentation" requires retrospective application whereas HKAS 39 "Financial Instruments: Recognition and Measurement", which is effective for annual periods beginning on or after 1st January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The adoption of HKAS 32 has had no material effect on the Group's accumulated profits. The principal effects on the Group as a result of implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

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

Financial assets previously within the scope of Statement of Standard Accounting Practice No. 24 "Accounting for Investments in Securities" issued by the HKICPA ("SSAP 24")

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

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

(iii) Financial instruments (continued)

Financial assets previously within the scope of Statement of Standard Accounting Practice No. 24 "Accounting for Investments in Securities" issued by the HKICPA ("SSAP 24") (continued)

On 1st January 2005, the Group classified and measured its investments in debt and equity securities in accordance with the requirements of HKAS 39. Investments in other projects (equity investments) and investments in securities classified under non-current assets with carrying amounts of approximately HK$51.0 million and HK$245.5 million were reclassified to available-for-sale investments. Included in the HK$296.5 million available-for-sale investments was approximately HK$275.3 million unlisted equity investments of which fair value cannot be measured reliably and was therefore stated at cost less impairment loss at subsequent balance sheet dates. The remaining HK$21.2 million available-for-sale investments represented listed equity securities and were stated at fair value. Investments in securities classified under current assets with a carrying amount of approximately HK$1,084.0 million was reclassified to investments held-for-trading on 1st January 2005.

Financial assets and financial liabilities other than debt and equity securities

From 1st January 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". "Financial liabilities at fair value through profit or loss" are measured at fair value, with changes in fair value being recognised in profit or loss directly. "Other financial liabilities" are carried at amortised cost using the effective interest method after initial recognition. The adoption of HKAS 39 has had no material effect on the Group's accumulated profits.

Derivatives and hedging

On or before 31st December 2004, derivatives of the Group and the Company were not recorded on the balance sheet. Interest rate swaps entered into for hedging purpose were accounted for on the same basis as the borrowings that they were hedging. Any profit and loss is recognised in the income statement on the same basis as that arising from the related borrowings.

From 1st January 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the non-derivative host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated

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

(iii) Financial instruments (continued)

Derivatives and hedging (continued)

as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair value of such derivatives are recognised in profit or loss for the period in which they arise.

There are three types of hedge relationships under HKAS 39, namely fair value hedges, cash flow hedges and net investment hedges. For cash flow hedges, changes in the fair value of the effective portion of hedging instruments are recognised initially in equity and recycled into the income statement when the hedged items affect profit or loss. Changes in the fair value of the ineffective portion of hedging instruments are recognised directly in profit or loss.

The Group and the Company have applied the relevant transitional provisions in HKAS 39. For hedges that meet the requirements of hedge accounting set out in HKAS 39, the Group and the Company have, from 1st January 2005 onwards, applied hedge accounting in accordance with HKAS 39 to account for such hedges, the financial impact of which is set out in note 3.

In prior years, the Group and the Company entered into a structured interest rate hedging agreement with a financial institution. The Group and the Company designated the interest rate hedging agreement as a hedging instrument to hedge against the exposure as to changes in cash flow of interest payments of the HK$800 million long-term portion syndication loan of the Group and the Company, which bears interest at floating rates.

(iv) Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and is stated at cost or valuation less depreciation and amortisation at the balance sheet date and any accumulated impairment losses. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments, which are carried at cost and amortised over the lease term on a straight-line basis. Where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment. This change in accounting policy has been applied retrospectively and the financial impact on the Group is set out in note 3.

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

(v) Investment properties

In previous years, the Group's investment properties were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged.

In the current year, the Group has, for the first time, applied HKAS 40"Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the year in which they arise. The Group has also applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st January 2005 onwards. The amount held in investment property revaluation reserve at 1st January 2005 has been transferred to the Group's accumulated profits as at that date and the financial impact on the Group is set out in note 3.

Deferred taxes related to investment properties

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current year, the Group has applied HK(SIC) Interpretation 21"Income Taxes – Recovery of Revalued Non-Depreciable Assets" which removes the presumption that the carrying amount of investment properties is to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC) Interpretation 21, this change in accounting policy has been applied retrospectively. The adoption of HK(SIC) Interpretation 21 has had no material effect on the Group's accumulated profits.

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

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

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rate[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts[2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an Arrangement Contains a Lease[2]
HK(IFRIC) – INT 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[2]
HK(IFRIC) – INT 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment[3]
HK(IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

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

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described in note 2 above are as follows:

(i) On results

	2005 HK$'000	2004 HK$'000
Goodwill arising on acquisition of subsidiaries no longer amortised	22,149	–
Goodwill arising on acquisition of interests in jointly controlled entities no longer amortised	1,959	–
Goodwill arising on acquisition of interests in associates no longer amortised	5,407	–
Recognition of share options granted to directors and employees and consultants of the Group as expenses	(6,138)	(2,800)
Recognition of share options granted by a jointly controlled entity to its directors and employees as expenses	(667)	(3,020)
Recognition of discount on acquisition of additional interests in subsidiaries as income	2,324	–
Gains arising from changes in fair value of investment properties	7,133	–
Increase in deferred taxes relating to investment properties	(2,126)	–
Increase (decrease) in profit for the year	30,041	(5,820)

(ii) On income statement line items

	2005 HK$'000	2004 HK$'000
Increase in other income	7,133	–
Decrease (increase) in administrative expenses	16,011	(2,800)
Decrease in share of results of jointly controlled entities	(6,676)	(18,250)
Decrease in share of results of associates	(40,542)	(30,597)
Decrease in income tax expenses	51,791	45,827
Increase in discount on acquisition of additional interests in subsidiaries	2,324	–
Increase (decrease) in profit for the year	30,041	(5,820)
Attributable to:		
– Equity holders of the Company	25,119	(5,400)
– Minority interests	4,922	(420)
	30,041	(5,820)

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (continued)

(iii) On balance sheet items

	As at 31.12.2004 (originally stated) HK$'000	Adjustments HK$'000	As at 31.12.2004 (As restated) HK$'000	Adjustments HK$'000	As at 1.1.2005 (As restated) HK$'000
Impacts of HKFRS 2 & HKFRS 3					
Interests in jointly controlled entities	2,142,809	(3,020)	2,139,789	1,759	2,141,548
Impact of HKFRS 3					
Interests in associates	4,367,157	–	4,367,157	43,560	4,410,717
Impact of HKFRS 3					
Goodwill	346,204	–	346,204	(45,319)	300,885
Negative goodwill	(2,203)	–	(2,203)	2,203	–
Impact of HKAS 17					
Property, plant and equipment	2,080,378	(187,944)	1,892,434	–	1,892,434
Prepaid lease payments	–	187,944	187,944	–	187,944
Impact of HKAS 39					
Available-for-sale investments	–	–	–	296,544	296,544
Investments in other projects	51,032	–	51,032	(51,032)	–
Investments in securities (non-current assets)	245,512	–	245,512	(245,512)	–
Investments held-for-trading	–	–	–	1,084,036	1,084,036
Investments in securities (current assets)	1,084,036	–	1,084,036	(1,084,036)	–
Derivative financial instruments	–	–	–	(3,328)	(3,328)
Net effects on assets and liabilities	10,314,925	(3,020)	10,311,905	(1,125)	10,310,780
Accumulated profits	5,904,157	(5,400)	5,898,757	(834,788)	5,063,969
Share options reserve	–	2,800	2,800	–	2,800
Investment property revaluation reserve	514	–	514	(514)	–
Hedging reserve	–	–	–	(3,328)	(3,328)
Goodwill reserve	(837,505)	–	(837,505)	837,505	–
Net effects on equity attributable to equity holders of the Company	5,067,166	(2,600)	5,064,566	(1,125)	5,063,441
Minority interests	–	1,476,366	1,476,366	–	1,476,366
Net effects on total equity	5,067,166	1,473,766	6,540,932	(1,125)	6,539,807
Minority interests	1,476,786	(1,476,786)	–	–	–

The application of the new HKFRSs has had no effect to the Group's equity at 1st January 2004, except that minority interests amounting to HK$380,934,000 has been presented within equity.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

Before qualifying as a business combination, a transaction may qualify as an investment in an associate or a jointly controlled entity and be accounted for using the equity method. If so, the fair values of the invested's identifiable net assets at the date of each earlier exchange transaction will have been determined previously in applying the equity method to the investment.

To the extent that the fair value of the investee's net assets at the date of achieving significant influence/joint control differs from the fair value at the date of achieving control, a revaluation will be required to ensure that the net assets are recorded at their fair value at the date of acquisition.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on acquisitions prior to 1st January 2005

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

For previously capitalised goodwill arising on acquisitions after 1st January 2001, the Group has discontinued amortisation from 1st January 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired.

Goodwill arising on acquisitions on or after 1st January 2005

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

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

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

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

Additional interests in subsidiaries are measured at the aggregate of the carrying amounts of identified assets and liabilities of the subsidiaries and any excess of the consideration over the net assets acquired are accounted for as goodwill.

For goodwill arising on acquisition of an associate or a jointly controlled entity, the goodwill included in the carrying amount of interests in an associate or a jointly controlled entity is not separately tested for impairment. Instead, the entire carrying amount of the interests in an associate or a jointly controlled entity is tested for impairment by comparing the Group's share of the present value of the estimated future cash flows expected to be generated by the associate or jointly controlled entity with its carrying amount. Any impairment loss identified is recognised and is allocated first to goodwill.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

A discount on acquisition arising on an acquisition of a subsidiary, an associate or a jointly controlled entity for which an agreement date is on or after 1st January 2005 represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in profit or loss. A discount on acquisition arising on an acquisition of an associate or a jointly controlled entity (which is accounted for using the equity method) is included as income in the determination of the investor's share of results of the associate or jointly controlled entity in the period in which the investment is acquired.

As explained in note 2 above, all negative goodwill as at 1st January 2005 has been derecognised with a corresponding adjustment to the Group's accumulated profits.

Interest in subsidiaries

Interest in subsidiaries is included in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Interest in jointly controlled entities

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.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity, 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest in jointly controlled entities (continued)

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.

The Company's interest in jointly controlled entities are stated at cost, as reduced by any identified impairment loss. The results of jointly controlled entities are accounted for by the Company on the basis of dividend received and receivable.

Interest in associates

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

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

Toll fee income from the operation of toll road, net of business tax payable in the PRC, is recognised at the time of usage and when the toll fee is received.

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

Income from those investments available-for-sale where the Group is contracted to receive a pre-determined minimum sum over the period of the investment is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment in these investments.

Rental income, including rental invoiced in advance from letting of properties and plant and machinery under operating leases, is recognised on a straight line basis over the period of the respective leases.

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

Investment properties

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

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

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less subsequent accumulated depreciation and accumulated impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Property, plant and equipment in the course of construction are carried at cost, less any identified impairment losses. Depreciation of these assets commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Depreciation is provided to write off the cost or valuation of items of property, plant and equipment, other than construction in progress, 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.

Prepaid lease payments

Prepaid lease payments, which represents up-front payments to acquire leasehold land interest, are stated at cost and amortised over the period of the lease on a straight line basis.

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 other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the income statement on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight line basis over the lease term.

The Group as lessee

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.

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 exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements.

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 Group (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.

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

As mentioned in note 2 above, goodwill and fair value adjustments arising on acquisitions of foreign operations prior to 1st January 2005 are treated as non-monetary foreign currency items of the acquirer and reported using the historical exchange rate prevailing at the date of the acquisition.

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.

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

Government grants

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefits costs

Payments to defined contribution retirement benefits schemes are charged as expenses as they fall due. Payments made to state-managed retirement benefits schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefits scheme.

Taxation

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

On initial recognition, intangible assets acquired separately and from business combinations are recognised at cost and at fair value respectively. After initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Toll road operating right

Toll road operating right is stated at cost less amortisation and any accumulated impairment losses. Amortisation is provided to write off the cost of toll road operating right on a units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular period to the projected total traffic volume over the periods for which the Group is granted the rights to operate the toll road.

Patents

Patents with definite useful lives are measured initially at cost and are amortised on a straight line basis over their estimated useful lives.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. 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 market place. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held-for-trading. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

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 trade and other receivables, loan receivables and bank deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

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

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements 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 accounting policies adopted in respect of the Group's other financial liabilities and equity instruments are set out below.

Other financial liabilities

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

Equity instruments

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

Derivative financial instruments and hedging

The Group uses derivative financial instruments (primarily interest rate swaps) to hedge its exposure against interest rate risks. Such derivatives are measured at fair value regardless of whether they are designated as effective hedging instruments.

Cash flow hedges

For cash flow hedges that qualify for hedge accounting, the effective portion of the gains or losses arising on the changes in fair value of hedging instruments is initially recognised in equity and recycled into the income statement when the hedged item affects profit or loss. The ineffective portion is recognised immediately in profit or loss.

Derecognition

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in the share options reserve in equity.

At the time when the share options are exercised, the amount previously recognised in share options 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 options reserve will be transferred to accumulated profits.

Impairment losses (other than goodwill)

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

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Amortisation of toll road operating right

Toll road operating right is amortised on a units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular period to the projected total traffic volume over the operating period of the toll road. If the actual traffic volume differs from the original projection, such difference will impact the amortisation for the remaining period to be amortised.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include equity and debt investments, borrowings, trade receivables, trade payables, loan receivables and bank balances and cash. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group mainly operates in the PRC and Hong Kong and the exposure in exchange rate risks mainly arises from fluctuations in the US dollar, HK dollar and Renminbi exchange rates. Exchange rate fluctuations and market trends have always been the concern of the Group. As HK dollar and Renminbi are both under managed floating system, after reviewing the Group's exposure for the time being, the Group did not enter into any derivative contracts aimed at minimising exchange rate risks during the year.

On 21st July 2005, the People's Bank of China adjusted the exchange of Renminbi to US dollars from 8.2765 to 8.1100. In view of the magnitude of this adjustment, the appreciation of Renminbi has resulted in an increase of HK$137.0 million in the balance of the translation reserve of the Group at 31st December 2005.

(ii) Cash flow interest rate risk

The major financing loan of the Group is a HK$1,600 million syndication loan. To exercise prudent management against interest rate risks, the Group has entered into an interest rate hedging arrangement against the long-term portion of the syndication loan of HK$800 million prevailing as at the balance sheet date. The Group will continue to review the market trend, as well as its business operation needs and its financial position in order to identify the most effective tools for interest rate risk management.

(iii) Price risk

The Group is exposed to equity price risk through available-for-sale investments and investments held-for-trading. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group's principal financial assets are bank balances and cash, equity and debt instruments, and trade and loan receivables.

The Group's credit risk is primarily attributable to its trade receivables and loan receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

With respect to the credit risk of the Group's treasury operations, the management has established internal procedures to monitor the Group's bank balances and cash, securities and bond investments to be placed and entered into with financial institutions of good reputation. These internal procedures also impose limitation on the amount outstanding and to manage the credit ratings on equity and debt investments to be held, so as to minimise the Group's credit risk exposure.

7. TURNOVER

Turnover represents the aggregate of the net amounts received and receivable from third parties and is summarised as follows:

	2005 **HK$'000**	2004 HK$'000
Sales of goods	**5,843,707**	3,239,731
Income from infrastructure facilities	**181,578**	189,208
	6,025,285	3,428,939

8. INVESTMENT INCOME

	2005 HK$'000	2004 HK$'000
Interest on bank deposits	**135,620**	71,947
Gain on disposal of investments held-for-trading/ other investments	**170,925**	16,593
Dividend income from unlisted equity investments	**31,371**	23,408
Net increase in fair value of investments held-for-trading/ net unrealised holding gain on investments in securities	**19,260**	85,928
Interest on debt securities/investments in securities	**15,678**	21,475
Other interest income	**4,817**	1,794
Dividend income from listed equity investments	**5,231**	5,529
Rental income from property, plant and equipment	**3,343**	2,838
Income from investments in other projects	**3,215**	4,058
	389,460	233,570

9. FINANCE COSTS

	2005 HK$'000	2004 HK$'000
Interest on:		
Bank and other borrowings wholly repayable		
– within five years	**81,916**	19,414
– over five years	**108**	72
Total borrowing costs	**82,024**	19,486
Less: amounts capitalised in construction in progress	**–**	(169)
	82,024	19,317

10. NET GAIN ON DISPOSAL OF INTERESTS IN SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

	2005	2004
	HK$'000	HK$'000
Gain on disposal of interest in associates	**126,541**	–
Gain on disposal of interest in jointly controlled entities	**43,259**	30
Gain on deemed disposal of interest in an associate	**12,506**	631,998
Gain on partial disposal of interest in a subsidiary	**3,861**	–
(Loss) gain on disposal of interest in subsidiaries	**(5,506)**	3,603
Gain on deemed disposal of interest in a subsidiary	**–**	52,737
Gain on deemed disposal of interest in a jointly controlled entity	**–**	10,155
	180,661	698,523

11. INCOME TAX EXPENSES

	2005	2004
	HK$'000	HK$'000
		(As restated)
Current tax		
– Hong Kong	**75,952**	66,633
– Other regions in the PRC	**111,313**	66,437
	187,265	133,070
(Over)underprovision in prior years		
– Hong Kong	**(15,759)**	30,704
– Other regions in the PRC	**–**	2,342
	(15,759)	33,046
Deferred tax (note 44)	**22,536**	20,036
	194,042	186,152

11. INCOME TAX EXPENSES (continued)

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profit for the year.

Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiaries are entitled to certain exemption and reliefs from PRC income tax for a number of years. Certain PRC subsidiaries are also entitled to reduced tax rates because they are classified as "high technology entities" under relevant rules. The current year's PRC income tax charges are arrived at after taking into account these various tax incentives, ranging from 7.5% to 33%.

Details of deferred taxation are set out in note 44.

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

	2005 **HK$'000**	2004 HK$'000 (As restated)
Profit before taxation	**1,449,603**	1,685,401
Tax at PRC Statutory Tax rate of 33% (2004: 33%)	**478,369**	556,182
Tax effect of share of results of jointly controlled entities and associates	**(34,772)**	(109,010)
Tax effect of expenses not deductible for tax purpose	**37,372**	147,731
Tax effect of income not taxable for tax purpose	**(105,097)**	(302,791)
(Over)underprovision in respect of prior years	**(15,759)**	33,046
Tax effect of tax losses not recognised	**5,251**	8,691
Utilisation of tax losses previously not recognised	**(19,267)**	–
Effect of tax exemption and tax reliefs granted to PRC subsidiaries	**(74,088)**	(69,451)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(76,322)**	(77,952)
Others	**(1,645)**	(294)
Income tax expense for the year	**194,042**	186,152

12. PROFIT FOR THE YEAR

	2005 HK$'000	2004 HK$'000 (As restated)
Profit for the year has been arrived at after charging (crediting):		
Employee benefits expense for the year, including directors' emoluments:		
Basic salaries and allowances	**421,390**	274,966
Bonuses	**68,014**	65,450
Equity-settled share-based payment expense	**4,965**	2,800
Retirement benefits scheme contributions, net of forfeited contributions of HK$399,000 (2004: HK$2,418,000)	**36,604**	24,212
	530,973	367,428
Amortisation of goodwill (included in administrative expenses)	**–**	15,462
Amortisation of toll road operating right (included in cost of sales)	**41,950**	41,626
Amortisation of other intangible assets (included in administrative expenses)	**6,978**	–
Depreciation and amortisation of property, plant and equipment	**211,538**	119,843
Release of prepaid lease payments to income statement	**5,500**	2,196
Total depreciation and amortisation	**265,966**	179,127
Auditors' remuneration	**7,327**	6,353
Equity-settled share-based payment expense in respect of options granted to consultants	**1,173**	–
Impairment loss on bad and doubtful debts/allowance on doubtful debts and bad debts written off	**24,424**	19,135
Impairment loss recognised in respect of investments in other projects (included in other expenses)	**–**	36,677
Impairment loss recognised in respect of investments in securities (included in other expenses)	**–**	35,855
Impairment loss on available-for-sale investments (included in other expenses)	**9,648**	–
Increase in fair value of investment properties	**(7,133)**	–
Loss on disposal of property, plant and equipment	**8,783**	4,434
Operating lease rentals in respect of equipment and motor vehicles	**189**	–
Operating lease rentals in respect of land and buildings to		
– ultimate holding company	**9,252**	5,174
– fellow subsidiaries	**13,809**	16,857
– others	**23,967**	13,587
Research and development costs	**64,711**	15,468
Share of PRC income tax of jointly controlled entities (included in share of results of jointly controlled entities)	**7,968**	15,230
Share of PRC income tax of associates (included in share of results of associates)	**45,949**	30,597
Release of negative goodwill (included in other income)	**–**	(9)
Net foreign exchange (gains) losses	**(19,909)**	2,182

13. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

The emoluments paid or payable to each of the 13 (2004: 18) directors were as follows:

	Cai Lai Xing HK$'000	Cai Yu Tian HK$'000	Qu Ding HK$'000	Lu Ming Fang HK$'000	Ding Zhong De HK$'000	Qian Shi Zheng HK$'000	Yao Fang HK$'000	Tang Jun HK$'000	Lu Da Yong HK$'000	Lu Shen HK$'000	Lo Ka Shui HK$'000	Woo Chia-Wei HK$'000	Leung Pak To, Francis HK$'000	2005 HK$'000
Directors' fees of independent non-executive directors	–	–	–	–	–	–	–	–	–	–	272	272	272	816
Other emoluments of executive directors:														
Basic salaries and allowances	3,571	–	2,651	2,339	429	200	214	200	1,757	408	–	–	–	11,769
Bonuses	2,913	–	2,851	2,455	–	–	–	–	–	–	–	–	–	8,219
Equity-settled share-based payment expense	313	–	219	188	–	117	–	117	–	–	–	–	–	954
Retirement benefits scheme contributions	345	–	235	203	–	–	–	–	135	–	–	–	–	918
Total directors' emoluments	7,142	–	5,956	5,185	429	317	214	317	1,892	408	272	272	272	22,676

	Cai Lai Xing HK$'000	Qu Ding HK$'000	Lu Ming Fang HK$'000	Ding Zhong De HK$'000	Qian Shi Zheng HK$'000	Yao Fang HK$'000	Tang Jun HK$'000	Lu Da Yong HK$'000	Lu Shen HK$'000	Chen Wei Shu HK$'000	Li Wei Da HK$'000	Lu Yu Ping HK$'000	Zhou Jie HK$'000	Ge Wen Yao HK$'000	Huang Yan Zheng HK$'000	Lo Ka Shui HK$'000	Woo Chia-Wei HK$'000	Leung Pak To, Francis HK$'000	2004 HK$'000
Directors' fees of independent non-executive directors	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	206.3	206.3	206.3	619
Other emoluments of executive directors																			
Basic salaries and allowances	3,571	895	2,417	190	1,313	200	111	2,326	190	84	51	808	84	638	47	–	–	–	12,925
Bonuses	2,683	1,152	2,521	–	1,530	–	–	–	–	–	68	1,056	83	–	–	–	–	–	9,093
Retirement benefits scheme contributions	345	81	210	–	138	–	–	210	–	13	7	89	10	–	–	–	–	–	1,103
Total directors' emoluments	6,599	2,128	5,148	190	2,981	200	111	2,536	190	97	126	1,953	177	638	47	206.3	206.3	206.3	23,740

In the two years ended 31st December 2005, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as a compensation for loss of office. None of the directors has waived any emoluments during the two years.

Bonus were determined with reference to the Group's operating results, individual performances and comparable market statistics.

13. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (continued)

Employees' emoluments

During the year, the five highest paid individuals included 4 directors (2004: 5 directors), details of whose emoluments are set out above. The emoluments of the remaining highest paid individual were as follows:

	2005 HK$'000
Basic salaries and allowances	951
Bonuses	485
Retirement benefits scheme contributions	95
Equity-settled share-based payment expense	94
	1,625

14. DIVIDENDS

	2005 **HK$'000**	2004 HK$'000
Interim dividend of HK20 cents (2004: HK20 cents) per share	**193,458**	191,602
2004 final dividend of HK35 cents (2003: HK32 cents) per share	**336,347**	303,465
	529,805	495,067

A final dividend of HK22 cents (2004: HK35 cents) per share has been proposed by the Board of Directors and is subject to approval by the shareholders in annual general meeting.

15. EARNINGS PER SHARE

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

	2005	2004
	HK$'000	HK$'000
		(As restated)
Earnings:		
Profits for the purposes of basic earnings per share (profit for the year attributable to equity holders of the parent)	**1,027,940**	1,377,660
Effect of dilutive potential ordinary shares		
– adjustment to the share of results of a jointly controlled entity and an associate based on potential dilution of its earnings per share	**(2,240)**	(15,986)
Earnings for the purposes of diluted earnings per share	**1,025,700**	1,361,674

	2005	2004
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**963,971,274**	952,088,546
Effect of dilutive potential ordinary shares		
– share options	**2,925,399**	6,159,364
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**966,896,673**	958,247,910

15. EARNINGS PER SHARE (continued)

Impact of changes in accounting policies:

Changes in the Group's accounting policies during the year are described in detail in note 2 above. To the extent that those changes have had an impact on results reported for 2005 and 2004, they have had an impact on the amounts reported for earnings per share. The following table summarises that impact on both basic and diluted earnings per share:

	Impact on basic earnings per share		Impact on diluted earnings per share	
	2005	2004	**2005**	2004
	HK$	HK$	**HK$**	HK$
Figures before adjustments	**1.04**	1.45	**1.03**	1.43
Adjustments arising from the adoption of HKFRS 2	**0.03**	–	**0.03**	(0.01)
Restated	**1.07**	1.45	**1.06**	1.42

16. INVESTMENT PROPERTIES

	THE GROUP
	HK$'000
FAIR VALUE	
At 1st January 2004	3,690
Acquired on acquisition of subsidiaries	41,982
At 31st December 2004	45,672
Exchange adjustments	807
Disposals	(1,782)
Net increase in fair value recognised in the income statement	7,133
At 31st December 2005	51,830

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. As at 31st December 2005, the carrying amount of such property interests amounted to HK$51,830,000 (2004: HK$45,672,000).

The Group's investment properties are situated in the PRC and are held under medium-term land use rights.

The fair value of the Group's investment properties at 31st December 2005 was arrived at on the basis of a valuation carried out on that date by Messrs Debenham Tie Leung Limited, an independent firm of qualified professional valuers not connected with the Group. Messrs Debenham Tie Leung Limited are members of the Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to comparable sales transactions as available in the relevant market.

The property rental income earned by the Group from its investment properties, all of which are leased out under operating leases, amounted to HK$2,327,000 (2004: HK$349,000) with negligible direct operating expenses.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Construction in progress HK$'000	Total HK$'000
THE GROUP						
COST OR VALUATION						
At 1st January 2004	426,342	258,430	56,012	1,078,431	79,521	1,898,736
Acquired on acquisition of subsidiaries	30,061	28,665	20,074	403,477	29,473	511,750
Additions	4,827	17,448	13,454	207,375	145,313	388,417
Transfers/reclassifications	34,561	9,110	4,780	25,849	(74,300)	–
Disposals	(2,812)	(2,476)	(5,276)	(27,840)	–	(38,404)
Government grants received	–	–	–	(5,321)	–	(5,321)
At 31st December 2004	492,979	311,177	89,044	1,681,971	180,007	2,755,178
Exchange adjustments	4,966	1,799	1,556	18,000	3,496	29,817
Acquired on acquisition of subsidiaries	124,150	4,682	9,560	182,269	76,881	397,542
Additions	32,513	41,432	16,256	103,484	156,427	350,112
Transfers/reclassifications	144,951	5,203	3,505	108,139	(261,798)	–
Transfer to assets classified as held for sale	(12,394)	–	–	–	–	(12,394)
Attributable to disposal of subsidiaries	(16,444)	(219)	(73)	(5,848)	–	(22,584)
Disposals	(725)	(12,457)	(10,928)	(20,760)	–	(44,870)
Government grants received	–	–	–	(2,587)	–	(2,587)
At 31st December 2005	769,996	351,617	108,920	2,064,668	155,013	3,450,214
Comprising:						
At cost	760,296	351,617	108,920	2,064,668	155,013	3,440,514
At valuation – 1996	1,000	–	–	–	–	1,000
At valuation – 2001	8,700	–	–	–	–	8,700
	769,996	351,617	108,920	2,064,668	155,013	3,450,214
DEPRECIATION AND AMORTISATION						
At 1st January 2004	76,085	119,242	36,138	542,379	–	773,844
Provided for the year	16,872	26,066	8,404	68,501	–	119,843
Eliminated on disposals	(1,133)	(1,547)	(4,167)	(24,096)	–	(30,943)
At 31st December 2004	91,824	143,761	40,375	586,784	–	862,744
Exchange adjustments	1,242	850	760	4,793	–	7,645
Provided for the year	23,819	44,270	16,957	126,492	–	211,538
Transfer to assets classified as held for sale	(479)	–	–	–	–	(479)
Attributable to disposal of subsidiaries	(3,318)	(123)	(38)	(842)	–	(4,321)
Eliminated on disposals	(575)	(9,656)	(9,220)	(11,800)	–	(31,251)
At 31st December 2005	112,513	179,102	48,834	705,427	–	1,045,876
NET BOOK VALUE						
At 31st December 2005	657,483	172,515	60,086	1,359,241	155,013	2,404,338
At 31st December 2004	401,155	167,416	48,669	1,095,187	180,007	1,892,434

17. PROPERTY, PLANT AND EQUIPMENT (continued)

Certain owner-occupied leasehold land is included in property, plant and equipment, as in the opinion of the directors, allocations between the land and buildings elements could not be made reliably.

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

Leasehold land and buildings	the shorter of 4% – 5% or over the period of the lease terms
Furniture, fixtures and equipment	20% – $33^{1}/_{3}$% or over the period of the lease in case of fixtures in rented premises
Motor vehicles	20% – 30%
Plant and machinery	$6^{2}/_{3}$% – 20%

At 31st December 2005, leasehold land and buildings included certain assets carried at cost or revaluation of HK$9,361,000 (2004: HK$9,361,000) in aggregate with accumulated depreciation of HK$2,831,000 (2004: HK$2,558,000) in respect of assets rented out under operating leases. Depreciation charged in respect of those assets in the year amounted to HK$273,000 (2004: HK$273,000).

At 31st December 2005, plant and machinery included certain assets carried at cost of HK$20,629,000 (2004: HK$20,629,000) in aggregate with accumulated depreciation of HK$15,751,000 (2004: HK$14,377,000) in respect of assets rented out under operating leases. Depreciation charged in respect of those assets in the year amounted to HK$1,374,000 (2004: HK$1,575,000).

The cost of certain plant and machinery, before deduction of government subsidy of HK$22,059,000 (2004: HK$19,472,000) is HK$74,238,000 (2004: HK$71,651,000).

17. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
THE COMPANY				
COST				
At 1st January 2004	2,803	24,460	6,809	34,072
Additions	–	646	1,353	1,999
At 31st December 2004	2,803	25,106	8,162	36,071
Additions	–	423	2,417	2,840
Disposals	–	(130)	(1,724)	(1,854)
At 31st December 2005	2,803	25,399	8,855	37,057
DEPRECIATION				
At 1st January 2004	261	21,498	6,320	28,079
Provided for the year	112	1,908	510	2,530
At 31st December 2004	373	23,406	6,830	30,609
Provided for the year	112	1,200	856	2,168
Eliminated on disposals	–	(130)	(1,724)	(1,854)
At 31st December 2005	485	24,476	5,962	30,923
NET BOOK VALUE				
At 31st December 2005	2,318	923	2,893	6,134
At 31st December 2004	2,430	1,700	1,332	5,462

	THE GROUP		THE COMPANY	
	2005 HK$'000	2004 HK$'000	**2005 HK$'000**	2004 HK$'000
The net book value of property interests comprises:				
Properties erected on land held under				
– medium-term leases in Macau	**1,131**	1,179	**–**	–
– medium-term leases in Hong Kong	**286,613**	217,647	**–**	–
– medium-term land use rights in the PRC	**369,739**	182,329	**2,318**	2,430
	657,483	401,155	**2,318**	2,430

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2005

17. PROPERTY, PLANT AND EQUIPMENT (continued)

Certain land and buildings of the Group were valued at 31st December 1996 and 31st December 2001 by an independent firm of professional property valuers on an open market value basis before being transferred from investment properties. No further valuation has been carried out on these properties.

Included in construction in progress at 31st December 2004 was net interest capitalised of HK$169,000.

18. PREPAID LEASE PAYMENTS

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
The Group's prepaid lease payments comprises:		
– short-term land use rights in the PRC	**349**	349
– medium-term leases in Hong Kong	**46,273**	47,360
– medium-term land use rights in the PRC	**186,745**	140,235
	233,367	187,944
Analysed for reporting purposes as:		
Current portion	**8,129**	2,162
Non-current portion	**225,238**	185,782
	233,367	187,944

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2005

19. TOLL ROAD OPERATING RIGHT

	THE GROUP HK$'000
COST	
At 1st January 2004 – as originally stated	1,841,082
Change in fair value (note)	(14,805)
At 31st December 2004	1,826,277
Exchange adjustments	35,197
At 31st December 2005	1,861,474
AMORTISATION	
Charge for the year and balance at 31st December 2004	41,626
Exchange adjustments	1,100
Charge for the year	41,950
At 31st December 2005	84,676
NET BOOK VALUE	
At 31st December 2005	1,776,798
At 31st December 2004	1,784,651

Note: The Group's toll road operating right was acquired upon the completion of the acquisition of a subsidiary in December 2003. During the year ended 31st December 2004, as additional evidence was available to assist in the determination of the fair values of the toll road operating right and certain payables on the date of acquisition, the fair values of the related asset and payables had been restated accordingly.

The amount represents the right to receive toll fees from vehicles using the Shanghai section of the Shanghai – Nanjing Expressway and to operate service facilities in designated areas along the Shanghai section for a period of 25 years.

The Group's right to operate the toll road is amortised on a units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular period to the projected total traffic volume over the period for which the Group is granted the rights to operate the toll road which is 25 years.

20. OTHER INTANGIBLE ASSETS

THE GROUP

	Patents	**Premium on prepaid lease payments**	**Total**
	HK$'000	HK$'000	HK$'000
COST			
Arising on acquisition of subsidiaries and balance at 31st December 2004	39,206	–	39,206
Arising on acquisition of subsidiaries (note 45)	–	59,121	59,121
Exchange adjustments	753	–	753
Additions	2,975	–	2,975
At 31st December 2005	42,934	59,121	102,055
AMORTISATION			
Charge for the year and balance at 31st December 2005	4,956	2,022	6,978
NET BOOK VALUE			
At 31st December 2005	37,978	57,099	95,077
At 31st December 2004	39,206	–	39,206

Patents are held to produce pharmaceutical products for a period of 10 years and are amortised on a straight line basis over useful lives of 10 years. No amortisation was charged for the year ended 31st December 2004 as the acquisition was only completed in December 2004.

Premium on prepaid lease payments represents the premium on acquisition of prepaid lease payments which is to be amortised on the same basis as the related prepaid lease payments.

21. GOODWILL

	THE GROUP HK$'000
COST	
At 1st January 2004	266,175
Arising on acquisition of subsidiaries	130,369
Eliminated on disposal/deemed disposal of interest in subsidiaries	(28,035)
At 31st December 2004 and 1st January 2005	368,509
Elimination of accumulated amortisation upon the application of HKFRS 3	(19,144)
Transfer to interests in jointly controlled entities (note 24)	(1,759)
Transfer to interests in associates (note 25)	(43,560)
Exchange adjustments	1,479
Arising on acquisition of subsidiaries	37,274
Arising on acquisition of additional interests in subsidiaries	6,592
Transfer from goodwill of associates (note 25)	57,159
Eliminated on disposal of interest in a subsidiary	(2,003)
At 31st December 2005	404,547
AMORTISATION	
At 1st January 2004	8,281
Charge for the year	15,462
Eliminated on disposal/deemed disposal of interest in subsidiaries	(4,599)
At 31st December 2004 and 1st January 2005	19,144
Elimination of accumulated amortisation upon the application of HKFRS 3	(19,144)
At 31st December 2005	–
IMPAIRMENT	
At 1st January 2004	1,158
Impairment loss recognised for the year	2,003
At 31st December 2004 and 1st January 2005	3,161
Impairment loss recognised for the year	5,402
Eliminated on disposal of interest in a subsidiary	(2,003)
At 31st December 2005	6,560
NET BOOK VALUE	
At 31st December 2005	397,987
At 31st December 2004	346,204

Prior to 31st December 2004, goodwill was amortised over its estimated useful life, ranging from 5 to 20 years.

21. GOODWILL (continued)

Goodwill acquired in business combinations was allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The carrying amount of goodwill was allocated as follows:

	THE GROUP	
	31.12.2005	1.1.2005
	HK$'000	HK$'000
		(Note)
Sale and manufacture of Chinese medicine and health food		
– 正大青春寶藥業有限公司 (Chia Tai Qingchunbao Pharmaceutical Co., Ltd.) ("Chia Tai Qingchunbao")	**121,245**	121,245
– 杭州胡慶餘堂藥業有限公司 (Hangzhou Huqingyutang Pharmaceutical Company Limited) ("HQYT Pharmaceutical")	**94,434**	–
– 遼寧好護士藥業(集團)有限責任公司 (Liaoning Herbapex Pharmaceutical Chinese medicine (Group) Company Limited) ("Liaoning Herbapex")	**28,529**	28,529
– 廈門中藥廠有限公司Xiamen Traditional Chinese Medicine Co., Ltd. ("Xiamen TCM")	**28,566**	22,043
– Other subsidiaries	**21,147**	21,098
Sale and manufacture of biomedicine		
– 上海三維生物技術有限公司 (Shanghai Sunway Biotech Co., Ltd.)	**28,339**	28,339
– 廣東天普生化醫藥股份有限公司 (Guangdong Techpool Biochem Pharma Co. Ltd.)	**75,727**	74,298
Sale and manufacture of medical equipment		
– Shanghai Medical Instruments Co.	**–**	5,333
	397,987	300,885

Note: Amount represented the net book value after the elimination of accumulated amortisation and transfers to interests in jointly controlled entities and associates, upon the application of HKAS 36 on 1st January 2005 as set out in note 2(ii).

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

21. GOODWILL (continued)

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following five years. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows is 6%.

During the year, due to the increased competition in the market, the Group has revised its cash flow forecasts for the CGU of sale and manufacture of medical equipment and an impairment loss of HK$5,333,000 was recognised in profit or loss.

22. NEGATIVE GOODWILL

	THE GROUP HK$'000
GROSS AMOUNT	
Arising on acquisition of a subsidiary and balance at 31st December 2004	2,212
RELEASED TO INCOME	
Released for the year and balance at 31st December 2004	9
At 31st December 2004	2,203
Derecognised upon the application of HKFRS 3	(2,203)
At 1st January 2005	–

As explained in note 2, all negative goodwill arising on acquisitions prior to 1st January 2005 was derecognised as a result of the application of HKFRS 3.

23. INTEREST IN SUBSIDIARIES

	THE COMPANY	
	2005	2004
	HK$'000	HK$'000
Unlisted shares, at cost	**1,023,154**	772,897

Details of the Company's principal subsidiaries at 31st December 2005 are set out in note 55.

24. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP		THE COMPANY	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(As restated)		
Cost of unlisted investments in jointly controlled entities	**3,496,070**	3,234,674	**166,790**	166,790
Share of post-acquisition profits and reserves, net of dividends received	**(1,012,980)**	(1,001,267)	**–**	–
	2,483,090	2,233,407	**166,790**	166,790
Less: Impairment loss recognised	**(92,582)**	(93,618)	**(25,117)**	(25,117)
	2,390,508	2,139,789	**141,673**	141,673

24. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

Included in the cost of investment is goodwill of HK$47,275,000 (2004: HK$18,067,000) arising on acquisition of interests in jointly controlled entities. The movement of goodwill is set out below:

	THE GROUP HK$'000
COST	
At 1st January 2004 and 1st January 2005	92,677
Elimination of accumulated amortisation upon the application of HKFRS 3	(7,241)
Transfer of goodwill on subsidiaries (note 21)	1,759
Exchange adjustments	544
Arising on acquisition of a jointly controlled entity	28,314
At 31st December 2005	116,053
AMORTISATION	
At 1st January 2004	5,532
Charge for the year	1,709
At 31st December 2004 and 1st January 2005	7,241
Elimination of accumulated amortisation upon the application of HKFRS 3	(7,241)
At 31st December 2005	–
IMPAIRMENT	
Impairment loss recognised for the year ended 31st December 2004 and balance at 31st December 2004	67,369
Impairment loss recognised for the year	1,409
At 31st December 2005	68,778
NET BOOK VALUE	
At 31st December 2005	47,275
At 31st December 2004	18,067

24. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

Until 31st December 2004, goodwill was amortised over its estimated useful life, ranging from 10 to 20 years and such amortisation was included in share of the Group's results of jointly controlled entities.

During the year ended 31st December 2005, the directors considered that in light of the recurring operating losses of a jointly controlled entity and the unfavourable market conditions, with reference to the estimated cash flows from the operations of the jointly controlled entity, full impairment loss in respect of the goodwill of this jointly controlled entity of HK$1,409,000 was recognised in profit or loss.

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

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
Total assets	**14,347,783**	10,610,867
Total liabilities	**(7,507,702)**	(5,099,488)
Net assets	**6,840,081**	5,511,379
Group's share of net assets of jointly controlled entities	**2,435,815**	2,215,340
Income	**6,738,886**	7,592,386
Profit for the year	**61,206**	179,354
Group's share of results of jointly controlled entities for the year	**2,839**	76,201

The Group has discontinued recognition of its share of loss of a jointly controlled entity. The amount of unrecognised share of the jointly controlled entity, both for the year and cumulatively, are as follows:

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
Unrecognised share of loss of a jointly controlled entity for the year and accumulated balance	**1,691**	–

Details of the Group's principal jointly controlled entities at 31st December 2005 are set out in note 56.

25. INTERESTS IN ASSOCIATES

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
Cost of investment in associates		
– Listed in Hong Kong	**1,678,314**	1,697,688
– Listed in the PRC	**182,682**	283,465
– Unlisted	**201,018**	294,765
Share of post-acquisition profits and reserves, net of dividends received	**1,834,836**	2,100,658
	3,896,850	4,376,576
Less: Impairment loss recognised	**(28,793)**	(9,419)
	3,868,057	4,367,157
Fair value of listed investments	**3,265,874**	3,103,635

Included in the cost of investments is goodwill of HK$3,320,000 (2004: HK$72,291,000) arising on acquisition of interests in associates. The movement of goodwill is set out below:

	THE GROUP
	HK$'000
COST	
At 1st January 2004	123,812
Eliminated on disposal/deemed disposal of interest in associates	(41,260)
At 31st December 2004 and 1st January 2005	82,552
Elimination of accumulated amortisation upon the application of HKFRS 3	(10,261)
Transfer of goodwill on subsidiaries (note 21)	43,560
Eliminated on deemed disposal of interest in an associate	(74)
Transfer to goodwill of subsidiaries (note 21)	(57,159)
Transfer to assets classified as held for sale (note 37)	(35,924)
At 31st December 2005	22,694
AMORTISATION	
At 1st January 2004	9,032
Charge for the year	6,636
Eliminated on disposal/deemed disposal of interest in associates	(5,407)
At 31st December 2004 and 1st January 2005	10,261
Elimination of accumulated amortisation upon the application of HKFRS 3	(10,261)
At 31st December 2005	–

25. INTERESTS IN ASSOCIATES (continued)

	THE GROUP HK$'000
IMPAIRMENT	
Impairment loss recognised for the year and balance at 31st December 2005	19,374
NET BOOK VALUE	
At 31st December 2005	3,320
At 31st December 2004	72,291

Until 31st December 2004, goodwill was amortised over its estimated useful life, ranging from 5 to 20 years and such amortisation was included in the Group's share of results of associates.

During the year ended 31st December 2005, the directors considered that in light of the recurring operating losses of an associate and the increased market competition, with reference to the estimated cash flows from the operations of the associate, an impairment loss in respect of the goodwill of this associate of HK$19,374,000 was recognised in profit or loss.

A summary of the combined financial information in respect of the Group's associates is set out below:

	THE GROUP	
	2005 HK$'000	2004 HK$'000
Total assets	**43,287,778**	42,031,558
Total liabilities	**(14,693,352)**	(13,256,027)
Net assets	**28,594,426**	28,775,531
Group's share of net assets of associates	**3,893,530**	4,304,285
Income	**18,020,749**	17,520,842
(Loss) profit for the year	**(485,328)**	1,142,003
Group's share of results of associates for the year	**102,532**	254,132

Details of the Group's principal associates at 31st December 2005 are set out in note 57.

26. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments as at 31st December 2005 comprise:

	THE GROUP
	HK$'000
Investments in equity securities listed in Hong Kong	11,521
Investments in equity securities listed in the PRC	17,957
Investments in unlisted equity securities in Hong Kong	5
Investments in unlisted equity securities in the PRC	291,571
	321,054

At 31st December 2005, all available-for-sale investments were stated at fair value, except for those unlisted equity investments of which their fair values cannot be measured reliably. Fair values of investments are determined by reference to bid prices quoted in active markets.

In the current year, the Group disposed of certain unlisted equity securities with carrying amount of HK$36,509,000, which had been carried at cost less impairment prior to the disposal. Neither gain nor loss arose on the disposal.

The above investments in unlisted equity securities are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

During the year, the directors reviewed the carrying amount of the available-for-sale investments in light of the current market condition with reference to the estimated discounted future cash flows from the business operated by the investees. The directors identified an impairment loss of HK$9,648,000 on the investment and the amount has been recognised in profit or loss accordingly (2004: impairment loss on investments in securities of HK$35,855,000).

27. INVESTMENTS IN OTHER PROJECTS

The Group has certain unlisted investments which include principally interests in various companies established in the PRC which are engaged in the provision of printing services, manufacture of paper products, manufacture and sale of packaging materials and operation of a training centre. Pursuant to various addendums to the joint venture agreements with the respective PRC joint venture partners, the Group has forfeited its economic interests in connection with the operation and management of these companies in return for the receipt of contracted annual payments. Accordingly, these joint ventures are not regarded as the Group's subsidiaries, jointly controlled entities or associates.

During the year ended 31st December 2004, the directors reviewed the carrying amount of these investments in other projects in light of the current market conditions with reference to the financial results and business operated by certain investees. The directors identified an impairment loss of HK$36,677,000 on the investments, estimated by reference to the net recoverable amount of the investments and the amount was recognised in the income statement for the year ended 31st December 2004.

THE GROUP

	HK$'000
Investments in the above-mentioned and other projects as at 31st December 2004 are set out below:	
Unlisted investments in the PRC, at cost	113,763
Unlisted investments in Hong Kong, at cost	5
Less: Impairment loss recognised	(62,739)
	51,029
Amounts due from investees, net of allowance	3
Balance at 31st December 2004	51,032

The amounts due from investees were unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of the directors, the amounts will not be repayable within one year from the balance sheet date. Accordingly, such amounts were classified as non-current.

Upon the application of HKAS 39 on 1st January 2005, the above investments were reclassified to available-for-sale investments.

28. INVESTMENTS IN SECURITIES

THE GROUP

Investments in securities as at 31st December 2004 are set out below:

	Investment securities HK$'000	Other investments HK$'000	Total HK$'000
Equity securities:			
Listed			
Hong Kong	21,169	384,321	405,490
United States of America	–	37,907	37,907
Others	–	6,300	6,300
	21,169	428,528	449,697
Unlisted in the PRC	224,295	48	224,343
Unlisted debt securities:			
Hong Kong	–	288,881	288,881
PRC	–	63,117	63,117
United States of America	–	286,089	286,089
Others	–	17,421	17,421
	–	655,508	655,508
Total	245,464	1,084,084	1,329,548
Market value of listed securities	21,169	428,528	449,697
Carrying amount of investments in securities analysed for reporting purposes as:			
Current	–	1,084,036	1,084,036
Non-current	245,464	48	245,512
	245,464	1,084,084	1,329,548

During the year ended 31st December 2004, the directors reviewed the carrying amount of the investments in securities in light of the current market conditions with reference to the financial results and business operated by certain investees. The directors identified an impairment loss of HK$35,855,000 on the investments, estimated by reference to the market values of the investments and the amount was recognised in the income statement for the year ended 31st December 2004.

Upon the application of HKAS 39 on 1st January 2005, investments in these securities were reclassified to appropriate categories under HKAS 39.

29. LOAN RECEIVABLES

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
Fixed-rate loan receivables	**4,444**	2,748
Variable-rate loan receivables	**62,590**	–
	67,034	2,748
Analysed for reporting purposes:		
Non-current portion (receivable after 12 months)	**4,277**	2,748
Current portion (receivable within 12 months)	**62,757**	–
	67,034	2,748

The exposure of the Group's fixed-rate loan receivables to interest rate risks and their contractual maturity dates are as follows:

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
Fixed-rate loan receivables:		
Within one year	**167**	–
In more than three years but not more than four years	**4,277**	2,748
	4,444	2,748

In addition, the Group has a loan receivable of HK$62,590,000 (2004: Nil), which carries interest at HIBOR plus 1%. Interest rate is repriced every six months.

The ranges of effective interest rates (which are equal to contractual interest rates) on the Group's loan receivables are as follows:

	2005	2004
Effective interest rate:		
Fixed-rate loan receivables	**5.5%**	3.5%
Variable-rate loan receivables	**HIBOR+1%**	N/A

29. LOAN RECEIVABLES (continued)

The Group's loan receivables are denominated in the following currencies:

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
Hong Kong dollars	**4,444**	–
United State dollars	**62,590**	2,748
	67,034	2,748

The variable-rate loan receivable of HK$62,590,000 as at 31st December 2005 represents the amount due from General Water of China Co., Ltd. ("General Water"), a jointly controlled entity of the Group, and is secured by General Water's 55% equity interest in 廈門水務中環污水處理有限公司 and 45% equity interest in 廈門水務中環制水有限公司.

The fixed-rate loan receivable of HK$4,444,000 as at 31st December 2005 represents the amount due from a minority shareholder of a subsidiary (the"MI shareholder I"). It is secured by the MI shareholder I's equity interest in the subsidiary and the dividend distribution by the subsidiary.

The fixed-rate loan receivable of HK$2,748,000 as at 31st December 2004 represents the amount due from a minority shareholder of another subsidiary (the"MI Shareholder II"). It was secured by the MI Shareholder II's equity interest in the subsidiary and the dividend distribution by the subsidiary and it was fully settled during the year.

The fair value of the Group's loan receivables as at 31st December 2005 approximates to their carrying amount.

30. DEPOSITS PAID ON ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

THE GROUP

The deposits were paid by the Group in connection with the acquisition of property, plant and equipment for new production facilities.

31. DEPOSIT PAID ON ACQUISITION OF A SUBSIDIARY

THE GROUP

The deposits were paid by the Group in connection with the acquisition of a subsidiary which was engaged in manufacture of pharmaceutical raw materials. The deposit represented the Group's entire committed contribution to the investment and no additional capital commitment on this investment as at 31st December 2005.

32. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative under hedge accounting

	THE GROUP AND THE COMPANY	
	31.12.2005	1.1.2005
	HK$'000	HK$'000
Cash flow hedge – Interest rate swaps:		
Non-current asset (liability)	**6,421**	(3,328)

Cash flow hedge:

The Group uses interest rate swaps to minimise its exposure to changes in cash flow of interest payments of its floating-rate Hong Kong dollars bank borrowings by swapping HK$800 million long-term portion syndicated loan, which due at 10th April 2007, from floating rate of HIBOR plus 0.45% to the predetermined rates. The interest rate swaps and the corresponding syndicated loan have the same duration and the directors of the Company consider that the interest rate swaps are highly effective hedging instruments.

The above derivative was measured at fair value at each balance sheet date. Its fair value was determined based on the valuation carried out by a financial institution with reference to similar instruments at the balance sheet date.

33. INVENTORIES

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
Raw materials	**649,608**	458,346
Work in progress	**112,557**	84,230
Finished goods	**330,465**	202,042
Merchandise held for resale	**123,095**	133,167
	1,215,725	877,785

34. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
Trade receivables	**1,003,161**	769,906
Less: accumulated impairment	**(60,014)**	(75,237)
	943,147	694,669
Other receivables	**596,714**	792,625
Total trade and other receivables	**1,539,861**	1,487,294

The Group generally allows credit period ranging from 30 days to 90 days to its trade customers. An aged analysis of trade receivables net of impairment losses, are as follows:

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
Trade receivables:		
Within 30 days	**496,563**	330,531
Within 31 – 60 days	**174,943**	162,563
Within 61 – 90 days	**78,413**	82,419
Within 91 – 180 days	**106,355**	56,385
Within 181 – 360 days	**57,750**	43,321
Over 360 days	**29,123**	19,450
	943,147	694,669

The fair value of the Group's trade and other receivables at 31st December 2005 approximated to the corresponding carrying amount.

35. INVESTMENTS HELD-FOR-TRADING

	THE GROUP HK$'000
Investments held-for-trading as at 31st December 2005 include:	
Listed equity securities in	
– Hong Kong	147,806
– United States of America	98,356
Unlisted debt securities	823,880
	1,070,042

The fair values of listed equity securities and unlisted debt securities are based on bid prices quoted in respective exchange markets and bid prices quoted in respective over-the-counter markets.

36. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

THE GROUP

Pledged bank deposits represents deposits pledged to banks to secure general banking facilities granted to the Group, an associate and a jointly controlled entity. Deposits amounting to HK$28,000,000 (2004: HK$43,121,000) have been pledged to secure general banking facilities and are therefore classified as current assets.

The pledged bank deposits and bank deposits carry fixed interest rates of 4.07% per annum and 0.98% per annum respectively. The fair value of bank deposits as at 31st December 2005 approximated to the corresponding carrying amount.

37. ASSETS CLASSIFIED AS HELD FOR SALE

Assets classified as held for sale as at 31st December 2005 comprise:

(a) In October 2005, the Group entered into a conditional share repurchase agreement with Shanghai Jahwa United Co. Ltd. ("Shanghai Jahwa"), a 28.15% held associate of the Group, pursuant to which Shanghai Jahwa shall repurchase from the Group its entire interest in Shanghai Jahwa at a consideration of RMB336,680,000 (equivalent to approximately HK$323,731,000). The share repurchase is to be completed on or before 31st December 2006, subject to appropriate government approvals. Accordingly, the Group's interest in Shanghai Jahwa of HK$348,642,000 (including goodwill of HK$35,924,000) has been reclassified as assets held for sale and is presented separately in the balance sheet. Since the net realisable value on the share repurchase will fall below the carrying amount of reclassified asset, an impairment loss of HK$31,247,000 was recognised during the year.

37. ASSETS CLASSIFIED AS HELD FOR SALE (continued)

(b) During the year, the Group resolved to dispose of two pieces of land and buildings with aggregate carrying amounts of HK$27,790,000 (2004: nil) to an outsider within twelve months subsequent to the balance sheet date. Accordingly, the amounts have been classified as assets held for sale and are presented separately in the balance sheet. The proceeds of disposal will exceed their net carrying amounts and, accordingly, no impairment loss has been recognised.

The major classes of assets classified as held for sale are as follows:

	2005 HK$'000
Property, plant and equipment	11,915
Prepaid lease payments	15,875
	27,790

38. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$578,475,000 (2004: HK$505,911,000) and their aged analysis is as follows:

	THE GROUP	
	2005 **HK$'000**	2004 HK$'000
Trade payables:		
Within 30 days	**356,876**	318,942
Within 31 – 60 days	**91,492**	85,854
Within 61 – 90 days	**42,345**	35,779
Within 91 – 180 days	**37,727**	29,036
Within 181 – 360 days	**25,738**	25,093
Over 360 days	**24,297**	11,207
	578,475	505,911

The fair value of the Group's trade and other payables at 31st December 2005 approximated to the corresponding carrying amount.

39. BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans	**2,171,265**	2,038,333	**1,600,000**	1,600,000
Other loans	**122,484**	61,702	**–**	–
	2,293,749	2,100,035	**1,600,000**	1,600,000
Analysed as:				
Secured	**393,267**	151,145	**–**	–
Unsecured	**1,900,482**	1,948,890	**1,600,000**	1,600,000
	2,293,749	2,100,035	**1,600,000**	1,600,000
Carrying amount repayable:				
On demand or within one year	**1,320,175**	1,240,645	**800,000**	800,000
More than one year but not more than two years	**865,495**	15,941	**800,000**	–
More than two years but not more than five years	**100,812**	833,860	**–**	800,000
Over five years	**7,267**	9,589	**–**	–
	2,293,749	2,100,035	**1,600,000**	1,600,000
Less: Amounts due within one year shown under current liabilities	**(1,320,175)**	(1,240,645)	**(800,000)**	(800,000)
	973,574	859,390	**800,000**	800,000

The exposure of the Group's fixed-rate borrowings and the contractual maturity dates (or repricing dates) are as follows:

	2005	2004
	HK$'000	HK$'000
Fixed-rate borrowings:		
Within one year	**420,974**	355,954
In more than one year but not more than two years	**65,495**	10,341
In more than two years but not more than three years	**62,021**	11,936
In more than three years but not more than four years	**38,626**	162
In more than four years but not more than five years	**165**	162
In more than five years	**7,267**	9,589
	594,548	388,144

39. BANK AND OTHER BORROWINGS (continued)

In addition, the Group has variable-rate borrowings which carry interest at the range of HIBOR plus 0.45% to HIBOR plus 2.5%. Interest is repriced every three months.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2005	2004
Effective interest rate:		
Fixed-rate borrowings	**2.4% to 9%**	2.4% to 9%
Variable-rate borrowings	**0.97% to 4.65%**	0.66% to 1.28%

During the year, the Group obtained new loans in the amount of HK$524,617,000. The loans bear interest at market rates and will be repayable in 2006. The proceeds were used to finance the acquisition of property, plant and equipment.

The fair value of the above Group's borrowings approximated to the corresponding carrying amounts.

As at the balance sheet date, the Group has approximately HK$43,990,000 (2004: nil) undrawn fixed rate borrowing facilities which is expiring within one year.

40. SHARE CAPITAL

	Number of ordinary shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.10 each		
– at 1st January 2004, 31st December 2004 and 31st December 2005	2,000,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each		
– balance at 1st January 2004	945,748,000	94,575
– exercise of share options	12,890,000	1,289
– balance at 31st December 2004	958,638,000	95,864
– exercise of share options	8,895,000	889
– balance at 31st December 2005	967,533,000	96,753

41. SHARE-BASED PAYMENT TRANSACTIONS

Details of the equity-settled share option schemes adopted by members of the Group are as follows:

(a) SIHL Scheme

The Company has, in accordance with Chapter 17 of the Listing Rules, adopted a new share option scheme (the"SIHL Scheme"), as approved by the shareholders of the Company at the extraordinary general meeting held on 31st May 2002.

According to the SIHL Scheme, the Board of Directors of the Company may grant options to any director and employee of each member of the Group (including a company in which (i) the Company is directly or indirectly interested in less than 20% of the issued share capital or equity interest or voting rights of such company but is the largest shareholder or the holder of the largest voting rights of such company; or (ii) in the opinion of the Board, the Company is able to exercise significant influence to such company); and any executive or employee of any business consultant, professional and other advisers to each member of the Group, to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted. Share options granted should be accepted within 30 days from the date of grant. The Board of Directors may at its absolute discretion determine the period during which a share option may be exercised, such period should expire no later than 10 years from the date of the adoption of the SIHL Scheme. The Board of Directors may also provide restrictions on the exercise of a share option during the period a share option may be exercised.

41. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) SIHL Scheme (continued)

The exercise price is determined by the Board of Directors of the Company, and shall be at least the highest of: (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the share.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the SIHL Scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of 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 participants under the SIHL Scheme and any other option schemes (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue unless approved by the shareholders of the Company.

At 31st December 2005, the number of shares in respect of which options were granted under the SIHL Scheme and which remained outstanding was approximately 1.8% (2004: 1.7%) of the shares of the Company in issue at that date.

The following table discloses details of the Company's options under the SIHL Scheme held by employees (including directors) and business consultants and movement in such holdings during the year:

Month of grant	Exercise price per share HK$	Outstanding at 1.1.2005	Granted during the year	Exercised during the year	Outstanding at 31.12.2005
September 2002	11.71	16,280,000	–	(8,895,000)	7,385,000
September 2005	14.89	–	10,000,000	–	10,000,000
		16,280,000	10,000,000	(8,895,000)	17,385,000

Month of grant	Exercise price per share HK$	Outstanding at 1.1.2004	Granted during the year	Exercised during the year	Outstanding at 31.12.2004
September 2002	11.71	26,120,000	–	(9,840,000)	16,280,000

41. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) SIHL Scheme (continued)

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

Month of grant	Exercise price per share HK$	Outstanding at 1.1.2005	Granted during the year	Exercised during the year	Outstanding at 31.12.2005
September 2002	11.71	500,000	–	(500,000)	–
September 2005	14.89	–	2,440,000	–	2,440,000
		500,000	2,440,000	(500,000)	2,440,000

Month of grant	Exercise price per share HK$	Outstanding at 1.1.2004	Exercised during the year	Reclassified during the year (note)	Outstanding at 31.12.2004
September 2002	11.71	–	–	500,000	500,000

Note: Mr. Qu Ding was appointed as a director of the Company on 28th August 2004 and accordingly, the share options were reclassified from share options held by employees.

The options granted on 10th September 2002 ("First Lot Share Options") may be exercised in accordance with the following terms of the relevant scheme as to:

1. 30% of the options within three and a half years commencing on 10th March 2003;

2. a further 30% of the options within two and a half years commencing on 10th March 2004;

3. the remaining 40% of the options within one and a half years commencing on 10th March 2005; and

4. the options will expire at the close of business on 9th September 2006.

41. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) SIHL Scheme (continued)

The options granted on 2nd September 2005 ("Second Lot Share Options") may be exercised in accordance with the terms of the relevant scheme as to:

1. 30% of the options within three years commencing on 2nd March 2006;
2. a further 30% of the options within two years commencing on 2nd March 2007;
3. the remaining 40% of the options within one year commencing on 2nd March 2008; and
4. the options will expire at the close of business on 1st March 2009.

During the year, the weighted average closing prices of the Company's shares on the trading day immediately before the respective dates on which the First Lot Share Options were exercised was HK$15.75 (2004: HK$14.86).

The closing price of the Company's shares on the trading day immediately before 2nd September 2005, being the date of grant of the Second Lot Share Options, was HK$14.85 (2004: Nil).

Total consideration received for shares issued upon exercise of share options under the SIHL Scheme during the year was approximately HK$104,160,000 (2004: HK$147,143,000).

During the year ended 31st December 2005, 10,000,000 share options were granted on 2nd September 2005 to the Group's employees and consultants. The estimated aggregate fair value of the options granted is approximately HK$9,946,000.

The fair value was calculated using The Black-Scholes option pricing model. The inputs into the model were as follows:

	2005
Weighted average fair value	HK$0.9946
Weighted average share price	HK$14.85
Exercise price	HK$14.89
Expected volatility	16.7%
Weighted average expected life	2.5 years
Weighted average Hong Kong Exchange Fund Note rate	3.48%
Expected dividend yield	3.7%

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

As the services to be performed by the consultants cannot be determined reliabily at the time the options were granted, the fair value of such services is also measured with reference to the fair value of share options granted using the Black-Scholes option pricing model.

The Group recognised an expense of approximately HK$3,911,000 for the year ended 31st December 2005 (2004: nil) in relation to the share options granted by the Company, in which approximately HK$2,738,000 (2004: nil) was related to options granted to the Group's employees and shown as staff costs, and the remaining balance represents share option expense for consultants.

41. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Mergen Biotech Scheme

A subsidiary of the Company, Mergen Biotech Limited ("Mergen Biotech") adopted a share option scheme (the"Mergen Biotech Scheme") on 28th May 2004 for the primary purpose of providing incentives to eligible participants to contribute to Mergen Biotech and to enable Mergen Biotech to recruit and attract high-calibre employees and the scheme is to expire on 17th May 2014.

Under the Mergen Biotech Scheme, the Board of Directors of Mergen Biotech ("Mergen Board") can grant options to eligible participants, including any director, management, employee (whether full-time or part-time) or business consultant and professional adviser of Mergen Biotech and its subsidiaries, to subscribe for shares in Mergen Biotech for a consideration of HK$1 for each lot of share options granted. Options granted have to be accepted within 30 days from the date of grant.

Options are exercisable during a period to be notified by the Mergen Board to each grantee, such period shall not be more than 10 years from the date of adoption of the Mergen Biotech Scheme. The exercise price is to be determined by the Mergen Board with reference to the pro forma net asset per share of Mergen Biotech ("Mergen Share") as at 31st December 2003 and was not to be less than US$8.22 (or its equivalent in HK$) per Mergen Share. The subscription price of options granted after the Company has contemplated a separate listing of Mergen Biotech on the Main Board or the Growth Enterprise Market ("GEM") of the Stock Exchange or any overseas stock exchange and up to the date of listing of the Mergen Shares shall not be lower than the new issue price of the Mergen Shares on listing. Without to the foregoing, any options granted during the period commencing 6 months before the lodgement of Form A1 (or its equivalent for listing on GEM or any overseas exchange) are subject to the above requirement. The subscription price of any options granted during such period shall be adjusted at the absolute discretion of the Mergen Board to a price not lower than the new issue price of the Mergen Shares on listing.

The maximum number of Mergen Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Mergen Biotech Scheme and other share option scheme(s) of Mergen Biotech shall not exceed 10% of the total number of Mergen Shares in issue from time to time. The total number of shares in respect of which options could be granted under the Mergen Biotech Scheme shall not exceed 10% of the total number of Mergen Shares in issue as at the date of adoption of the Mergen Biotech Scheme. No eligible participants under the Mergen Biotech Scheme could be granted an option which would result in the aggregate number of Mergen Shares issued and to be issued upon exercise of the options granted to such participant (including exercised, cancelled and outstanding options) in any 12-month period exceed 1% of the Mergen Shares in issue (the"Specified Limit") unless approved by the shareholders of the Company. On 28th May 2004, the shareholders of the Company approved the granting of an option entitling Mr. Hu Fang to subscribe for 39,000 Mergen Shares which exceeded the Specified Limit, at an exercise price of not less than US$8.22 (or its equivalent in HK$) per Mergen Share. The share options can be exercised during the period from 30th June 2005 to 30th May 2014 with details below:

41. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Mergen Biotech Scheme (continued)

1. 70% of the options within nine years and eleven months commencing on 30th June 2005;
2. a further 15% of the options within nine years and five months commencing on 31st December 2005;
3. the remaining 15% of the options within eight years and eleven months commencing on 30th June 2006; and
4. the options will expire at the close of business on 30th May 2014.

During the year ended 31st December 2005, no options was granted or exercised under the Mergen Biotech Scheme.

On 31st December 2004, Mergen Biotech granted options to subscribe for 63,400 Mergen Shares under the Mergen Biotech Scheme to its employees at an exercise price of US$8.22 (or its equivalent in HK$) per Mergen Share. Among which, options to subscribe for 39,000 Mergen Shares were granted to Mr. Hu Fang. As at the date of this annual report, the number of shares in respect of which options had been granted under the Mergen Biotech Scheme and remained outstanding was approximately 8.1% of the shares of Mergen Biotech in issue at that date. Options granted on 31st December 2004 under the Mergen Biotech Scheme are exercisable within the period from 30th June 2005 to 30th June 2014.

During the year ended 31st December 2004, 63,400 share options were granted on 31st December 2004. The estimated fair value of the options granted is approximately HK$5,233,000.

The fair value was calculated using The Black-Scholes option pricing model. The inputs into the model were as follows:

	2004
Net assets per share on date of grant	US$15.24
Exercise price	US$8.22
Expected volatility	59.9%
Weighted average expected life	5 years
Weighted average Hong Kong Exchange Fund Note rates	2.66%
Expected dividend yield	Nil

Expected volatility was determined by using the historical volatility of fair value of comparable listed entities engaging in similar business activities over the previous year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

The Group recognised an expense of approximately HK$2,227,000 for the year ended 31st December 2005 (2004: HK$2,800,000) in relation to the share options granted by Mergen Biotech.

42. RESERVES

	Share premium HK$'000	Share options reserve HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Hedging reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
THE COMPANY							
At 1st January 2004	9,886,904	–	1,071	1,137,728	–	2,836,253	13,861,956
Profit for the year	–	–	–	–	–	694,221	694,221
Premium arising on issue of shares	145,854	–	–	–	–	–	145,854
Transaction costs attributable to issue of new shares	(127)	–	–	–	–	–	(127)
Dividends paid (note 14)	–	–	–	–	–	(495,067)	(495,067)
At 31st December 2004	10,032,631	–	1,071	1,137,728	–	3,035,407	14,206,837
Effect of adoption of new accounting policies	–	–	–	–	(3,328)	–	(3,328)
At 1st January 2005 – as restated	10,032,631	–	1,071	1,137,728	(3,328)	3,035,407	14,203,509
Gains on fair value changes of derivatives under cash flow hedges, income recognised directly in equity	–	–	–	–	9,749	–	9,749
Profit for the year	–	–	–	–	–	661,159	661,159
Total recognised income and expense for the year	–	–	–	–	9,749	661,159	670,908
Premium arising on issue of shares	103,271	–	–	–	–	–	103,271
Transaction costs attributable to issue of new shares	(121)	–	–	–	–	–	(121)
Recognition of equity-settled share-based payment expenses	–	3,911	–	–	–	–	3,911
Dividends paid (note 14)	–	–	–	–	–	(529,805)	(529,805)
At 31st December 2005	**10,135,781**	**3,911**	**1,071**	**1,137,728**	**6,421**	**3,166,761**	**14,451,673**

The Company's reserve available for distribution to shareholders as at 31st December 2005 represents its accumulated profits of approximately HK$3,166.8 million (2004: HK$3,035.4 million).

The Company's capital reserve which arose in 1997 upon reduction of share premium as confirmed by the Order of the High Court of Hong Kong was not realised profits and is an undistributable reserve.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2005

43. AMOUNTS DUE FROM (TO) SUBSIDIARIES

At 31st December 2005, the amounts due from subsidiaries were unsecured and repayable on demand. Except for an amount of approximately HK$80 million (2004: 50 million) which interest at commercial rates, the balances were non interest bearing.

The amounts due from (to) subsidiaries are unsecured, non-interest bearing and repayable on demand.

The fair value of the amounts due from (to) subsidiaries as at 31st December 2005 approximated to the corresponding carrying amount.

44. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Tax losses HK$'000	Other deferred tax liabilities HK$'000	Other deferred tax assets HK$'000	Total HK$'000
At 1st January 2004	81,187	–	(5,100)	1,290	(5,476)	71,901
Charge (credit) to income for the year (note 11)	20,758	–	150	2,104	(2,976)	20,036
Acquired on acquisition of subsidiaries	–	–	–	–	(33,232)	(33,232)
At 31st December 2004	101,945	–	(4,950)	3,394	(41,684)	58,705
Exchange adjustments	62	–	–	65	235	362
(Credit) charge to income for the year (note 11)	(595)	2,126	(2,850)	6,555	17,300	22,536
At 31st December 2005	**101,412**	**2,126**	**(7,800)**	**10,014**	**(24,149)**	**81,603**

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2005 HK$'000	2004 HK$'000
Deferred tax liabilities	**107,479**	91,937
Deferred tax assets	**(25,876)**	(33,232)
	81,603	58,705

44. DEFERRED TAXATION (continued)

At 31st December 2005, the Group had unused tax losses of HK$76.9 million (2004: HK$142.5 million) available for offset against future profits. A deferred tax asset amounting to approximately HK$7.8 million (2004: HK$5.0 million) in respect of tax losses amounted to approximately HK$44.6 million (2004: HK$28.3 million) was recognised. No deferred tax asset has been recognised in respect of the remaining HK$32.3 million (2004: HK$114.2 million) due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

45. ACQUISITION OF SUBSIDIARIES

During the year, the Group acquired certain subsidiaries, details of which are as follows:

(a) In February 2005, the Group increased its interest in Chengdu Jiuxing Printing and Packing Co., Ltd. ("Chengdu Jiuxing") from 30% to 51%, at a consideration of RMB22,480,000 (equivalent to HK$21,208,000). Chengdu Jiuxing is a sino-foreign equity joint venture company established in the PRC and is previously treated as an associate of the Group. The acquisition has been accounted for using the purchase method of accounting. No goodwill or discount arose on this acquisition.

(b) In September 2005, the Group increased its interest in Hebei Yongxin Paper Co., Ltd. ("Hebei Yongxin") from 39% to 66%, at a consideration of RMB14,070,000 (equivalent to HK$13,529,000). Hebei Yongxin is a sino-foreign equity joint venture company established in the PRC and is previously treated as a jointly controlled entity of the Group. The acquisition has been accounted for using the purchase method of accounting. No goodwill or discount arose on this acquisition.

(c) In July 2005, the Group increased its interest in HQYT Pharmaceutical from 30.006% to 51.007%, at a consideration of RMB134,800,000 (equivalent to HK$129,615,000). HQYT Pharmaceutical is a sino-foreign equity joint venture company established in the PRC and is previously treated as an associate of the Group. The acquisition has been accounted for using the purchase method of accounting. The amount of goodwill arising as a result of this acquisition was HK$37,274,000.

45. ACQUISITION OF SUBSIDIARIES (continued)

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

	Chengdu Jiuxing			Hebei Yongxin			HQYT Pharmaceutical		
	Acquiree's carrying amount before combination HK$'000	Fair value adjustments HK$'000	Fair values HK$'000	Acquiree's carrying amount before combination HK$'000	Fair value adjustments HK$'000	Fair values HK$'000	Acquiree's carrying amount before combination HK$'000 (Note)	2005 HK$'000	2004 HK$'000
Net assets acquired:									
Investment properties	–	–	–	–	–	–	–	–	41,982
Property, plant and equipment	85,058	(134)	84,924	243,324	(11,994)	231,330	81,288	**397,542**	511,750
Prepaid lease payments	20,454	–	20,454	26,959	–	26,959	15,363	**62,776**	114,148
Other intangible assets	–	52,890	52,890	–	6,231	6,231	–	**59,121**	39,206
Interest in associates	–	–	–	–	–	–	–	–	591,998
Available-for-sale investments/ investments in securities	18,525	–	18,525	–	–	–	96	**18,621**	102,302
Deferred tax assets	–	–	–	–	–	–	–	–	33,232
Inventories	47,468	–	47,468	54,709	–	54,709	31,661	**133,838**	348,058
Trade and other receivables	77,526	(10,362)	67,164	128,861	–	128,861	76,058	**272,083**	572,538
Taxation recoverable	1,529	–	1,529	–	–	–	-	**1,529**	–
Bank balances and cash	15,205	–	15,205	41,007	–	41,007	152,036	**208,248**	514,285
Trade and other payables	(125,250)	–	(125,250)	(230,403)	–	(230,403)	(70,542)	**(426,195)**	(616,796)
Taxation payable	–	–	–	(2,822)	–	(2,822)	–	**(2,822)**	(8,001)
Bank and other borrowings	(71,220)	–	(71,220)	(205,567)	–	(205,567)	(25,962)	**(302,749)**	(401,293)
Minority interests of investees	(4,118)	(5,852)	(9,970)	–	–	–	–	**(9,970)**	–
	65,177	36,542	101,719	56,068	(5,763)	50,305	259,998	**412,022**	1,843,409
Minority interests			(48,347)			(17,036)	(134,353)	**(199,736)**	(1,066,466)
			53,372			33,269	125,645	**212,286**	776,943
Other revaluation reserve			(10,963)			2,247	–	**(8,716)**	–
Goodwill arising on acquisitions			–			–	37,274	**37,274**	130,369
Negative goodwill arising on acquisition of a subsidiary			–			–	–	–	(2,212)
			42,409			35,516	162,919	**240,844**	905,100
Satisfied by:									
Cash consideration paid			21,208			13,529	129,615	**164,352**	905,100
Interests in associates			21,201			–	33,304	**54,505**	–
Interest in a jointly controlled entity			–			21,987	–	**21,987**	–
			42,409			35,516	162,919	**240,844**	905,100
Net cash inflow (outflow) arising on acquisitions:									
Cash consideration paid			(21,208)			(13,529)	(129,615)	**(164,352)**	(905,100)
Cash and cash equivalents acquired			15,205			41,007	152,036	**208,248**	514,285
			(6,003)			27,478	22,421	**43,896**	(390,815)

Note: The carrying amounts of net assets of HQYT Pharmaceutical acquired approximate to their fair values.

45. ACQUISITION OF SUBSIDIARIES (continued)

The goodwill arising on the acquisition of HQYT Pharmaceutical is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

The subsidiaries acquired contributed approximately HK$469.7 million and HK$26.1 million to the Group's turnover and profit for the year, respectively, during the year between the dates of acquisition and the balance sheet date.

Had the acquisitions been completed on 1st January 2005, the Group's turnover and profit for the year would have been increased by approximately HK$1,011.0 million and HK$60.6 million respectively. This proforma information is for illustrative purposes only and is not necessarily indicative of the turnover and results of the Group that would actually have been impacted had the acquisitions been completed on 1st January 2005, nor is it intended to be a projection of future results.

46. DISPOSAL OF SUBSIDIARIES

During the year, the Group disposed of its entire interests in Guiyang Jiuxing Printing Co., Ltd., China Luck Property Limited ("China Luck") and Ningxia SIICViopes Nutracentials Co., Ltd.. The net assets of the subsidiaries at the date of disposal were as follows:

	2005 **HK$'000**	2004 HK$'000
Net assets disposed of:		
Property, plant and equipment	**18,263**	–
Prepaid lease payments	**1,493**	–
Interest in associates	**–**	199,671
Inventories	**3,683**	–
Trade and other receivables	**4,791**	–
Taxation recoverable	**130**	44
Bank balances and cash	**1,205**	–
Trade and other payables	**(15,466)**	(44)
Bank and other borrowings	**(962)**	–
	13,137	199,671
Minority interests	**(2,315)**	–
	10,822	199,671
Unamortised goodwill	**–**	16,345
Translation reserve realised	**11**	(286)
	10,833	215,730
Net (loss) gain on disposal of interest in subsidiaries	**(5,506)**	3,603
Consideration	**5,327**	219,333

46. DISPOSAL OF SUBSIDIARIES (continued)

	2005 HK$'000	2004 HK$'000
Satisfied by:		
Cash consideration received	**5,327**	198,396
Other receivables	**–**	20,937
	5,327	219,333
Net cash inflow arising on disposal:		
Cash received	**5,327**	198,396
Bank balances and cash disposed of	**(1,205)**	–
	4,122	198,396

The subsidiaries disposed of during the year did not make any significant contribution to the results and cash flows of the Group during the period prior to the disposals.

47. OPERATING LEASES

The Group as lessee

At the balance sheet date, the Group and the Company had commitments under non-cancellable operating leases which fall due as follows:

	THE GROUP		THE COMPANY	
	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000
Within one year	**29,831**	32,530	**6,562**	2,981
In the second to fifth year inclusive	**67,283**	78,279	**3,281**	67
After five years	**92,225**	101,638	**–**	–
	189,339	212,447	**9,843**	3,048

Operating lease payments represent rental payable by the Group and the Company for certain office and factory properties. Leases are negotiated for an average term of 20 years and rentals are fixed for an average term of 1 to 2 years.

Included in the above are operating lease commitments for land and buildings of approximately HK$165 million (2004: HK$171 million) and approximately HK$9.8 million (2004: HK$3.1 million) payable by the Group and the Company respectively to the ultimate holding company and fellow subsidiaries.

47. OPERATING LEASES (continued)

The Group as lessor

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

	THE GROUP			
	Land and buildings		Plant and machinery	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**797**	1,707	**–**	2,151
In the second to fifth year inclusive	**106**	849	**–**	–
	903	2,556	**–**	2,151

The Company had no significant operating lease arrangements at the balance sheet date.

48. CAPITAL COMMITMENTS

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the financial statements in respect of		
– toll road construction costs	**29,182**	–
– investment in Jinhua Jinyong Expressway Construction and Investment Co., Ltd. ("Jinyong")	**–**	267,170
– investments in PRC jointly controlled entities	**40,718**	40,410
– acquisition of property, plant and equipment	**85,055**	126,096
– additions in construction in progress	**73,938**	7,328
– investment in securities	**–**	312
	228,893	441,316
Capital expenditure authorised but not contracted for in respect of		
– toll road construction costs	**1,747,066**	–
– acquisition of property, plant and equipment	**85,519**	64,721
– investments in PRC subsidiaries and associates	**–**	157,931
	1,832,585	222,652

48. CAPITAL COMMITMENTS (continued)

In addition to the above, the Group's share of capital commitments of the jointly controlled entities are as follows:

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the financial statements in respect of		
– toll road construction costs	**27,519**	–
– investments in PRC jointly controlled entities and associates	**13,011**	432,656
– acquisition of property, plant and equipment	**430,615**	68,057
– additions in construction in progress	**76,763**	–
	547,908	500,713
Capital expenditure authorised but not contracted for in respect of		
– additions in construction in progress	**116,550**	–
– acquisition of property, plant and equipment	**–**	125,704
	116,550	125,704

The Company had no significant capital commitment at the balance sheet date.

At 31st December 2004, included in the bank balances and cash was a bank deposit of approximately HK$75.5 million designated as a security deposit for the committed investment in Jinyong, which was fully utilised as capital contribution during the year.

49. CONTINGENT LIABILITIES

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
Guarantees given to banks in respect of banking facilities utilised by		
– associates	**18,000**	18,000
– a supplier	**1,635**	1,887
– connected persons	**–**	50,471
– outsiders	**–**	33,019
	19,635	103,377

Details of contingent liabilities given by the Group to connected persons are set out in note 52(i)(c).

The Company did not have significant contingent liabilities at the balance sheet date.

50. PLEDGE OF ASSETS

At 31st December 2005, the following assets were pledged by the Group to banks in order to secure general banking facilities granted by these banks to the Group:

(i) plant and machinery with a net book value of approximately HK$32.0 million (2004: HK$65.4 million);

(ii) leasehold land and buildings with a net book value of approximately HK$230.1 million (2004: HK$6.3 million); and

(iii) motor vehicles with a net book value of approximately HK$0.2 million (2004: HK$1 million).

At 31st December 2004, the following assets were also pledged by the Group to banks in order to secure such banking facilities:

(i) bank deposits of approximately HK$3.8 million; and

(ii) construction in progress with a net book value of HK$5.3 million.

In addition, at 31st December 2005, certain of the Group's plant and machinery with a net book value of HK$158,548,000 (2004: HK$2,400,000) were pledged to an independent third party which provided a guarantee to a bank in respect of a bank loan granted to the Group.

At 31st December 2005, the Group had bank deposits of approximately HK$28.0 million (2004: HK$28.9 million) pledged to banks in respect of banking facilities granted to an associate. At 31st December 2004, a bank deposit of approximately HK$10.4 million was also pledged to banks in respect of banking facilities granted to a jointly controlled entity, which was released during the year.

51. RETIREMENT BENEFITS SCHEMES

The Company and its subsidiaries in Hong Kong operate defined contribution retirement benefits scheme for their qualifying employees pursuant to the Occupational Retirement Schemes Ordinance. To comply with the Mandatory Provident Fund Schemes Ordinance (the "MPFO"), a Mandatory Provident Fund Scheme (the "MPF Scheme") was also established. New employees joined on or after 1st December 2000, however, must join the MPF Scheme. The assets of both schemes are held separately in funds which are under the control of independent trustees. The retirement benefits schemes contributions charged to the income statement represent contributions payable by the Company and its subsidiaries in Hong Kong to the funds at rates specified in the rules of the schemes. When there are employees who leave the defined contribution retirement benefits scheme prior to becoming fully vested in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Company and its subsidiaries in Hong Kong.

51. RETIREMENT BENEFITS SCHEMES (continued)

The employees employed in the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

At the balance sheet date, no forfeited contributions were available to reduce the contribution payable in the future years.

52. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

(i) Connected persons

(a) During the year, the Group had significant transactions and balances with related parties, some of which are also deemed to be connected persons pursuant to the Listing Rules. The significant transactions with the connected parties during the year, and significant balances with them at the balance sheet date, are as follows:

		THE GROUP	
Connected persons	**Nature of transaction**	**2005 HK$'000**	2004 HK$'000
Transactions			
Ultimate holding company:			
Shanghai Industrial Investment (Holdings) Company Limited ("SIIC")	Rentals paid on land and buildings (note (i))	**7,279**	5,174
Fellow subsidiaries			
Nanyang Enterprises Properties Limited	Rentals paid on land and buildings (note (i))	**13,800**	13,020
The Tien Chu (HK) Co. Ltd.	Rentals paid on land and buildings (note (i))	**700**	840
	Purchase of materials (note (ii))	**158**	237
	Printing services income (note (ii))	**287**	286
上海上實(集團)有限公司 (SIIC Shanghai Holdings Co., Ltd.)	Rentals paid on land and buildings (note (i))	**3,007**	2,997

52. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(i) Connected persons (continued)

(a) (continued)

Connected persons	Nature of transaction	THE GROUP 2005 HK$'000	2004 HK$'000
Transactions (continued)			
Fellow subsidiaries (continued)			
Eternal Success Holdings Limited ("Eternal")	Disposal of interest in a subsidiary and assignment of loan (note (iii))	**4,654**	–
Minority shareholders of subsidiaries:			
中國(杭州)青春寶集團有限公司 (China (Hangzhou) Qingchunbao Group Co. Ltd.) ("China Qingchunbao") and its subsidiaries	Sales of finished medicine and health products (note (iv))	**13**	61
許昌捲煙總廠	Sales of cigarette box packaging materials (note (iv))	**113,491**	22,198
寧夏農林科學院	Interest paid (note (v))	**–**	136
Kong Hee Enterprises Limited ("Kong Hee")	Acquisition of additional interest in a subsidiary (note (vi))	**11,450**	–
Shanghai Pharmaceutical (Group) Co., Ltd. ("SPGC")	Acquisition of additional interest in a subsidiary (note (vii))	**71,509**	–
	Disposal of interest in a jointly controlled entity (note (vii))	**146,981**	–

52. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(i) Connected persons (continued)

(a) (continued)

Connected persons	Nature of transaction	THE GROUP 2005 HK$'000	THE GROUP 2004 HK$'000
Transactions (continued)			
Minority shareholders of subsidiaries: (continued)			
Guangzhou Bopu Bio-Technology Co., Ltd. ("Guangzhou Bopu") and its subsidiary	Proposed acquisition of interest in a subsidiary (note (viii))	**68,269**	–
	Purchase of raw materials (note (iv)	**40,706**	–
Sichuan Quanxing Co., Ltd.	Sales of packaging materials (note (iv))	**28,688**	–
Xinnan (Tianjin) Paper Co., Ltd.	Purchase of raw materials (note (iv))	**131,028**	–
	Port agency service fees (note (iv))	**4,237**	–
Chifeng Pharmaceutical (Group) Co., Ltd.	Purchase of raw materials (note (iv))	**765**	–
Fellow subsidiary of a minority shareholder of a subsidiary:			
福建省廈門醫藥採購供應站	Sales of medicine products (note (iv))	**7,547**	7,098
Balances			
Minority shareholders of subsidiaries:			
China Qingchunbao and its subsidiaries	Balance at 31st December		
	– trade receivables	**173**	331
	– trade payables	**711**	750
	– dividend payable	**9,230**	–

52. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(i) Connected persons (continued)

(a) (continued)

Connected persons	Nature of transaction	THE GROUP 2005 HK$'000	2004 HK$'000
Balances (continued)			
Minority shareholders of subsidiaries: (continued)			
寧夏農林科學院	Balance at 31st December – loan payable (note (v))	**–**	1,887
許昌捲煙總廠	Balance at 31st December		
	– trade receivables	**19,217**	3,774
	– bills receivables	**14,615**	–
Fellow subsidiary of a minority shareholder of a subsidiary:			
福建省廈門醫藥採購供應站	Balance at 31st December – deposits received in advance	**–**	486

Notes:

(i) The rentals were charged in accordance with the relevant tenancy agreements and the prevailing rent was equivalent or approximate to the open market rentals as certified by an independent firm of professional property valuers when the tenancy agreements were entered into.

(ii) The terms of these transactions were determined and agreed by both parties.

(iii) On 6th December 2005, the Company entered into a sale and purchase agreement with Eternal to dispose of its entire interest in China Luck and the loan of HK$4,216,240 to China Luck at a consideration of HK$4,654,000.

(iv) These transactions were carried out at market prices or, where no market price was available, at cost plus a percentage of profit mark-up.

(v) The loan was unsecured, bears interest at commercial rates and fully repaid during the year.

(vi) On 17th January 2005, SIIC MedTech Health Products Limited ("SIIC Health Products"), a wholly-owned subsidiary of the Company, entered into a share transfer agreement, pursuant to which SIIC Health Products acquired a further 5% interest in Xiamen Traditional Chinese Medicine Co., Ltd. ("Xiamen TCM") from Kong Hee at a consideration of HK$11,450,000. Details of this acquisition were included in a published announcement of the Company on the same date.

52. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(i) Connected persons (continued)

(a) (continued)

Notes: (continued)

(vii) On 21st April 2005, Shanghai Industrial United Holdings Co., Ltd. ("SI United"), a subsidiary of the Company, entered into an acquisition agreement with SPGC to acquired an additional 40% interest in Shanghai Medical Instruments Co., Ltd. at a consideration of RMB75,800,000 (approximately HK$71,509,000).

On the same date, S. I. Pharmaceutical Holdings Ltd., a subsidiary of the Company entered into a disposal agreement with SPGC to dispose of its entire 48% interest in Shanghai Sunve Pharmaceutical Co., Ltd. to SPGC at a consideration of RMB155,800,000 (approximately HK$146,981,000).

Details of this acquisition and disposal were included in a circular issued by the Company dated 13th May 2005.

(viii) On 20th October 2005, Guangzhou Techpool International Pharmaceutical Co., Ltd. ("Techpool International"), a subsidiary to be established by the Group, entered into an acquisition agreement to acquire an approximately 69.6% interest in Changzhou Techpool Pharmaceutical Co., Ltd. ("Changzhou Techpool") from Guangzhou Bopu at a consideration of RMB71,000,000 (approximately HK$68,269,000). Details of this acquisition were included in a published announcement of the Company on the same date.

(b) Details of operating lease commitments with connected parties are set out in note 47.

(c) At 31st December 2004, the Group had given guarantees amounting to approximately HK$50 million to various banks in respect of credit facilities granted to the following fellow subsidiaries:

	2004 HK$'000
上海百樂毛紡織有限公司	12,736
上海聯合毛紡織有限公司 (Shanghai United Weaving Co., Ltd.)	32,075
上海聯合羊絨針織有限公司 (Shanghai United Knitting Products Co., Ltd.)	5,660
	50,471

The guarantees were released on 30th March 2005.

52. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(ii) Related parties, other than connected persons

(a) The significant transactions with related parties, other than connected persons, during the year, and significant balances with them at the balance sheet date, are as follows:

		THE GROUP	
Related parties	**Nature of transaction**	**2005** **HK$'000**	2004 HK$'000
Transactions			
Jointly controlled entities:			
珠海友通科技有限公司 (E-COM Technology Limited)	Sales of finished goods	**–**	4,700
河北永新紙業有限公司 (Hebei Yongxin Paper Co., Ltd.)	Interest income received	**2,528**	620
廣東寶萊特醫用科技股份有限公司 (Guangdong Biolight Medical Technology Co. Ltd.)	Sales of goods	**–**	114
Associates:			
上海申永燙金材料有限公司 (Shanghai Shen Yong Stamping Foil Co., Ltd.)	Purchase of materials Interest paid	**2,316** **–**	1,392 1,109
浙江天外印刷股份有限公司 (Zhejiang Tianwai Printing Co., Ltd.)	Printing services income Purchase of materials	**–** **385**	8,020 –
四川科美紙業有限公司	Printing services income	**227**	1,651
Chengdu Jiuxing	Interest income received	**107**	534
廣西甲天下水松紙有限公司	Sales of materials Printing services income	**–** **9,601**	10,175 –
西安永發醫葯包裝有限公司 (Xian Wing Fat Packing Co., Ltd.)	Interest paid	**2,002**	628
陝西永鑫紙業包裝有限公司	Sales of materials	**2,380**	–

52. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(ii) Related parties, other than connected persons (continued)

(a) (continued)

Related parties	Nature of transaction	THE GROUP 2005 HK$'000	THE GROUP 2004 HK$'000
Balances			
Jointly controlled entities:			
杭州胡慶餘堂國藥號有限公司 (Hangzhou Huqingyutang Drugstore Co., Ltd.)	Balance at 31st December – non-trade receivable	**2,404**	2,358
河北永新紙業有限公司 (Hebei Yongxin Paper Co., Ltd.)	Balance at 31st December – short-term loan receivable	**–**	38,512
General Water	Balance at 31st December – short-term loan receivable	**62,590**	–
Associates:			
上海家化聯合股份有限公司 (Shanghai Jahwa United Co. Ltd.) ("Shanghai Jahwa")	Balance at 31st December – short-term loan receivable	**3,000**	3,000
上海申永燙金材料有限公司 (Shanghai Shen Yong Stamping Foil Co., Ltd.)	Balance at 31st December – trade payable	**1,980**	1,134
浙江天外印刷股份有限公司 (Zhejiang Tianwai Printing Co., Ltd.)	Balance at 31st December – trade receivable	**251**	180
四川科美紙業有公司	Balance at 31st December		
	– trade receivable	**397**	145
	– non-trade receivable	**–**	1,202
	– shareholder loan	**1,225**	–

52. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(ii) Related parties, other than connected persons (continued)

(a) (continued)

Related parties	Nature of transaction	THE GROUP 2005 HK$'000	2004 HK$'000
Balances (continued)			
Associates: (continued)			
成都九興印刷包裝有限公司 (Chengdu Jiuxing Printing and Packing Co., Ltd.)	Balance at 31st December – short-term loan receivable	**–**	29,972
廣西甲天下水松紙有限公司	Balance at 31st December – trade receivable	**2,995**	3,680
西安永發醫藥包裝有限公司 (Xian Wing Fat Packing Co., Ltd.)	Balance at 31st December		
	– other short-term loan	**27,200**	30,700
	– non-trade receivables	**7,477**	–

(b) Detail of guarantees and pledged assets given by the Group to related parties are set out in notes 49 and 50 respectively.

(iii) Compensation of key management personnel

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

	2005 HK$'000	2004 HK$'000
Short-term benefits	**24,413**	26,523
Share-based payments	**1,204**	–
	25,617	26,523

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

53. MATERIAL TRANSACTIONS AND BALANCES WITH OTHER STATE-CONTROLLED ENTERPRISES

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is part of a larger group of companies under SIIC which is controlled by the PRC government. Apart from the transactions with SIIC, other connected persons and related parties disclosed in note 52, the Group also conducts business with other state-controlled entities. The directors consider those state-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

In establishing its pricing strategies and approval process for transactions with other state-controlled entities, the Group does not differentiate whether the counter-party is a state-controlled entity or not.

Material transactions/balances with other state-controlled entities are as follows:

	2005 **HK$'000**	2004 HK$'000
Transactions		
Trade sales	**850,703**	317,550
Trade purchases	**240,810**	128,669
Balances		
Amounts due from other state-controlled entities	**283,988**	106,774
Amounts due to other state-controlled entities	**4,591**	2,106

In view of the nature of the Group's toll road operating business, the directors are of the opinion that, except as disclosed above, it is impracticable to ascertain the identity of the counterparties and accordingly whether the transactions were with other state-controlled-entities.

In addition, the Group has entered into various transactions, including deposits placements, borrowings and other general banking facilities, with certain banks and financial institutions which are state-controlled entities in its ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosure would not be meaningful.

Except as disclosed above, the directors are of the opinion that transactions with other state-controlled entities are not significant to the Group's operations.

54. GOVERNMENT GRANTS

During the year, the Group received government subsidies of approximately HK$2,587,000 (2004: HK$5,321,000) towards the cost of acquisition of plant and machinery. The amount has been deducted from the carrying amount of the relevant assets. The amount is transferred to income in the form of reduced depreciation charges over the useful lives of the relevant assets. This policy has resulted in a credit to income in the current year of approximately HK$1,985,000 (2004: HK$1,415,000). As at 31st December 2005, an amount of HK$18,237,000 (2004: HK$17,302,000) remains to be amortised.

55. PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation or establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Percentage of issued/ registered capital held by the Company/subsidiaries	Principal activities
正大青春寶藥業有限公司 (Chia Tai Qingchunbao Pharmaceutical Co., Ltd.) (note (i))	PRC	RMB128,500,000	55%	Manufacture and sale of Chinese medicine and health products
上海滬寧高速公路(上海段)發展有限公司 (Shanghai Hu-Ning Expressway (Shanghai Section) Company Limited) (note (ii))	PRC	RMB2,000,000,000	100%	Holding of a right to operate a toll road
S.I. Infrastructure Holdings Limited ("SI Infrastructure")	British Virgin Islands/ Hong Kong	US$1	100%	Investment holding
SIHL Treasury Limited	Hong Kong	Ordinary shares – HK$2	100%	Investment

55. PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation or establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Percentage of issued/ registered capital held by the Company/subsidiaries	Principal activities
SIIC Medical Science and Technology (Group) Limited	Cayman Islands/ Hong Kong	Ordinary shares – HK$40,893,400	100%	Investment holding
Nanyang Tobacco (Marketing) Company, Limited	British Virgin Islands/PRC and Macau	Ordinary shares – US$1 – HK$100,000,000	100%	Sale and marketing of cigarettes and raw materials sourcing
Nanyang Brothers Tobacco Company, Limited	Hong Kong	Ordinary shares – HK$2	100%	Manufacture and sale of cigarettes
		Non-voting deferred shares – HK$8,000,000	–	
The Wing Fat Printing Company, Limited	Hong Kong	Ordinary shares – HK$2,000,000	93.44%	Manufacture and sale of packaging materials and printed products
		Non-voting deferred shares – HK$1,829,510	–	
SI United (note (iii))	PRC	Ordinary shares – RMB306,512,351	56.63%	Investment holding
Xiamen TCM (note (i))	PRC	RMB47,830,000	61%	Manufacture and sale of Chinese medicine

55. PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation or establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Percentage of issued/ registered capital held by the Company/subsidiaries	Principal activities
遼寧好護士藥業(集團)有限責任公司 (Liaoning Herbapex Pharmaceutical (Group) Company Limited) (note (i))	PRC	RMB51,000,000	55%	Manufacture and sale of Chinese medicine
上海三維生物技術有限公司 (Shanghai Sunway Biotech Co., Ltd.) (note (i))	PRC	US$15,343,300	70.4%	Manufacture and sale of Biomedicine
杭州胡慶餘堂藥業有限公司 (HQYT Pharmaceutical) (note (i))	PRC	RMB53,160,000	51.007%	Manufacture and sale of Chinese medicine and health products

Notes:

(i) The company was established in the PRC as a sino-foreign equity joint venture company.

(ii) The company was established in the PRC as a wholly foreign owned enterprise.

(iii) The company is a company listed on the A share market of the Shanghai Stock Exchange.

With the exception of S. I. Infrastructure Holdings Limited and SIHL Treasury Limited, all the above subsidiaries are indirectly held by the Company.

None of the deferred shares are held by the Group. The deferred shares carry no rights to receive notice of or to attend or vote at any general meeting of the respective companies and have practically no rights to dividends or to participate in any distributions on winding up.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

56. PRINCIPAL JOINTLY CONTROLLED ENTITIES

Particulars of the Group's principal jointly controlled entities at 31st December 2005 are as follows:

Name of jointly controlled entity	Place of incorporation or establishment/ operations	Percentage of registered capital attributable to the Group	Principal activities
上海匯眾汽車製造有限公司 (Shanghai Huizhong Automotive Manufacturing Company Limited)	PRC	50%	Manufacture and sale of vehicles, automobile components and spare parts
上海市信息投資股份有限公司 (Shanghai Information Investment Inc.)	PRC	20%	Development of communication infrastructure and cable network and provision of internet-related services
上海萬眾汽車零部件有限公司 (Shanghai Wanzhong Automotive Components Co., Ltd.)	PRC	50%	Manufacture and sale of automobile components and spare parts
中環保水務投資有限公司 (General Water of China Co., Ltd.)	PRC	50%	Joint investment and operation of water-related and environment protection business in the PRC
Jinyong	PRC	30%	Construction and operation of a toll road

All the above jointly controlled entities are indirectly held by the Company.

The above table lists the jointly controlled entities of the Group which, in the opinion of the directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other jointly controlled entities would, in the opinion of the directors, result in particulars of excessive length.

57. PRINCIPAL ASSOCIATES

Particulars of the Group's principal associates at 31st December 2005 and which are all sino-foreign equity joint venture companies established in the PRC are as follows:

Name of associate	Percentage of registered capital held by the subsidiaries	Percentage of registered capital attributable to the Group	Principal activities
Semiconductor Manufacturing International Corporation ("SMIC") (note)	9.92%	9.92%	Investment holding and manufacture and marketing of advanced technology semiconductors
光明乳業股份有限公司 (Bright Dairy and Food Co., Ltd.) ("Bright Dairy")	30.8%	30.8%	Manufacture, distribution and sale of dairy and related products
上海實業交通電器有限公司 (Shanghai SIIC Transportation Electric Co., Ltd.)	30%	30%	Manufacture, distribution and sale of automobile components

Note: In the opinion of the directors, the Group can exercise significant influence over the financial and operating policy decisions of SMIC through the Group's ability to appoint a board representative and accordingly SMIC is classified as an associate.

All the above associates are indirectly held by the Company.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

58. POST BALANCE SHEET EVENTS

The following significant events took place after the balance sheet date:

(a) In March 2006, the Company announced a proposed share reform plan for conversion of all non-freely transferable shares ("Non-Tradable Shares") of SI United into freely transferable shares ("A Shares") of SI United. Under the proposed plan, Shanghai Industrial YKB Limited, a wholly-owned subsidiary of the Company, would offer to all holders of A Shares three Non-Tradable Shares for every ten A Shares held by each such holder, in exchange for the consent by the holders of A Shares to the conversion of all Non-Tradable Shares into tradable A Shares. If the proposed plan is implemented, the percentage shareholding in SI United held by the Group will be reduced from 56.63% to 43.62%.

(b) In April 2006, the Company announced a proposed share reform plan for conversion of all non-freely transferable shares ("Non-Tradable Shares") of Bright Dairy into freely transferable shares ("A Shares") of Bright Dairy. Under the proposed plan, S.I. Food Products Holdings Limited ("SIFP"), a wholly-owned subsidiary of the Company, together with the holders of the remaining Non-Tradable Shares, would offer to all holders of A Shares RMB8.46 in cash and 1.2 Non-Tradable Shares for every ten A Shares held by each such holder, in exchange for the consent by the holders of A Shares to the conversion of all Non-Tradable Shares into tradable A Shares. SIFP will also transfer 44,099,410 Non-Tradable Shares to Danone Asia Pte Ltd., another holder of Non-Tradable Shares, as part of the share reform plan. If the proposed plan is implemented, the percentage shareholding in Bright Dairy held by the Group will be reduced from 30.78% to 25.17%.

(c) In April 2006, SI Infrastructure Holdings Limited ("SI Infrastructure"), a wholly-owned subsidiary of the Company, entered into a share transfer agreement with COSCO Ports (Pudong) Limited, pursuant to which SI Infrastructure disposes 10% equity interest in Shanghai Pudong International Container Terminals Limited, an available-for-sale investment, at a consideration of HK$447.12 million. The completion of the disposal is subject to the approval from relevant government departments.

59. SEGMENT INFORMATION

For management purposes, the Group is currently organised into four operating businesses -infrastructure facilities, medicine, consumer products and information technology. These businesses are the basis on which the Group reports its primary segment information.

Principal businesses are as follows:

Infrastructure facilities	–	investment in toll road projects and water-related business
Medicine	–	manufacture and sale of medicine and health food; medical equipment
Consumer products	–	manufacture and sale of cigarettes, packaging materials, printed products, dairy products, commercial vehicles, automobile components and spare parts
Information technology	–	development of communication infrastructure and information technology business

59. SEGMENT INFORMATION (continued)

Segment information about these businesses is presented below:

2005	Infrastructure facilities HK$'000	Medicine HK$'000	Consumer products HK$'000	Information technology HK$'000	Consolidated HK$'000
Income statement:					
External sales	181,578	3,567,264	2,276,443	–	6,025,285
Segment results	146,673	336,477	551,149	109,578	1,143,877
Net unallocated corporate income					156,826
Finance costs					(82,024)
Share of results of jointly controlled entities	26,669	48,677	(104,648)	32,141	2,839
Share of results of associates	–	26,632	162,386	(86,486)	102,532
Net gain on disposal of interests in subsidiaries, associates and jointly controlled entities					180,661
Impairment losses recognised in respect of goodwill relating to subsidiaries and interests in an associate and jointly controlled entities					(26,185)
Impairment loss on assets classified as held for sale					(31,247)
Discount on acquisition of additional interests in subsidiaries					2,324
Profit before taxation					1,449,603
Income tax expenses					(194,042)
Profit for the year					1,255,561

59. SEGMENT INFORMATION (continued)

2005	Infrastructure facilities HK$'000	Medicine HK$'000	Consumer products HK$'000	Information technology HK$'000	Unallocated HK$'000	Consolidated HK$'000
Balance sheet:						
ASSETS						
Segment assets	2,419,323	4,113,766	3,858,753	145,844	–	10,537,686
Interest in jointly controlled entities	778,176	89,527	1,124,418	398,387	–	2,390,508
Interest in associates	–	563,110	963,308	2,341,639	–	3,868,057
Unallocated corporate assets						5,175,904
Consolidated total assets						21,972,155
LIABILITIES						
Segment liabilities	12,590	803,191	418,756	15,000	–	1,249,537
Unallocated corporate liabilities						2,514,589
Consolidated total liabilities						3,764,126
Other information:						
Capital additions	15,679	374,102	579,334	–	4,436	973,551
Depreciation and amortisation	42,234	90,136	130,294	–	3,302	265,966
Impairment loss on available-for-sale investments	–	9,648	–	–	–	9,648
Impairment loss on bad and doubtful debts	–	10,940	13,484	–	–	24,424
Loss on disposal of property, plant and equipment	–	1,365	7,474	–	(56)	8,783
Equity-settled share-based payment expense	–	2,227	–	–	3,911	6,138

59. SEGMENT INFORMATION (continued)

2004 – As restated	Infrastructure facilities HK$'000	Medicine HK$'000	Consumer products HK$'000	Information technology HK$'000	Consolidated HK$'000
Income statement:					
External sales	189,208	1,283,622	1,956,109	–	3,428,939
Segment results	145,880	251,186	504,737	66,497	968,300
Net unallocated corporate expenses					(67,830)
Finance costs					(19,317)
Share of results of jointly controlled entities	1,419	9,733	60,895	4,154	76,201
Share of results of associates	783	9,347	170,019	73,983	254,132
Net gain on disposal of interests in subsidiaries, associates and jointly controlled entities					698,523
Allowance for amount due from a jointly controlled entity					(33,376)
Impairment losses recognised in respect of goodwill relating to subsidiaries and interests in an associate and jointly controlled entities					(191,232)
Profit before taxation					1,685,401
Income tax expenses					(186,152)
Profit for the year					1,499,249

59. SEGMENT INFORMATION (continued)

2004 – As restated	Infrastructure facilities HK$'000	Medicine HK$'000	Consumer products HK$'000	Information technology HK$'000	Unallocated HK$'000	Consolidated HK$'000
Balance sheet:						
ASSETS						
Segment assets	2,497,861	3,701,417	2,779,111	465,135	–	9,443,524
Interest in jointly controlled entities	301,120	158,474	1,312,279	367,916	–	2,139,789
Interest in associates	11,015	292,621	1,628,528	2,434,993	–	4,367,157
Unallocated corporate assets						4,656,391
Consolidated total assets						20,606,861
LIABILITIES						
Segment liabilities	17,323	802,500	323,698	–	–	1,143,521
Unallocated corporate liabilities						2,372,113
Consolidated total liabilities						3,515,634
Other information:						
Capital additions	2,466	912,505	311,448	–	2,319	1,228,738
Depreciation and amortisation	43,392	38,652	93,984	–	3,099	179,127
Impairment losses on investments in other projects and investments in securities	–	–	–	–	72,532	72,532
Allowance on doubtful debts and bad debts written off	–	641	3,694	–	14,800	19,135
Loss on disposal of property, plant and equipment	–	1,264	3,170	–	–	4,434
Equity-settled share-based payment expense	–	2,800	–	–	–	2,800

59. SEGMENT INFORMATION (continued)

Geographical segments

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods and services:

	2005 HK$'000	2004 HK$'000
Geographical region		
PRC	**4,557,639**	1,943,374
Asia	**931,842**	1,259,255
Hong Kong	**485,762**	186,332
Other areas	**50,042**	39,978
	6,025,285	3,428,939

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		**Additions to property, plant and equipment and intangible assets**	
	2005 HK$'000	2004 HK$'000	**2005 HK$'000**	2004 HK$'000
Geographical region				
PRC	**15,643,338**	13,891,096	**876,571**	991,257
Asia	**16,559**	24,900	**–**	–
Hong Kong	**5,966,485**	6,365,700	**96,980**	237,481
Other areas	**307,398**	325,165	**–**	–
	21,933,780	20,606,861	**973,551**	1,228,738