1 GENERAL INFORMATION

Guangzhou Investment Company Limited ("the Company") and its subsidiaries (together "the Group") is principally engaged in development, selling and management of properties and holding of investment properties, operation and management of toll highways and bridges and manufacturing and trading of newsprint. The Group's operations are mainly conducted in Hong Kong and Mainland China ("China").

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is 26th Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong.

The Company's shares are listed on The Stock Exchange of Hong Kong Limited and Singapore Exchange Securities Trading Limited.

These consolidated financial statements are presented in thousands of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 19 April 2007.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 Basis of preparation (cont'd)

(a) **Effect of adopting new HKFRS**

In 2006, the Group adopted the following amendments and interpretation of HKFRS, which are effective in 2006 and are relevant to the Group's operations:

- Amendments to HKAS 39 and HKFRS 4 "Financial Guarantee Contracts". The Group regards its financial guarantee contracts provided in respect of mortgage facilities for certain property purchasers and financial guarantee contracts provided to certain subsidiaries as insurance contracts. Consequently the adoption of the amendments does not have any significant impact on the Group's consolidated financial statements.

- HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease". The Group has reviewed its contracts. The adoption of this interpretation does not have any significant impact on classification of the leases of the Group and on the expenses recognised in respect of them.

The following standards, amendments and interpretations of HKFRS are effective in 2006 but are not relevant to the Group's operations:

- HKAS 19 Amendment, Employee Benefits
- HKAS 21 Amendment, Net Investment in a Foreign Operation;
- HKAS 39 Amendment, Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- HKAS 39 Amendment, The Fair Value Option;
- HKFRS 6, Exploration for and Evaluation of Mineral Resources;
- HKFRS 1 Amendment, First-time Adoption of International Financial Reporting Standards and HKFRS 6 Amendment, Exploration for and Evaluation of Mineral Resources;
- HK(IFRIC)-Int 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and
- HK(IFRIC)-Int 6, Liabilities arising from Participating in a Specific Market-Waste Electronical and Electronic Equipment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 Basis of preparation (cont'd)

(b) **Standards, interpretations and amendments to published standards that are not yet effective**

The following new standards, amendments and interpretations of HKFRS have been issued but are not effective in 2006 and have not been early adopted:

- HK(IFRIC)-Int 10, Interim Financial Reporting and Impairment (effective for accounting periods commencing on or after 1 November 2006). The Group will apply HK(IFRIC)-Int 10 from annual period beginning 1 January 2007, but it is not expected to have any significant impact on the Group's consolidated financial statements;
- HK(IFRIC)-Int 11, HKFRS 2 - Group and Treasury Share Transaction (effective for accounting periods commencing on or after 1 March 2007). The Group will apply this interpretation from annual period beginning 1 January 2008, but it is not expected to have any significant impact on the Group's consolidated financial statements;
- HK(IFRIC)-Int 12, Service Concession Arrangements (effective for accounting periods commencing on or after 1 January 2008). The Group is not yet in a position to state whether substantial changes to the Group's principal accounting policies and presentation of the consolidated financial statements will be resulted. The Group will apply this interpretation from annual period beginning 1 January 2008;
- HKFRS 7, Financial instruments: Disclosures, and the complementary Amendment to HKAS 1, Presentation of Financial Statements - Capital Disclosures (effective for accounting periods commencing on or after 1 January 2007). The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of HKAS 1. The Group will apply HKFRS 7 and the amendment to HKAS 1 from annual period beginning 1 January 2007; and
- HKFRS 8, Operating Segments (effective for accounting periods commencing on or after 1 January 2009). The Group will apply HKFRS 8 from annual period beginning 1 January 2009, but it is not expected to have any significant impact on the Group's consolidated financial statements other than presentational changes and additional disclosures in respect of segment information.

The following interpretations of HKFRS have been issued but are not effective in 2006 and are not relevant to the Group's operations:

- HK(IFRIC) - Int 7, Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies (effective for accounting periods commencing on or after 1 March 2006);
- HK(IFRIC) - Int 8, Scope of HKFRS 2 (effective for accounting periods commencing on or after 1 May 2006); and
- HK(IFRIC) - Int 9, Reassessment of embedded derivatives (effective for accounting periods commencing on or after 1 June 2006).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(a) **Subsidiaries**

Subsidiaries are those entities in which the Company, directly or indirectly, controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an indicator of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(b) **Transactions with minority interests**

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group and are recorded in the income statement. Purchases from minority interests result in goodwill, being the excess of any consideration paid over the acquired share of the carrying value of net assets of the subsidiary. If the consideration is less than the acquired share of the carrying value of net assets of the subsidiary, the difference is recognised directly in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Consolidation (cont'd)

(c) Jointly controlled entities

A jointly controlled entity is a joint venture where the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in jointly controlled entities include goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interests in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Associated entities

Associated entities are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associated entities include goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associated entities' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated entity equals or exceeds its interest in the associated entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated entities.

Unrealised gains on transactions between the Group and its associated entities are eliminated to the extent of the Group's interests in the associated entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Foreign currency translation

(a) **Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences are recognised in the income statement, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the fair value reserve in equity.

(c) **Group companies**

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Interests in toll highways and bridges

Tangible infrastructures

Major costs incurred in restoring tangible infrastructures of toll highway to their normal working condition are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives to the Group.

Depreciation of tangible infrastructures of toll highway is calculated to write off their costs on a units-of-usage basis based on the traffic volume for a particular period of 30 to 36 years over the projected total traffic volume throughout the life of the asset. The Group reviews regularly the projected total traffic volume throughout the life of the asset, and if it is considered appropriate, independent professional traffic studies will be obtained. Appropriate adjustment will be made should there be a material change.

The Group has been granted by the relevant local government authorities the rights to operate the toll highway for period of 30 to 36 years. According to the relevant governments' approval documents and the relevant regulations the Group is responsible for the construction of the toll highway and the acquisition of the related facilities and equipment and it is also responsible for the operations and management, maintenance and overhaul of the toll highway during the approved operating periods. The toll fees collected during the operating periods is attributable to the Group. The relevant toll highway assets are required to be returned to the local government authorities when the operating rights periods expire without any payments to be made to the Group. According to the relevant regulations, these operating rights are not renewable and the Group does not have any termination options.

Intangible operating rights

Amortisation of intangible operating rights is provided on a straight-line basis over periods of 20 to 30 years in which the operating rights are held.

2.6 Property, plant and equipment

Buildings comprise mainly offices. All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Buildings	25-50 years
Plant and machinery and tools	3-30 years
Leasehold improvement, furniture, fixtures and office equipment	3-5 years
Motor vehicles	5 years

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 Property, plant and equipment (cont'd)

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts.

Production facilities under construction are stated at cost less accumulated impairment losses. Cost includes all attributable costs of bringing the asset to working condition for its intended use. This includes direct costs of construction as well as interest expense capitalised during the period of construction and installation. Capitalisation of these costs will cease and the production facilities under construction is transferred to property, plant and equipment when the construction activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of production facilities under construction.

2.7 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. These valuations are performed by external valuers at least annually. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the external valuers use alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.7 Investment properties (cont'd)

Changes in fair values are recognised in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

Investment property held for sale without redevelopment plan is classified as other assets held for sale, under HKFRS 5.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

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

(a) **Financial assets at fair value through profit or loss**

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' in the balance sheet (Note 2.12).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 Financial assets (cont'd)

(c) **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the balance sheet date.

Regular purchases and sales of investments are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category, including interest and dividend income, are presented in the income statement within 'other (losses)/gains – net', in the period in which they arise.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade and other receivables is described in Note 2.12.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 Properties under development and properties held for sale

Properties under development and properties held for sale are stated at the lower of cost and net realisable value. The cost of properties under development and properties held for sale comprises development and construction expenditure, finance costs capitalised and other direct costs attributable to the development. Net realisable value is the estimated selling price at which the property can be realised less related expenses. Income from incidental operation is recognised in the income statement.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes finance costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

2.12 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.14 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties.

Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.17 Finance costs

Finance costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the assets for its intended use.

All other finance costs are charged to the income statement in the period in which they are incurred.

2.18 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associated entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.19 Employee benefits

(a) **Pension obligations**

The Group has defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(b) **Share-based compensation**

The Group operates an equity-settled, share-based compensation plan.

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(c) **Profit-sharing and bonus plans**

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where there is a contractual obligation or where there is a past practice that has created a constructive obligation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.20 Provisions

Provisions are recognised when: (i) the Group has a present legal or constructive obligation as a result of past events; (ii) it is more likely than not that an outflow of resources will be required to settle the obligation; and (iii) the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is recognised as follows:

(a) Revenue from sales of properties is recognised upon completion of sale agreements, which refers to the time when the relevant properties have been completed and delivered to the purchasers pursuant to the sale agreements. Deposits and instalments received on properties sold prior to their completion are included in current liabilities.

(b) Operating lease rental income is recognised on a straight-line basis over the lease period.

(c) Revenue from property management is recognised in the period in which the services are rendered.

(d) Revenue from the sales of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(e) Toll revenue is recognised on a receipt basis.

(f) Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(g) Dividend income is recognised when the right to receive payment is established.

(h) Agency fee revenue from property broking is recognised when the relevant agreement becomes unconditional or irrevocable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.22 Leases

(a) **Operating lease**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or where these is impairment, the impairment is expensed in the income statement.

(b) **Finance lease**

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is recognised in the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are carried at fair value.

2.23 Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Grants relating to income are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate.

Grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.25 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that an outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When an inflow is virtually certain, an asset is recognised.

2.26 Financial guarantees

Financial guarantee contracts under which the Group accepts significant risk from a third party by agreeing to compensate that party on the occurrence of a specified uncertain future event are accounted for in a manner similar to insurance contracts.

Provisions are recognised when it is probable that the Group has obligations under such guarantees and an outflow of economic resources will be required to settle the obligations.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, price risk, credit risk, liquidity risk, and cash flow and fair value interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group regularly monitors its exposure and currently considers not necessary to hedge any of these financial risks.

(a) Foreign exchange risk

Majority of the subsidiaries of the Group operates in China with most of their transactions denominated in Renminbi. In addition, the Group has certain borrowings denominated in Euro. The Group is exposed to foreign exchange risk arising from the exposure of Renminbi and Euro against Hong Kong dollars. It has not hedged its foreign exchange rate risk.

In addition, the conversion of Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the Chinese government.

(b) Price risk

The Group is exposed to equity securities price risk in regard to its available-for-sale financial assets.

3 FINANCIAL RISK MANAGEMENT (cont'd)

3.1 Financial risk factors (cont'd)

(c) **Credit risk**

The Group has no significant concentrations of credit risk. Cash transactions are limited to high-credit-quality institutions. The Group has policies in place to ensure that sales are made to buyers/customers with an appropriate financial strength and appropriate percentage of down payment.

(d) **Liquidity risk**

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements.

(e) **Cash flow and fair value interest rate risk**

The Group's interest rate risk arises mainly from bank balances and borrowings. Bank balances and borrowings that are subject to variable rates expose the Group to cash flow interest rate risk. Bank balances and borrowings that are subject to fixed rates expose the Group to fair value interest rate risk. It has not hedged its cash flow and fair value interest rate risk.

3.2 Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The nominal value less estimated credit adjustments of trade and other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

(a) Depreciation of interests in toll highways and bridges

Interests in toll highways and bridges of the Group and investee companies comprise tangible infrastructures and intangible operating rights. Depreciation of tangible infrastructures is calculated to write off their costs on a unit-of-usage basis based on the traffic volume for a particular period over the projected total traffic volume throughout the life of the assets.

The Group reviews regularly the projected total traffic volume throughout the life of the respective assets, and if it is considered appropriate, independent professional traffic studies will be obtained. Appropriate adjustment will be made should there be a material change.

At present, the range of annual traffic growth rates that have been projected for individual toll highways and bridges is around 2 per cent to 7 per cent.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (cont'd)

(b) Estimated impairment of leasehold land and land use rights and properties, plant and equipment

Property, plant and equipment, leasehold land and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of property, plant and equipment, leasehold land and land use rights have been determined based on value-in-use calculations, taking into account the latest market information and past experience.

(c) Estimated write-downs of properties under development and properties held for sale to net realisable value

The Group writes down properties under development and properties held for sale to net realisable value based on assessment of the realisability of properties under development and properties held for sale which takes into account cost to completion based on past experience and net sales value based on prevailing market conditions. If there is an increase in cost to completion or a decrease in net sales value, the net realisable value will decrease which may result in writing down properties under development and properties held for sale to net realisable value. Write-downs are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value of properties under development and properties held for sale is adjusted in the period in which such estimate is changed.

(d) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), with adjustments to reflect those differences.

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

The principal assumptions underlying management's estimate of fair value are those relating to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield, and actual transactions of the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (cont'd)

(e) Current taxation and deferred taxation

The Group is subject to taxation in China and Hong Kong. Significant judgement is required in determining the amount of the provision for taxation and the timing of the related payments. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination are made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such difference will impact the recognition of deferred taxation assets and taxation in the period in which such estimate is changed.

(f) Depreciation and amortisation

The Group depreciates its property, plant and equipment on a straight-line basis over their estimated useful lives, after taking into account their estimated residual value commencing from the date the asset is placed into productive use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

(g) Accruals for construction cost of public facilities

The Group is required to construct certain public facilities in connection with obtaining the land use rights for construction of properties in China. The Group estimates the accrual for these costs for construction based on the historical actual construction costs as adjusted for the effect of inflation. The Group regularly updates the construction schedules of public facilities and reviews the adequacy of the accrued balance.

(h) Estimate of fair value of available-for-sale financial assets

The best evidence of fair value is current prices in an active market for similar available-for-sale financial assets. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for the available-for-sale financial assets of different nature, condition or location, with adjustments to reflect those differences; and

(ii) recent prices of similar available-for-sale financial assets in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

5 REVENUE AND SEGMENT INFORMATION

Revenue recognised is as follows:

	2006 HK$'000	2005 HK$'000
Sales revenue		
- Sales of properties	**1,966,685**	1,247,447
- Sales of newsprint	**1,352,070**	1,194,252
	3,318,755	2,441,699
Toll revenue from toll operations	**448,531**	424,845
Property management fee income	**213,388**	137,050
Rental income	**229,727**	519,761
Others	**447,521**	431,643
	4,657,922	3,954,998

Revenue and segment results for the year are as follows:

Primary reporting format - business segments

The Group operates mainly in Hong Kong and China and in three main business segments:

- Properties - development, selling and management of properties and holding of investment properties
- Toll operations - operation and management of toll highways and bridges
- Paper - manufacturing and trading of newsprint

There are no significant sales between these business segments.

Secondary reporting format - geographical segments

The Group's three business segments are mainly managed in Hong Kong and China:

Hong Kong – properties
China – properties, toll operations and paper
Others – properties

There are no significant sales between these geographical segments.

Segment assets consist primarily of interests in toll highways and bridges, property, plant and equipment, investment properties, leasehold land and land use rights, other non-current assets, available-for-sale financial assets, properties under development, properties held for sale, inventories, trade receivables, other receivables, prepayments and deposits, prepayments for land use rights and bank balances and cash. Unallocated assets comprise primarily deferred tax assets, current tax recoverable and corporate assets which are not directly attributable to other segments or cannot be allocated to other segments on a reasonable basis.

5 REVENUE AND SEGMENT INFORMATION (cont'd)

Secondary reporting format - geographical segments (cont'd)

Segment liabilities comprise primarily operating liabilities and borrowings directly attributable to a segment. Unallocated liabilities comprise items such as taxation payable, deferred tax liabilities and corporate liabilities which are not directly attributable to other segments or cannot be allocated to other segments on a reasonable basis.

Capital expenditure comprises additions to tangible infrastructures of toll highways and bridges (Note 16), property, plant and equipment (Note 17), investment properties (Note 18) and leasehold land and land use rights (Note 19).

Primary reporting format - business segments

	For the year ended 31 December							
	Properties		Toll operations		Paper		Group	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue	**2,857,321**	2,335,901	**448,531**	424,845	**1,352,070**	1,194,252	**4,657,922**	3,954,998
Segment results	**816,537**	3,022,868	**184,784**	130,479	**82,360**	96,820	**1,083,681**	3,250,167
Interest income							**96,557**	52,107
Unallocated operation costs							**(46,917)**	(86,650)
Finance costs							**(193,891)**	(301,746)
Share of profits less losses of								
- Jointly controlled entities	**(14,782)**	(1,804)	**75,213**	40,014	**—**	—	**60,431**	38,210
- Associated entities	**134,045**	17,648	**241,254**	184,414	**—**	—	**375,299**	202,062
Profit before taxation							**1,375,160**	3,154,150
Taxation							**(355,191)**	(270,477)
Profit for the year							**1,019,969**	2,883,673
Capital expenditure	**588,034**	475,971	**5,273**	300	**472,044**	383,265	**1,065,351**	859,536
Depreciation and amortisation	**112,041**	160,977	**114,122**	108,448	**74,667**	68,844	**300,830**	338,269

5 REVENUE AND SEGMENT INFORMATION (cont'd)

	At 31 December							
	Properties		Toll operations		Paper		Group	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**19,794,688**	17,398,149	**2,530,249**	2,468,584	**3,063,982**	2,127,807	**25,388,919**	21,994,540
Interests in jointly controlled entities	**227,000**	210,180	**671,170**	475,549	**—**	—	**898,170**	685,729
Interests in associated entities	**1,249,478**	1,402,584	**1,745,816**	1,686,542	**—**	—	**2,995,294**	3,089,126
Unallocated assets							**339,161**	1,326,246
Total assets							**29,621,544**	27,095,641
Segment liabilities	**8,731,318**	6,743,262	**507,047**	610,764	**1,907,570**	1,014,947	**11,145,935**	8,368,973
Unallocated liabilities							**3,499,451**	4,787,181
Total liabilities							**14,645,386**	13,156,154

Secondary reporting format - geographical segments

	For the year ended 31 December				At 31 December	
	Revenue		Capital expenditure		Total assets	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Hong Kong	**611,097**	228,702	**2,168**	2,122	**991,199**	1,460,136
China	**4,044,409**	3,724,429	**1,063,183**	857,414	**28,252,008**	23,984,427
Overseas	**2,416**	1,867	**—**	—	**39,176**	35,711
	4,657,922	3,954,998	**1,065,351**	859,536	**29,282,383**	25,480,274
Unallocated assets					**339,161**	1,615,367
Total assets					**29,621,544**	27,095,641

6 OTHER GAINS

	2006	2005
	HK$'000	HK$'000
Excess of fair value of additional interests in a subsidiary and an associated entity over the acquisition cost	**—**	198,214
Gain on exchange of assets	**—**	83,504
	—	281,718

7 PROFIT FROM OPERATIONS

The following items have been charged to the profit from operations:

	2006	2005
	HK$'000	HK$'000
Advertising expenses	**152,874**	143,756
Amortisation/depreciation of interests in toll highways and bridges (included in cost of sales)	**111,624**	106,051
Amortisation of leasehold land and land use rights	**80,295**	103,869
Auditors' remuneration	**8,019**	5,248
Cost of inventories/properties sold included in cost of sales	**3,106,855**	2,317,346
Depreciation		
- Owned property, plant and equipments	**108,875**	128,315
- Leased property, plant and equipments	**36**	34
Direct operating expenses arising from investment properties		
- that generate rental income	**42,972**	241,399
- that did not generate rental income	**129**	656
Employee benefit expenses *(Note 14)*	**500,651**	418,527
Operating leases		
- Hire of plant and workshops	**17,350**	16,368
- Land and buildings	**7,373**	90,474
Provision for doubtful debts	**6,457**	19,676
Provision for impairment of available-for-sale financial assets	**10,982**	46,949
Provision for impairment of properties under development and properties held for sale	**12,843**	66,208
Provision for impairment of property, plant and equipment	**1,959**	69,539

8 INTEREST INCOME

	2006	2005
	HK$'000	HK$'000
Interest income from bank deposits	**65,477**	12,008
Interest income from associated entities	**31,080**	40,099
	96,557	52,107

9 FINANCE COSTS

	2006 HK$'000	2005 HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**244,620**	307,921
Interest on		
- loans from minority shareholders of subsidiaries	**15,620**	15,620
- loan from a substantial shareholder	**375**	8,506
- loans from related companies	**3,266**	3,295
Total finance costs incurred	**263,881**	335,342
Less: amount capitalised as properties under development *(note (i))*	**(69,990)**	(33,596)
	193,891	301,746

Note:

(i) The average interest rate of finance costs capitalised for the year ended 31 December 2006 was approximately 5.38 per cent per annum (2005: 4.83 per cent per annum).

10 TAXATION

(a) Hong Kong profits tax has been provided at the rate of 17.5 per cent (2005: 17.5 per cent) on the estimated assessable profit for the year.

(b) China enterprise income taxation is provided on the profits of the Group's subsidiaries, associated entities and jointly controlled entities in China in accordance with the Income Tax Law of China for Enterprises with Foreign Investment and Foreign Enterprises ("China Tax Law") at rates ranging from 18 per cent to 33 per cent. Under the China Tax Law, certain of the Group's subsidiaries, associated entities and jointly controlled entities in China are entitled to an income tax holiday for two to five years from its first profit making year followed by a 50 per cent reduction in income tax for the next three to five years.

(c) China land appreciation tax is levied at progressive rates ranging from 30 per cent to 60 per cent on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including costs of land, development and construction.

10 TAXATION (cont'd)

(d) The amount of taxation charged to the consolidated income statement comprises:

Company and subsidiaries

	2006 HK$'000	2005 HK$'000
Current taxation		
Hong Kong profits tax	**2,547**	2,133
China enterprise income tax	**126,982**	67,187
China land appreciation tax	**75,618**	12,419
Under-provision in prior years	**48,266**	6,525
Deferred taxation	**101,778**	182,213
	355,191	270,477

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the enterprise income tax rate of China, where majority of the Group's operations were carried out, as follows:

	2006 HK$'000	2005 HK$'000
Profit before taxation less share of profits less losses of jointly controlled entities and associated entities	**939,430**	2,913,878
Calculated at China enterprise income tax rate of 33 per cent (2005: 33 per cent)	**310,012**	961,580
Effect of different taxation rates	**(35,789)**	(51,108)
Income not subject to taxation	**(7,025)**	(733,951)
Expenses not deductible for taxation purposes	**34,400**	70,212
Net effect of tax loss not recognised and utilisation of previously unrecognised tax losses	**(2,822)**	45,884
Under-provision in prior years	**48,266**	6,525
Effect of land appreciation tax deductible for calculation of income tax purposes	**(4,013)**	14,118
	343,029	313,260
Land appreciation tax	**12,162**	(42,783)
Taxation charges	**355,191**	270,477

11 PROFIT FOR THE YEAR

The profit for the year is dealt with in the financial statements of the Company to the extent of HK$224,411,000 (2005: HK$2,989,374,000).

12 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company over the weighted average number of ordinary shares in issue during the year.

	2006	2005
Profit attributable to equity holders of the Company (HK$'000)	**712,615**	2,527,765
Weighted average number of ordinary shares in issue ('000)	**6,698,470**	6,392,162
Basic earnings per share (HK cents)	**10.64**	39.54

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options outstanding during the year which are dilutive potential ordinary shares. Calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options.

	2006	2005
Profit attributable to equity holders of the Company (HK$'000)	**712,615**	2,527,765
Weighted average number of ordinary shares in issue ('000)	**6,698,470**	6,392,162
Adjustments for share options ('000)	**139,365**	99,097
Weighted average number of ordinary shares for diluted earnings per share ('000)	**6,837,835**	6,491,259
Diluted earnings per share (HK cents)	**10.42**	38.94

13 DIVIDENDS

	2006 HK$'000	2005 HK$'000
Interim, paid, of HK$0.0189 (2005: HK$0.01) per ordinary share	**127,844**	64,028
Dividend in specie, paid, 16,269,505 units of GZI Real Estate Investment Trust	**—**	44,370
Final, proposed, of HK$0.023 (2005: HK$0.02) per ordinary share	**156,781**	133,440
Special, proposed, of Nil (2005: HK$0.05) per ordinary share	**—**	333,601
	284,625	575,439

At a meeting held on 19 April 2007, the directors proposed a final dividend of HK$0.023 per ordinary share. This proposed dividend is not reflected as dividend payable in these financial statements, but will be reflected as an appropriation of retained profits in the year ending 31 December 2007.

14 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2006 HK$'000	2005 HK$'000
Wages, salaries and bonus	**394,685**	300,226
Pension costs (defined contribution plans)	**29,631**	37,607
Medical benefits costs (defined contribution plans)	**7,685**	7,310
Social security costs	**20,535**	16,724
Termination benefits	**159**	1,563
Staff welfare	**43,442**	32,573
Share-based payments	**4,514**	22,524
	500,651	418,527

Pension scheme arrangements

The Group operates a defined contribution scheme ("ORSO Scheme") for certain Hong Kong employees as defined in the Occupational Retirement Schemes Ordinance. Contributions to the scheme by the employer and employees are calculated at 5 per cent to 15 per cent and 5 per cent respectively of the employees' basic salaries.

The Group's contributions to the ORSO Scheme are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. There are no forfeited contributions for both years presented.

The Group also participates in the Mandatory Provident Fund Scheme ("MPF Scheme") for other Hong Kong employees. The Group's contributions under the MPF Scheme are at 5 per cent of the employees' relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HK$1,000 per employee per month. The employees also contribute a corresponding amount to the MPF Scheme if their relevant income is more than HK$5,000 per month. The contributions under the MPF Scheme are fully and immediately vested in the employees as accrued benefits once they are paid.

Subsidiaries of the Company in China are required to participate in defined contribution retirement plans organised by the respective Provincial or Municipal People's Government, and make monthly contributions to the retirement plans equivalent to 16 per cent to 24 per cent of the monthly salaries of the employees.

15 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

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

Name of Director	Fees	Salaries	Discretionary bonuses	Pension costs	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
OU Bingchang	—	882	6,000	176	7,058
LIANG Yi	—	700	5,800	140	6,640
LI Fei	—	700	4,800	—	5,500
CHEN Guangsong *(note (i))*	—	683	4,500	136	5,319
TANG Shouchun *(note (ii))*	—	584	3,600	117	4,301
WANG Hongtao *(note (ii))*	—	349	3,600	—	3,949
LI Xinmin *(note (iii))*	—	204	1,200	41	1,445
HE Zili *((note (iii))*	—	162	1,200	32	1,394
YU Lup Fat Joseph	125	—	—	—	125
LEE Ka Lun	125	—	—	—	125
LAU Hon Chuen Ambrose	125	—	—	—	125
Total	375	4,264	30,700	642	35,981

Notes:

(i) Resigned on 28 November 2006
(ii) Appointed on 28 February 2006
(iii) Appointed on 15 September 2006

The remuneration of every Director for the year ended 31 December 2005 is set out below:

Name of Director	Fees	Salaries	Discretionary bonuses	Pension costs	Others (note(iii))	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
OU Bingchang	—	818	3,800	113	140	4,871
LIANG Yi	—	681	3,300	98	122	4,201
LI Fei	—	649	3,000	—	45	3,694
CHEN Guangsong	—	772	3,100	105	129	4,106
LIANG Ningguang *(note (ii))*	—	610	2,800	97	—	3,507
XIAO Boyan *(note (i))*	—	290	1,500	34	61	1,885
YU Lup Fat Joseph	68	—	—	—	—	68
LEE Ka Lun	68	—	—	—	—	68
LAU Hon Chuen Ambrose	68	—	—	—	—	68
Total	204	3,820	17,500	447	497	22,468

Notes:

(i) Resigned on 10 August 2005
(ii) Resigned on 9 December 2005
(iii) Others include housing allowance and share-based payments

15 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (cont'd)

No Directors waived emoluments in respect of the years ended 31 December 2006 and 2005. No emoluments were paid or payable by the Group to any Director as an inducement to join or upon joining the Group, or as compensation for loss of office for both years presented.

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2006 and 2005 are also Directors whose emoluments are reflected in the analysis presented above.

16 INTERESTS IN TOLL HIGHWAYS AND BRIDGES

	Group		
	Intangible operating rights HK$'000	**Tangible infrastructures** HK$'000	**Total** HK$'000
At 1 January 2005			
Cost	2,197,752	403,755	2,601,507
Accumulated amortisation/depreciation	(494,068)	(67,419)	(561,487)
Net book amount	1,703,684	336,336	2,040,020
Year ended 31 December 2005			
Opening net book amount	1,703,684	336,336	2,040,020
Exchange differences	38,116	7,932	46,048
Amortisation/depreciation	(93,290)	(12,761)	(106,051)
Closing net book amount	1,648,510	331,507	1,980,017
At 31 December 2005			
Cost	2,248,518	413,462	2,661,980
Accumulated amortisation/depreciation	(600,008)	(81,955)	(681,963)
Net book amount	1,648,510	331,507	1,980,017
Year ended 31 December 2006			
Opening net book amount	1,648,510	331,507	1,980,017
Exchange differences	62,028	13,260	75,288
Amortisation/depreciation	(98,016)	(13,608)	(111,624)
Closing net book amount	1,612,522	331,159	1,943,681
At 31 December 2006			
Cost	2,333,900	430,000	2,763,900
Accumulated amortisation/depreciation	(721,378)	(98,841)	(820,219)
Net book amount	1,612,522	331,159	1,943,681

The intangible operating rights and tangible infrastructures are located in China.

17 PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Buildings HK$'000	Production facilities under construction HK$'000	Plant and machinery and tools HK$'000	Leasehold improvements, furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2005						
Cost	375,943	88,305	1,414,441	247,963	70,104	2,196,756
Accumulated depreciation and impairment	(98,597)	—	(551,660)	(146,868)	(48,279)	(845,404)
Net book amount	277,346	88,305	862,781	101,095	21,825	1,351,352
Year ended 31 December 2005						
Opening net book amount	277,346	88,305	862,781	101,095	21,825	1,351,352
Exchange differences	9,330	2,547	36,618	4,976	1,258	54,729
Additions	58,958	326,301	33,384	12,174	12,219	443,036
Disposals	(9,492)	—	(23,719)	(2,045)	(1,406)	(36,662)
Reclassification	—	(36,546)	30,862	2,333	3,351	—
Impairment loss	(5,706)	—	(63,833)	—	—	(69,539)
Depreciation	(38,123)	—	(57,530)	(25,883)	(6,813)	(128,349)
Closing net book amount	292,313	380,607	818,563	92,650	30,434	1,614,567
At 31 December 2005						
Cost	397,542	380,607	1,410,089	249,349	78,062	2,515,649
Accumulated depreciation and impairment	(105,229)	—	(591,526)	(156,699)	(47,628)	(901,082)
Net book amount	292,313	380,607	818,563	92,650	30,434	1,614,567
Year ended 31 December 2006						
Opening net book amount	292,313	380,607	818,563	92,650	30,434	1,614,567
Exchange differences	14,349	11,271	47,369	3,721	955	77,665
Additions	640	534,938	13,673	12,456	8,288	569,995
Transfer from properties under development	227,692	—	—	—	—	227,692
Disposals	(19,080)	—	—	(4,907)	(731)	(24,718)
Reclassification	9,737	(769,255)	755,923	2,696	899	—
Impairment loss	(1,959)	—	—	—	—	(1,959)
Depreciation	(21,464)	—	(57,389)	(23,475)	(6,583)	(108,911)
Closing net book amount	502,228	157,561	1,578,139	83,141	33,262	2,354,331
At 31 December 2006						
Cost	663,287	157,561	2,225,036	261,870	87,007	3,394,761
Accumulated depreciation and impairment	(161,059)	—	(646,897)	(178,729)	(53,745)	(1,040,430)
Net book amount	502,228	157,561	1,578,139	83,141	33,262	2,354,331

17 PROPERTY, PLANT AND EQUIPMENT (cont'd)

(b) Company

	Buildings HK$'000	Leasehold improvements, furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2005				
Cost	15,613	9,999	4,465	30,077
Accumulated depreciation	(4,991)	(8,618)	(4,205)	(17,814)
Net book amount	10,622	1,381	260	12,263
Year ended 31 December 2005				
Opening net book amount	10,622	1,381	260	12,263
Additions	—	430	—	430
Disposals	—	(757)	—	(757)
Depreciation	(347)	(382)	(147)	(876)
Closing net book amount	10,275	672	113	11,060
At 31 December 2005				
Cost	15,613	1,545	4,465	21,623
Accumulated depreciation	(5,338)	(873)	(4,352)	(10,563)
Net book amount	10,275	672	113	11,060
Year ended 31 December 2006				
Opening net book amount	10,275	672	113	11,060
Additions	—	319	—	319
Disposals	—	(5)	—	(5)
Depreciation	(297)	(233)	(113)	(643)
Closing net book amount	9,978	753	—	10,731
At 31 December 2006				
Cost	15,613	1,627	4,047	21,287
Accumulated depreciation	(5,635)	(874)	(4,047)	(10,556)
Net book amount	9,978	753	—	10,731

Properties with an aggregate carrying amount of HK$133 million (2005: HK$128 million) were mortgaged as collateral for the Group's bank borrowings (Note 40).

18 INVESTMENT PROPERTIES

(a) Group

	2006 HK$'000	2005 HK$'000
Beginning of the year	**3,301,437**	4,775,305
Exchange differences	**135,088**	67,950
Additions	**21,548**	45,735
Transfer from properties held for sale, properties under development, leasehold land and land use rights	**1,474,575**	1,313,099
Transfer to other assets held for sale	**—**	(397,000)
Disposals	**(54,488)**	(3,302,571)
Fair value gains credited to income statement	**747,025**	798,919
End of the year	**5,625,185**	3,301,437

(b) Company

	2006 HK$'000	2005 HK$'000
Beginning of the year	**10,500**	10,300
Fair value gains credited to income statement	**180**	200
End of the year	**10,680**	10,500

18 INVESTMENT PROPERTIES (cont'd)

The investment properties were revalued at 31 December 2006 by independent, professional qualified valuers, Greater China Appraisal Limited. Valuations were performed using discounted cash flow projections based on estimates of future cash flows derived from the terms of any existing lease and other contracts and from external evidence such as current market rents for similar properties in the same location and condition, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

As at 31 December 2006, investment properties of HK$2,988 million (2005: HK$1,725 million) were mortgaged as collateral for the Group's bank borrowings (Note 40).

The Group's and the Company's interests in investment properties at their net book values are analysed as follows:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
In Hong Kong:				
Leases of between 10 to 50 years	**386,220**	340,140	**—**	—
Leases of over 50 years	**112,480**	110,600	**10,680**	10,500
Outside Hong Kong *(note (i))*:				
Leases or land use rights of between 10 to 50 years	**5,126,485**	2,850,697	**—**	—
	5,625,185	3,301,437	**10,680**	10,500

Note:

(i) Properties outside Hong Kong mainly comprise properties located in China.

19 LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value are analysed as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Beginning of the year	**7,563,939**	8,207,453
Additions	**246,116**	370,765
Disposals	**(589,016)**	(575,314)
Transfer to investment properties	**(533,298)**	(473,175)
Amortisation	**(80,295)**	(103,869)
Exchange differences	**312,750**	138,079
End of the year	**6,920,196**	7,563,939
Analysed as:		
Non-current		
- in relation to properties held for development	**4,657,010**	4,304,664
- in relation to property, plant and equipment	**80,397**	68,330
	4,737,407	4,372,994
Current		
- in relation to properties under development *(Note (i))*	**1,853,654**	3,040,412
- in relation to properties held for sale	**329,135**	150,533
	2,182,789	3,190,945
	6,920,196	7,563,939

Note:

(i) Included in the balance is an amount of approximately HK$323 million (2005: Nil) which represents the land use rights that the Group has contributed into a property project in exchange for certain property units to be developed on the land upon completion of the project.

19 LEASEHOLD LAND AND LAND USE RIGHTS (cont'd)

	Group	
	2006	2005
	HK$'000	HK$'000
In China:		
Land use rights of over 50 years	**4,279,377**	4,440,246
Land use rights of between 10 to 50 years	**2,389,912**	2,867,946
In Hong Kong:		
Leases of over 50 years	**250,207**	255,747
Leases of between 10 to 50 years	**700**	—
	6,920,196	7,563,939

Land use rights with an aggregate net book amount of approximately HK$410 million (2005: HK$950 million) as at 31 December 2006 were pledged as collateral for the Group's bank borrowings (Note 40).

20 INTERESTS IN SUBSIDIARIES

	Company	
	2006	2005
	HK$'000	HK$'000
Investments in unlisted shares, at cost	**60,480**	60,480
Amounts due from subsidiaries *(note (a))*	**10,232,659**	10,168,355
	10,293,139	10,228,835
Amounts due to subsidiaries *(note (b))*	**(30,920)**	(30,968)

(a) The amounts due from subsidiaries are unsecured and have no fixed terms of repayment. Except for the amounts of approximately HK$7,986,004,000 (2005: approximately HK$7,603,759,000) which are interest-free, all amounts due from subsidiaries are interest bearing at 2.5 to 5.5 per cent per annum.

(b) The amounts due to subsidiaries are interest free, unsecured and repayable on demand.

(c) Details of the principal subsidiaries of the Group as at 31 December 2006 are set out on pages 98 to 109.

Majority of the Company's amounts due from/(to) subsidiaries are denominated in HK dollar.

21 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2006	2005
	HK$'000	HK$'000
Share of net assets	**707,580**	538,624
Amounts due from jointly controlled entities *(note 41(c))*	**190,590**	147,105
	898,170	685,729
Amounts due to jointly controlled entities *(note 41(c))*	**(130,678)**	(83,559)

The Group's interest in its jointly controlled entities, all of which are unlisted, were as follows:

	2006	2005
	HK$'000	HK$'000
Revenue	**138,005**	117,801
Expenses	**(74,570)**	(70,296)
Taxation	**(3,004)**	(9,295)
Profit for the year	**60,431**	38,210
Assets		
Non-current assets	**1,746,188**	1,321,595
Current assets	**196,487**	151,427
	1,942,675	1,473,022
Liabilities		
Non-current liabilities	**(1,114,146)**	(743,313)
Current liabilities	**(120,949)**	(191,085)
	(1,235,095)	(934,398)
Net assets	**707,580**	538,624

Details of the Group's jointly controlled entities are set out on page 110.

Majority of the Group's amounts due from/(to) jointly controlled entities are denominated in Renminbi.

22 INTERESTS IN ASSOCIATED ENTITIES

	Group	
	2006	2005
	HK$'000	HK$'000
Share of net assets	**2,537,494**	2,281,294
Loans receivable from associated entities *(note 41(c))*	**319,218**	747,322
Amounts due from associated entities *(note 41(c))*	**138,582**	60,510
	2,995,294	3,089,126
Amounts due to associated entities *(note 41(c))*	**(112,150)**	(119,938)

All the interests in associated entities held by the Group are unlisted except for an investment in an associated entity with a carrying value of HK$1,002,455,000 (2005: HK$1,208,569,000) which is listed in The Stock Exchange of Hong Kong Limited. The fair value of the interests in this associated entity amounted to HK$3,070,000,000 (2005: HK$1,382,520,000) as at 31 December 2006.

The Group's interests in its associated entities were as follows:

	2006	2005
	HK$'000	HK$'000
Revenue	**539,512**	351,760
Profit after taxation	**375,299**	202,062
Assets	**3,860,251**	4,005,517
Liabilities	**(1,322,757)**	(1,724,223)
Net assets	**2,537,494**	2,281,294

Details of the Group's associated entities are set out on page 111.

Majority of the Group's amounts due from/(to) associated entities are denominated in Renminbi.

23 OTHER NON-CURRENT ASSETS

	Group	
	2006	2005
	HK$'000	HK$'000
Prepayments for acquisition of property, plant and equipment	**191,516**	—
Prepayment for acquisition of additional interest in a jointly controlled entity *(Note 42(b))*	**132,580**	—
Non-current portion of trade receivables (due over one year)	**—**	108,201
	324,096	108,201

24 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2006	2005
	HK$'000	HK$'000
Beginning of the year	**354,912**	463,425
Additions	**789**	—
Increase/(decrease) in fair value credited/(charged) to equity	**73,099**	(62,040)
Impairment losses	**(10,982)**	(46,949)
Disposals	**—**	(11,600)
Transfer to other assets held for sale	**(15,000)**	—
Exchange differences	**15,451**	12,076
End of the year	**418,269**	354,912

All the balances of available-for-sale financial assets are unlisted securities and are located in China.

25 PROPERTIES UNDER DEVELOPMENT

As at 31 December 2006, properties under development of HK$576 million (2005: HK$1,660 million) were pledged as collateral for the Group's bank borrowings *(Note 40)*.

26 INVENTORIES

	Group	
	2006	2005
	HK$'000	HK$'000
Raw materials	**82,845**	103,062
Work-in-progress	**68,071**	83,879
Finished goods	**82,979**	132,164
	233,895	319,105

27 TRADE RECEIVABLES

The Group has defined credit policies for different businesses. The credit terms of the Group are generally within three months. The ageing analysis of trade receivables is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
0 - 30 days	**123,068**	117,983
31 - 90 days	**113,451**	92,634
91 - 180 days	**83,952**	40,969
181 - 365 days	**102,683**	45,295
Over 1 year	**162,072**	134,794
	585,226	431,675

There is no significant concentration of credit risk with respect to trade receivables. Majority of the Group's trade receivables are denominated in Renminbi.

28 BANK BALANCES AND CASH

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**2,194,375**	1,735,985	**5,227**	9,369
Short-term bank deposits	**111,479**	1,490,253	**14,861**	1,490,253
	2,305,854	3,226,238	**20,088**	1,499,622

Included in the bank balances and cash of the Group and the Company are deposits of approximately HK$2,057,070,000 (2005: HK$1,490,910,000) and HK$53,000 (2005: HK$51,000), respectively, denominated in Renminbi and placed with banks in China. The conversion of these Renminbi denominated balances into foreign currencies in China is subject to rules and regulations of foreign exchange control promulgated by the Chinese government.

The effective interest rate on short-term bank deposits was 3.45% (2005: 3.25%). These deposits have an average maturity of 7 days (2005: 7 days).

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong Dollar	**164,235**	415,193	**16,092**	230,812
Renminbi	**2,057,070**	1,490,910	**53**	51
United States Dollar	**84,549**	1,320,135	**3,943**	1,268,759
	2,305,854	3,226,238	**20,088**	1,499,622

29 TRADE PAYABLES

The ageing analysis of the trade payables is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
0 - 30 days	**61,916**	103,911
31 - 90 days	**69,648**	52,172
91 - 180 days	**49,640**	14,714
181 - 365 days	**7,965**	41,454
1 - 2 years	**8,741**	20,047
Over 2 years	**518**	141,892
	198,428	374,190

Majority of the Group's trade payables are denominated in Renminbi.

30 SHARE CAPITAL

	Number of shares '000	**Amount HK$'000**
Authorised:		
10,000,000,000 ordinary shares of HK$0.10 each	10,000,000	1,000,000
Issued and fully paid:		
At 1 January 2005	6,351,598	635,160
Issue of shares upon exercise of share options *(Note a)*	167,338	16,734
At 31 December 2005	6,518,936	651,894
At 1 January 2006	6,518,936	651,894
Issue of shares upon exercise of share options *(Note a)*	284,602	28,460
At 31 December 2006	6,803,538	680,354

Note:

(a) During the year, 284,602,000 (2005: 167,338,000) ordinary shares of HK$0.1 each were issued upon the exercise of share options (see note 31).

31 SHARE OPTIONS

Movements of share options of the Company are as follows:

	Number of share options '000
At 1 January 2005	604,008
Exercised during the year	(167,338)
Lapsed during the year	(11,656)
At 31 December 2005	425,014
At 1 January 2006	425,014
Exercised during the year	(284,602)
At 31 December 2006	140,412

Particulars of share options of the Company as at 31 December 2006 and 31 December 2005 are as follows:

			Number of share options	
Date of grant	Exercise period	Exercise price HK$	**2006 '000**	2005 '000
2 May 2003	2 May 2003 — 1 May 2013	0.4100	**12,430**	33,510
2 June 2003	2 June 2003 — 1 June 2013	0.5400	**30,000**	58,182
27 October 2003	27 October 2003 — 26 October 2013	0.8140	**3,120**	11,224
23 December 2003	23 December 2003 — 22 December 2013	0.8460	**18,720**	99,266
23 June 2004	23 June 2004 — 22 June 2014	0.6300	**76,142**	222,832
			140,412	425,014

On 26 June 2002, the Company adopted a share option scheme, under which it may grant options to employees (including executive directors of the Company) to subscribe for shares in the Company, subject to a maximum of 10 per cent of the number of shares in issue as at 26 June 2002. The exercise price will be determined by the Company's Board of Directors and shall at least be the highest of (i) the closing price of the Company's shares on the date of grant of the options, (ii) an average closing price of the Company's shares for the five business days immediately preceding the date of grant of the options, and (iii) the nominal value of the Company's shares.

31 SHARE OPTIONS (cont'd)

As at 31 December 2006, all (2005: 296,890,000) of the outstanding share options were exercisable.

The fair value of options granted was determined using the Black-Scholes valuation model by an independent valuer, Greater China Appraisal Limited. The significant inputs into the model were share price at the grant date, exercise price, standard deviation of expected share price returns, expected life of options, expected dividend payout rate and annual risk-free rate. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over a period of one year before the date when the options were granted.

32 RESERVES

(a) Group

	Share premium	Capital redemption reserve	Statutory reserves (note a)	Exchange fluctuation reserve	Capital reserves	Cash-flow hedging reserve	Available -for-sale financial assets fair value reserves	Employee share -based compen-sation reserves	Retained profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2006	5,813,273	1,815	110,979	150,186	10,712	—	134,175	49,159	3,466,568	9,736,867
Currency translation differences	—	—	—	397,336	—	—	—	—	—	397,336
Share of change in fair value of cash-flow hedges of an associated entity	—	—	—	—	—	(11,155)	—	—	—	(11,155)
Change of fair value of financial assets										
- gross	—	—	—	—	—	—	67,778	—	—	67,778
- taxation	—	—	—	—	—	—	(22,367)	—	—	(22,367)
Profit attributable to shareholders	—	—	—	—	—	—	—	—	712,615	712,615
Fair value adjustment to loans from minority shareholders of subsidiaries	—	—	—	—	5,703	—	—	—	—	5,703
Appropriation of reserves	—	—	22,768	—	—	—	—	—	(22,768)	—
Employee share option scheme expenses	—	—	—	—	—	—	—	4,514	—	4,514
Issue of shares net of issuing expenses	162,391	—	—	—	—	—	—	—	—	162,391
Transfer upon exercise of share options	32,985	—	—	—	—	—	—	(32,985)	—	—
Dividends paid	—	—	—	—	—	—	—	—	(597,149)	(597,149)
At 31 December 2006	6,008,649	1,815	133,747	547,522	16,415	(11,155)	179,586	20,688	3,559,266	10,456,533
Representing:										
2006 Final dividend proposed									156,781	
Others									3,402,485	
									3,559,266	

32 RESERVES (cont'd)

(a) Group (cont'd)

	Share premium HK$'000	Capital redemption reserve HK$'000	Statutory reserves (note a) HK$'000	Exchange fluctuation reserve HK$'000	Capital reserves HK$'000	Available-for-sale financial assets fair value reserves HK$'000	Employee share-based compensation reserves HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2005	5,740,733	1,815	79,397	(78,299)	5,356	—	26,635	1,299,432	7,075,069
Currency translation differences	—	—	—	228,439	—	—	—	—	228,439
Transfer to available-for-sale financial assets fair value reserves	—	—	—	—	—	163,068	—	(163,068)	—
Change of fair value of financial assets									
- gross	—	—	—	—	—	(37,457)	—	—	(37,457)
- taxation	—	—	—	—	—	8,564	—	—	8,564
Release of reserve upon deemed disposal of certain interests in a subsidiary	—	—	(12)	46	—	—	—	—	34
Profit attributable to shareholders	—	—	—	—	—	—	—	2,527,765	2,527,765
Fair value adjustment to loans from minority shareholders of subsidiaries	—	—	—	—	5,356	—	—	—	5,356
Appropriation of reserves	—	—	31,594	—	—	—	—	(31,594)	—
Employee share option scheme expenses	—	—	—	—	—	—	22,524	—	22,524
Issue of shares net of issuing expenses	72,540	—	—	—	—	—	—	—	72,540
Dividends paid	—	—	—	—	—	—	—	(165,967)	(165,967)
At 31 December 2005	5,813,273	1,815	110,979	150,186	10,712	134,175	49,159	3,466,568	9,736,867
Representing:									
2005 Final and special dividends proposed								467,041	
Others								2,999,527	
								3,466,568	

Note:

(a) Statutory reserves represent enterprise expansion and general reserve funds set up by the subsidiaries, jointly controlled entities and associated entities in China. As stipulated by regulation in China, the Company's subsidiaries and associated entities established and operated in China are required to appropriate a portion of their after-tax profits (after offsetting prior year losses) to the enterprise expansion and general reserve funds, at rates determined by their respective boards of directors. According to the Regulations for the Implementation of the Law of The People's Republic of China on Joint Ventures Using Chinese and Foreign Investment, upon approval, the general reserve funds may be used for making up losses and increasing capital while the enterprise expansion funds may be used for increasing capital.

32 RESERVES (cont'd)

(b) Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Employee share-based compensation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2006	5,813,273	1,815	49,159	3,112,589	8,976,836
Issue of shares net of issuing expenses	162,391	—	—	—	162,391
Employee share option scheme expenses	—	—	4,514	—	4,514
Transfer upon exercise of share options	32,985	—	(32,985)	—	—
Profit for the year	—	—	—	224,411	224,411
Dividends paid	—	—	—	(597,149)	(597,149)
At 31 December 2006	6,008,649	1,815	20,688	2,739,851	8,771,003
Representing:					
2006 Final dividend proposed				156,781	
Others				2,583,070	
				2,739,851	

	Share premium HK$'000	Capital redemption reserve HK$'000	Employee share-based compensation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2005	5,740,733	1,815	26,635	289,182	6,058,365
Issue of shares net of issuing expenses	72,540	—	—	—	72,540
Employee share option scheme expenses	—	—	22,524	—	22,524
Profit for the year	—	—	—	2,989,374	2,989,374
Dividends paid	—	—	—	(165,967)	(165,967)
At 31 December 2005	5,813,273	1,815	49,159	3,112,589	8,976,836
Representing:					
2005 Final and special dividends proposed				467,041	
Others				2,645,548	
				3,112,589	

33 BORROWINGS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current				
Long-term bank borrowings				
- Secured	**2,076,945**	2,866,479	**707,445**	1,537,456
- Unsecured	**1,184,253**	577,309	**—**	—
Obligations under finance leases	**96**	58	**96**	58
Loans from related companies *(note 41(c))*	**51,615**	87,532	**51,615**	87,532
Loans from minority shareholders of subsidiaries *(note 41(c))*	**449,738**	421,864	**—**	—
	3,762,647	3,953,242	**759,156**	1,625,046
Current				
Bank overdrafts	**215**	27,285	**—**	—
Short-term bank borrowings				
- Secured	**230,000**	48,077	**—**	—
- Unsecured	**1,182,243**	703,070	**—**	—
Current portion of long-term bank borrowings				
- Secured	**537,148**	457,089	**—**	131,539
- Unsecured	**126,700**	291,346	**—**	—
Loan from a subsidiary	**—**	—	**—**	160,000
Obligations under finance leases	**40**	34	**40**	34
	2,076,346	1,526,901	**40**	291,573
Total borrowings	**5,838,993**	5,480,143	**759,196**	1,916,619

The maturity of borrowings is as follows:

Group

	Bank borrowings and overdrafts		Other loans	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**2,076,306**	1,526,867	**40**	34
In the second year	**1,142,500**	812,478	**96**	34
In the third to fifth year	**2,118,698**	2,631,310	**51,615**	87,556
With no fixed repayment terms *(Note (i))*	**—**	—	**449,738**	421,864
	5,337,504	4,970,655	**501,489**	509,488

Note:

(i) Loans from minority shareholders of subsidiaries are not repayable within one year.

33 BORROWINGS (cont'd)

Company

	Bank borrowings and overdrafts		Other loans	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**—**	291,539	**40**	34
In the second year	**—**	142,855	**96**	34
In the third to fifth year	**707,445**	1,394,601	**51,615**	87,556
	707,445	1,828,995	**51,751**	87,624

The effective interest rates at the balance sheet date were as follows:

	2006				2005		
	HK$	**Rmb**	**USD**	**EUR**	HK$	Rmb	USD
Bank overdrafts	**8.24%**	**—**	**—**	**—**	8.00%	—	—
Bank borrowings	**4.85%**	**5.54%**	**5.43%**	**4.28%**	3.63%	5.21%	4.52%
Other loans	**5.15%**	**—**	**—**	**—**	3.82%	—	—

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

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong Dollars	**759,411**	1,943,904	**759,196**	1,916,619
Renminbi	**4,838,087**	3,499,034	**—**	—
Euro	**204,253**	—	**—**	—
United States Dollars	**37,242**	37,205	**—**	—
	5,838,993	5,480,143	**759,196**	1,916,619

The fair values of borrowings approximate their carrying amounts.

34 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using the applicable income tax rate.

The movements in the deferred tax liabilities/(assets) account are as follows:

	2006	2005
	HK$'000	HK$'000
At 1 January	**2,157,446**	3,158,470
Deferred taxation charged to income statement *(note 10(d))*	**150,044**	182,213
Disposal of subsidiaries	**—**	(1,174,673)
Deferred taxation charged/(credited) to equity	**24,123**	(8,564)
Exchange differences	**93,619**	—
At 31 December	**2,425,232**	2,157,446

The movements in deferred tax assets (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

	Group				
	Different bases in reporting expenses with tax authorities	**Revaluation of properties**	**Tax losses**	**Others**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2005	27,246	15,155	9,423	15,905	67,729
Credited/(charged) to income statement	79,654	8,962	2,606	(15,905)	75,317
At 31 December 2005	106,900	24,117	12,029	—	143,046
At 1 January 2006	106,900	24,117	12,029	—	143,046
Exchange differences	4,122	1,098	122	67	5,409
Credited/(charged) to income statement	48,969	4,884	(2,764)	3,153	54,242
At 31 December 2006	159,991	30,099	9,387	3,220	202,697

34 DEFERRED TAXATION (cont'd)

The movements in deferred tax liabilities (prior to offsetting of balances with the same jurisdiction), during the year are as follows:

	Group					
	Revaluation of properties HK$'000	Accelerated depreciation HK$'000	Revaluation of investments HK$'000	Different bases in reporting revenue with tax authorities HK$'000	Others HK$'000	Total HK$'000
At 1 January 2005	2,998,417	8,273	74,400	119,287	16,036	3,216,413
Charged/(credited) to income statement	259,818	(2,288)	—	9,786	—	267,316
Credited to reserves	—	—	(8,564)	—	—	(8,564)
Disposal of subsidiaries	(1,174,673)	—	—	—	—	(1,174,673)
At 31 December 2005	2,083,562	5,985	65,836	129,073	16,036	2,300,492
At 1 January 2006	2,083,562	5,985	65,836	129,073	16,036	2,300,492
Exchange differences	94,931	—	3,458	—	639	99,028
Charged/(credited) to income statement	196,558	15,555	—	(10,389)	2,562	204,286
Charged to reserves	—	—	24,123	—	—	24,123
At 31 December 2006	2,375,051	21,540	93,417	118,684	19,237	2,627,929

Deferred income tax assets are recognised for tax losses carried forward and revaluation of properties to the extent that realisation of the related tax benefits through future taxation profits is probable. As at 31 December 2006, the Group has unrecognised tax losses of HK$845 million (2005: HK$911 million) for Hong Kong profits tax purposes with no expiry date and unrecognised tax benefits arising from revaluation of properties of HK$251 million (2005: HK$251 million).

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown on the consolidated balance sheet:

	2006 HK$'000	2005 HK$'000
Deferred tax assets		
- Hong Kong profits tax	**6,218**	8,844
- China enterprise income tax	**129,471**	59,136
	135,689	67,980
Deferred tax liabilities		
- Hong Kong profits tax	**16,056**	17,121
- China enterprise income tax	**1,603,919**	1,273,147
- China land appreciation tax	**940,946**	935,158
	2,560,921	2,225,426

35 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit from operations to net cash inflow generated from operations:

	2006	2005
	HK$'000	HK$'000
Profit from operations	**1,036,764**	3,163,517
Depreciation and amortisation	**300,830**	338,269
Loss on disposal/deemed disposal of certain interests in a subsidiary	**—**	1,441
Loss on disposal of property, plant and equipment	**6,016**	11,452
Loss on disposal of available-for-sale financial assets	**—**	11,600
Loss on partial disposal of an associated entity	**2,656**	—
Gain on disposal of subsidiaries	**—**	(2,028,993)
Fair value gains on investments properties	**(747,025)**	(798,919)
Excess of fair value of additional interests in a subsidiary and an associated entity over the acquisition cost	**—**	(198,214)
Provision for impairment of properties under development and properties held for sale	**12,843**	66,208
Provision for impairment of available-for-sale financial assets	**10,982**	46,949
Provision for impairment of property, plant and equipment	**1,959**	69,539
Employee compensation expenses	**4,514**	22,524
Profit from operations before working capital changes	**629,539**	705,373
Net (increase)/decrease in investment properties, properties under development, properties held for sale and leasehold land and land use rights	**(97,868)**	142,953
Decrease/(increase) in inventories	**85,210**	(123,817)
Decrease in other assets held for sale	**397,000**	—
(Increase)/decrease in trade receivables, other receivables and prepayments and deposits	**(48,726)**	272,460
Increase in trade payables and other payables and accrued charges	**744,643**	740,031
Decrease in financial derivatives	**—**	(29,021)
Decrease in amount due to a substantial shareholder	**(71,702)**	(150,264)
(Decrease)/increase in amounts due to related companies	**(20,894)**	45,333
Decrease in amounts due to minority shareholders	**(11,023)**	(73,963)
Net cash inflow generated from operations	**1,606,179**	1,529,085

(b) During the year, the Group disposed of certain interests in an associated entity with a carrying value of approximately HK$263 million for a cash consideration of approximately HK$261 million, resulting in a loss on disposal of approximately HK$2 million.

36 COMMITMENTS UNDER OPERATING LEASES

The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land, buildings, plant and workshop (arising mainly from the related party transactions referred to in note 41(b) except for the commitment disclosed in note (i) below) as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Not later than one year *(Note (i))*	**2,764,276**	28,370
Later than one year and not later than five years	**140,497**	91,120
Later than five years	**213,828**	207,841
	3,118,601	327,331

Note:

(i) In 2006, the Group entered into several agreements with certain third parties to acquire land use rights in Guangzhou at a total consideration of approximately HK$2,932 million. The Group prepaid approximately HK$1,267 million for these land use rights, the ownership certificates of which have not been obtained as at 31 December 2006. The prepayment is included in prepayments for land use rights on the consolidated balance sheet.

In 2005, the Group won the bid for a land use right in Guangzhou at an offer price of approximately HK$1,057 million. As at 31 December 2006, the Group prepaid approximately HK$5 million (2005: HK$5 million) for this land use right and was in the process of negotiating the detailed terms of the acquisition agreement with the relevant government authority. The prepayment is included in prepayments for land use rights on the consolidated balance sheet.

The Company did not have any significant commitment under operating leases at 31 December 2006 (2005: Nil).

37 FUTURE MINIMUM RENTAL PAYMENTS RECEIVABLE

At 31 December 2006, the Group had future minimum rental payments receivable under certain non-cancellable leases as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Not later than one year	**199,160**	205,464
Later than one year and not later than five years	**452,897**	357,835
Later than five years	**105,082**	44,069
	757,139	607,368

During the year, the Group entered into a fifteen years' lease agreement with a third party, whereby a property is leased to the third party who acts as the head tenant and operates a shopping mall in the property. In return, the Group is entitled to a share of the sub-lease rental income to be received by the third party during the lease period which has been included in the above analysis.

38 OTHER COMMITMENTS

	Group	
	2006	2005
	HK$'000	HK$'000
Capital commitments in respect of property, plant and equipment		
- Contracted but not provided for	**1,645,872**	265,869
- Authorised but not contracted for	**592,470**	—
	2,238,342	265,869

At 31 December 2006, the Group had financial commitments in respect of equity capital to be injected into two jointly controlled entities of approximately HK$637,294,000 (2005: one jointly controlled entity of approximately HK$198,558,000), of which HK$532,294,000 relates to an acquisition as disclosed as subsequent event in note 42(b).

At 31 December 2006, the Group's share of capital commitments of a jointly controlled entity not included in the above amounted to HK$243,600,000 (2005: HK$599,200,000).

The Company did not have significant capital commitments at 31 December 2006 (2005: Nil).

39 CONTINGENT LIABILITIES

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties *(Note (i))*	**494,444**	264,272	—	—
Guarantees for banking and loan facilities granted to subsidiaries	—	—	**357,115**	217,915
	494,444	264,272	**357,115**	217,915

Note:

(i) The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates.

40 SECURITIES FOR BANKING FACILITIES

At 31 December 2006, certain banking facilities and loans granted to the Group and the Company were secured by:

(a) mortgages of certain of the Group's properties under development, investment properties and property, plant and equipment with an aggregate carrying value of HK$576 million (2005: HK$1,660 million), HK$2,988 million (2005: HK$1,725 million) and HK$133 million (2005: HK$128 million) respectively;

(b) mortgages of certain of the Group's leasehold land and land use rights with an aggregate carrying value of HK$410 million (2005: HK$950 million);

(c) pledge of the Group's investments in certain subsidiaries with net assets value of HK$390 million (2005:HK$7,745 million);

(d) assignment of shareholder's loans between certain companies in the consolidated group with an aggregate amount of HK$3,410 million (2005: HK$6,795 million); and

(e) corporate guarantee provided by a minority shareholder of a subsidiary in the amount of HK$835 million (2005: HK$519 million).

41 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related parties

Related parties are those parties which have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. The table below summarises the names of related parties and nature of relationship with the Company as at 31 December 2006:

Related parties	**Relationship with the Company**
Yue Xiu Enterprises (Holdings) Limited ("YXE")	A substantial shareholder
Yue Xiu International Development Limited ("YXIDL")	A subsidiary of YXE
Yue Xiu Finance Company Limited ("YXF")	A subsidiary of YXE
Guangzhou Construction & Development Group Co., Ltd. ("GCDGL")	A minority shareholder of certain subsidiaries
Guangzhou Paper Holdings Limited ("GZPHL")	A minority shareholder of a subsidiary
Guangzhou Northern Second Ring Expressway Co., Ltd. ("GNSR")	A jointly controlled entity
Guangzhou Western Second Ring Expressway Co., Ltd.	A jointly controlled entity
Guangdong Humen Bridge Co., Ltd.	An associated entity
Guangdong Qinglian Highway Development Co., Ltd.	An associated entity
Guangdong Shantou Bay Bridge Co., Ltd.	An associated entity
Guangzhou Northring Freeway Co., Ltd.	An associated entity
GZI Real Estate Investment Trust ("GZI REIT")	An associated entity

41 SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

(b) Transactions with related parties (cont'd)

Save as disclosed elsewhere in these financial statements, the Group had the following significant transactions with related parties during the year:

		2006 HK$'000	2005 HK$'000
(I)	Transactions with YXE		
	Rental expenses and property management fee paid to YXE	**(1,690)**	(2,183)
	Loan interest paid to YXE	**(375)**	(8,506)
	Service fees paid to YXE	**(600)**	—
(II)	Transaction with GZPHL		
	Rental and utility expenses paid to GZPHL *(Note (i))*	**(279,112)**	(299,243)
(III)	Transactions with YXF		
	Management fee paid to YXF	**(332)**	—
	Service fees paid to YXF	**(90)**	—
(IV)	Transaction with YXIDL		
	Loan interest paid to YXIDL	**(3,266)**	(2,997)
(V)	Transaction with GCDGL		
	Deposit for potential acquisition of certain properties *(Note (ii))*	**(44,615)**	—
(VI)	Transactions with GZI REIT		
	Asset management fee received from GZI REIT	**23,765**	573
	Decoration expenses received from GZI REIT *(Note (iii))*	**371**	—
	Tenancy services fee received from GZI REIT	**12,279**	—
	Rental expenses paid to GZI REIT	**(3,139)**	—

Notes:

(i) The rental and utility expenses paid to GZPHL were conducted in accordance with the terms of the wavier granted by the shareholders in early 2005.

(ii) The deposit for potential acquisition of certain properties of approximately HK$44,615,000 was refunded by GCDGL to the Group during the year upon cancellation of the acquisition plan.

(iii) In January 2006, the Group entered into an agreement (the "Main Contract") of HK$5,052,065 with GZI REIT in connection with the renovation of certain units of White Horse Building. Pursuant to supplementary agreements entered into between the Group, GZI REIT and two third-party subcontractors dated 28 January 2006, the Group subcontracted part of the contract work, amounting to HK$4,647,900 of the contract sum of the Main Contract, to these third-party subcontractors.

(iv) In connection with the Group's acquisition of Guangzhou Construction & Development Holdings (China) Limited in 2002, GCDGL agreed to bear any obligations to construct public facilities in excess of those previously agreed with GCDGL.

41 SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

(c) Balances with related parties

	2006 HK$'000	2005 HK$'000
Amounts due to a substantial shareholder *(note (i) and (vi))*	**(76,924)**	(148,626)
Amounts due to associated entities *(note (ii) and (vii))*	**(112,150)**	(119,938)
Loans receivable from associated entities *(note (iv) and (vii))*	**319,218**	747,322
Amounts due from associated entities *(note (ii) and (viii))*	**160,726**	60,510
Amounts due from jointly controlled entities *(note (ii) and (vii))*	**190,590**	147,105
Amounts due to jointly controlled entities *(note (ii) and (vi))*	**(130,678)**	(83,559)
Amounts due to minority shareholders of subsidiaries *(note (ii) and (vi))*	**(101,845)**	(112,868)
Loans from minority shareholders of subsidiaries *(note (v) and (ix))*	**(449,738)**	(421,864)
Loans from related companies *(note (iii) and (vi))*	**(51,615)**	(87,532)
Amounts due from related companies *(note (ii) and (vi))*	**—**	1,510
Amounts due to related companies *(note (ii) and (vi))*	**(24,439)**	(45,333)

Notes:

(i) The balance at 31 December 2006 is unsecured, interest-free and repayable on demand. The balance at 31 December 2005 is unsecured, repayable on demand and bears interest at Hong Kong Interbank Offered Rate plus 1 per cent per annum.

(ii) All balances are unsecured, interest-free and repayable on demand.

(iii) The loan balance of HK$51,615,000 (2005: HK$87,532,000) bears interest at Hong Kong Interbank Offered Rate plus 1 per cent per annum.

(iv) The loan balances are unsecured, have no fixed repayment terms and bear interest at the prevailing US dollars prime rates ranging from 7.50% to 8.25% (2005: 5.25% to 7.25%) per annum and lending rates of financial institutions in China at 6.12% (2005: 6.12%) per annum.

(v) Except for an amount of HK$129,000,000 (2005: HK$120,561,000) which bears interest at the prevailing lending rates of financial institutions in China ranging from 6.12% to 6.84% (2005: 6.12%) per annum, the loans from minority shareholders of subsidiaries are interest-free and have no fixed repayment term.

(vi) These balances are included in other receivables, prepayments and deposits or other payables and accrued charges, as appropriate.

(vii) These balances are included in interests in jointly controlled entities or interests in associated entities, as appropriate.

(viii) The balance is included in interests in associated entities except for an amount of approximately HK$22,144,000 (2005: Nil) which is included in other receivables, prepayments and deposits.

(ix) These balances are included in long-term borrowings.

41 SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

(d) Key management compensation

The aggregate amounts of emoluments paid or payable to key management of the Group are as follows:

	2006 **HK$'000**	2005 HK$'000
Fees	**375**	204
Other emoluments:		
Basis salaries, housing allowances, other allowances and benefits in kind	**34,964**	21,320
Share-based payments	**—**	497
Pension costs	**642**	447
	35,981	22,468

42 EVENTS AFTER THE BALANCE SHEET DATE

(a) On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). The new CIT Law changes the corporate income tax rate for domestic enterprises (foreign invested enterprises) from 33% (15% to 24%) to 25% with effect from 1 January 2008. The new CIT Law also provides for preferential tax rates, tax incentives for prescribed industries and activities, grandfathering provisions as well as determination of taxable profit. As at the date that these financial statements are approved for issue, detailed measures concerning these items have yet to be issued by the State Council. Consequently, the Company is not in a position to assess the impact, if any, to the carrying value of deferred tax assets and liabilities as at 31 December 2006. The Company will evaluate the impact as more detailed regulations are announced.

(b) On 20 November 2006, the Group entered into an agreement with Guangzhou Development Infrastructure Investments Co., Ltd., to acquire an additional 20% equity interest in a jointly controlled entity, Guangzhou Northern Second Ring Expressway Co., Ltd., for a consideration of Rmb666,200,000. A deposit of HK$132,580,000 (equivalent to approximately Rmb133,906,000) was paid on 20 November 2006. The acquisition was completed in March 2007 and financed by a 5-year unsecured bank loan and internal funds.