1. Corporate Information

Lei Shing Hong Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 8th Floor, New World Tower I, 18 Queen's Road Central, Hong Kong.

During the year, the Group was involved in the following principal activities:

- trading of motor vehicles and spare parts and provision of after-sales services
- trading of heavy equipment and provision of product support services
- property development and investment
- general trading
- securities broking and trading
- money lending

2.1 Basis of Preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain investment properties which have been measured at the carrying amount as at 1 January 2005 as their deemed cost and available-for-sale financial assets and equity investments at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2006. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. Acquisitions of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

2.2 Impact of New and Revised Hong Kong Financial Reporting Standards

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 27 Amendment	Consolidated and Separate Financial Statements: Amendments as a consequence of the Companies (Amendment) Ordinance 2005
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The principal changes in accounting policies are as follows:

(a) HKAS 21 *The Effects of Changes in Foreign Exchange Rates*

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 December 2006 or 31 December 2005.

(b) HKAS 27 *Consolidated and Separate Financial Statements*

The adoption of the revised HKAS 27 has resulted in a change in accounting policy relating to the definition of a subsidiary for the purpose of the consolidated financial statements as described in note 2.4 "Summary of significant accounting policies" below.

In prior years, the Group had equity investments in companies registered in the People's Republic of China (the "PRC companies"), where control was the power to govern the financial and operating policies of the PRC companies so as to obtain benefits from the PRC companies' activities, where HKAS 27 defines the PRC companies as subsidiaries. However, entities could only be regarded as the Company's subsidiaries when they also met the definition of subsidiaries under the then Hong Kong Companies Ordinance which defined an entity to be a subsidiary of another company if that company controls more than half of an entity's voting power, controls the board of directors of the entity or holds more than half of the entity's issued share capital. The Group's equity investments in the PRC companies had therefore been recorded as available-for-sale investments, which were stated at cost less any impairment losses.

2.2 Impact of New and Revised Hong Kong Financial Reporting Standards (continued)

(b) HKAS 27 *Consolidated and Separate Financial Statements* (continued)

Upon the adoption of the Companies (Amendment) Ordinance 2005, the PRC companies meet the definition of subsidiaries under both HKAS 27 and the Companies (Amendment) Ordinance 2005 and consolidation of the PRC companies is required. In accordance with the revised HKAS 27, comparative amounts have been restated. The effects of the above change are summarised below.

	2006 **HK$'000**	2005 HK$'000
Consolidated income statement for the year ended 31 December		
Increase in revenue	**8,701,525**	1,224,271
Increase in cost of sales and services	**(8,010,568)**	(922,950)
Decrease in other income and gains	**(105,933)**	(65,359)
Increase in selling and distribution costs	**(78,891)**	(34,334)
Increase in administrative expenses	**(119,859)**	(67,909)
Increase in other operating expenses	**(44,104)**	(37,772)
Increase in finance costs	**(9,387)**	(3,605)
Increase/(decrease) in share of profits and losses of associates	**30,918**	(895)
Increase in tax	**(93,715)**	(42,711)
Total increase in profit	**269,986**	48,736
Increase in basic earnings per share	**HK25.46 cents**	HK4.61 cents
Increase in diluted earnings per share	**HK25.33 cents**	HK4.58 cents

2.2 Impact of New and Revised Hong Kong Financial Reporting Standards (continued)

(b) HKAS 27 *Consolidated and Separate Financial Statements* (continued)

	2006 HK$'000	2005 HK$'000
Consolidated balance sheet and equity at 1 January		
Increase in property, plant and equipment	**82,103**	17,459
Decrease in investment properties	**(35,831)**	–
Increase in properties under development	**146,952**	114,918
Increase in interests in associates	**1,747**	2,594
Decrease in available-for-sale investments	**(248,826)**	(202,128)
Increase in inventories	**1,130,533**	50,453
Decrease in trade receivables	**(1,198,288)**	(74,844)
Decrease in loans and receivables	**(85,511)**	–
Increase in prepayments, deposits and sundry receivables	**187,356**	52,751
Increase in cash and cash equivalents	**350,287**	164,979
	330,522	126,182
Increase in trade and bills payables	**23,659**	25,714
Increase in sundry payables and accruals	**155,557**	65,488
Increase in interest-bearing bank borrowings	**43,236**	5,660
Increase in tax payable	**21,087**	45
Increase in reserve funds	**993**	–
Increase/(decrease) in the exchange fluctuation reserve	**3,351**	(582)
Increase/(decrease) in retained profits	**31,558**	(1,780)
Increase in minority interests	**51,081**	31,637
	330,522	126,182

2.2 Impact of New and Revised Hong Kong Financial Reporting Standards (continued)

(b) HKAS 27 *Consolidated and Separate Financial Statements* (continued)

	2006 HK$'000	2005 HK$'000
Consolidated balance sheet and equity at 31 December		
Increase in property, plant and equipment	**176,122**	82,103
Decrease in investment properties	**(35,114)**	(35,831)
Increase in properties under development	**397,300**	146,952
Increase in interests in associates	**32,738**	1,747
Decrease in available-for-sale investments	**(248,826)**	(248,826)
Increase in inventories	**1,163,288**	1,130,533
Decrease in trade receivables	**(31,826)**	(1,198,288)
Decrease in loans and receivables	**(232,670)**	(85,511)
Increase in prepayments, deposits and sundry receivables	**222,101**	187,356
Increase in cash and cash equivalents	**305,718**	350,287
	1,748,831	330,522
Increase in trade and bills payables	**857,596**	23,659
Increase in sundry payables and accruals	**206,125**	155,557
Increase in interest-bearing bank borrowings	**287,926**	43,236
Increase in tax payable	**40,467**	21,087
Increase in reserve funds	**10,825**	993
Increase in the exchange fluctuation reserve	**16,808**	3,351
Increase in retained profits	**247,109**	31,558
Increase in minority interests	**81,975**	51,081
	1,748,831	330,522

	2006 HK$'000
Condensed consolidated cash flow statement for the year ended 31 December 2006	
Increase in net cash inflow from operating activities	**70,311**
Increase in net cash outflow from investing activities	**(362,515)**
Increase in net cash inflow from financing activities	**243,096**
Net decrease in cash and cash equivalents	**(49,108)**
Increase in cash and cash equivalents at beginning of year	**350,287**
Increase in effect of foreign exchange rate changes, net	**4,539**
Increase in cash and cash equivalents at end of year	**305,718**

2.2 Impact of New and Revised Hong Kong Financial Reporting Standards (continued)

(b) HKAS 27 *Consolidated and Separate Financial Statements* (continued)

	2005
	HK$'000
Condensed consolidated cash flow statement for the year ended 31 December 2005	
Increase in net cash inflow from operating activities	163,995
Increase in net cash outflow from investing activities	(19,112)
Decrease in net cash outflow from financing activities	39,487
Net increase in cash and cash equivalents	184,370
Increase in cash and cash equivalents at beginning of year	164,979
Increase in effect of foreign exchange rate changes, net	938
Increase in cash and cash equivalents at end of year	350,287

(c) HKAS 39 *Financial Instruments: Recognition and Measurement*

(i) *Amendment for financial guarantee contracts*

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*. The adoption of this amendment has had no material impact on these financial statements.

(ii) *Amendment for the fair value option*

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on the financial statements.

(d) HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*

The Group has adopted this interpretation as of 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This interpretation has had no material impact on these financial statements.

2.3 Impact of Issued but not yet Effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

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

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments.

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard requires the disclosure of information about the operating segments of the Group, the products and services provided by the segments, the geographical areas in which the Group operates, and revenues from the Group's major customers. The standard will supersede HKAS 14 *Segment Reporting.*

HK(IFRIC)-Int 7, HK(IFRIC)-Int 8, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10, HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 1 March 2006, 1 May 2006, 1 June 2006, 1 November 2006, 1 March 2007 and 1 January 2008, respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment, HKFRS 7 and HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to the joint venture's financial and operating policies;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

2.4 Summary of Significant Accounting Policies (continued)

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of associates, which was not previously eliminated against the consolidated reserves at the time of acquisition, is included as part of the Group's interests in associates.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005

Goodwill arising on acquisition is initially recognised in the consolidated balance sheet as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. In the case of associates, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 *Segment Reporting*.

2.4 Summary of Significant Accounting Policies (continued)

Goodwill (continued)

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005 (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

Goodwill previously eliminated against consolidated reserves

Prior to the adoption of the HKICPA's Statement of Standard Accounting Practice 30 "Business Combinations" ("SSAP 30") in 2001, goodwill arising on acquisition was eliminated against consolidated reserves in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against consolidated reserves and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a member of the key management personnel of the Group;

(d) the party is a close member of the family of any individual referred to in (a) or (c);

(e) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or

(f) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Construction in progress	Nil
Freehold land	Nil
Freehold building	1.6%-3.3%
Long term leasehold land and buildings	Over the terms of the individual leases
Medium term leasehold land and buildings	Over the terms of the individual leases
Leasehold improvements	Over the terms of the individual leases or 5 years, whichever is shorter
Furniture, fixtures and equipment	20%-33.3%
Motor vehicles	20%
Vessel	10%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings and offices under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and other related expenses incurred during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 Summary of Significant Accounting Policies (continued)

Properties under development

Properties under development include the cost of land, construction, financing and other related expenses less any impairment losses.

Development properties where construction either has not yet commenced, or has been deferred, are included as land held for development and are stated at cost less any impairment losses.

Properties under development held for sale in respect of which occupancy permits are expected to be granted within one year from the balance sheet date are included as properties held for sale in current assets at the lower of cost and net realisable value. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realisable value is determined by reference to prevailing market prices on an individual property basis.

Properties held for sale

Properties held for sale, including properties under development which have been pre-sold, are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and buildings costs, including the cost of land, construction, financing and other related expenses less any impairment losses. Net realisable value is determined by reference to prevailing market prices on an individual property basis.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on the straight-line basis to write off the cost of each investment property to its residual value over its estimated useful life. The principal annual rate used for this purpose is over the terms of the individual leases.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

Transfers between investment properties and owner-occupied properties do not change the carrying amount or the cost of the properties transferred.

2.4 Summary of Significant Accounting Policies (continued)

Intangible asset (other than goodwill)

Trading right

Trading right, representing the eligibility right to trade on or through The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with an indefinite useful life, is tested for impairment annually either individually or at the cash-generating unit level. Such intangible asset is not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the lessee are accounted for as finance leases. Where the Group is the lessor, assets leased out by the Group under finance leases are derecognised at the inception of the finance leases. Finance lease income is recognised in the income statement progressively using the applicable effective interest rates over the lease terms so as to provide a constant periodic rate of return on the net investment.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased out by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land premiums under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment or investment properties.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in unlisted equity securities and club membership debentures that are designated as available-for-sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Available-for-sale financial assets (continued)

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement.

Impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event, occurring after the impairment loss was recognised in the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;

- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 Summary of Significant Accounting Policies (continued)

Derecognition of financial assets (continued)

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

2.4 Summary of Significant Accounting Policies (continued)

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as cross currency interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

The fair value of cross currency interest rate swap contracts is determined by reference to the present value of estimated future cash flows.

For the purpose of hedge accounting, hedges are classified as fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk).

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated. Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of a hedging derivative is recognised in the income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in the income statement.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the income statement over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to the income statement.

Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the income statement.

2.4 Summary of Significant Accounting Policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of motor vehicles and machines and engines is determined on the unit cost basis. The cost of all other inventories is determined on the weighted average basis. Cost includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Provision for product warranties granted by the Group to its customers on certain of its motor vehicles is based on sales volumes and past experience of the level of repairs.

2.4 Summary of Significant Accounting Policies (continued)

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods, properties or listed investments sold;

(b) from the rendering of repair services, based on the stage of completion of the transaction, provided that the costs incurred as well as the estimated costs to completion can be measured reliably. The stage of completion of a transaction associated with the rendering of services is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;

2.4 Summary of Significant Accounting Policies (continued)

Revenue recognition (continued)

(d) currency options premiums, on the transaction date when the relevant currency options contract is entered into;

(e) dividend income, when the shareholders' right to receive payment has been established;

(f) from the trading of foreign exchange, on the transaction date when the foreign exchange position is closed out;

(g) commission and brokerage income from securities dealing, on a trade date basis;

(h) from the rendering of insurance brokerage services, when the related insurance premiums become payable;

(i) rental income, on a time proportion basis over the lease terms; and

(j) from the rendering of trade finance services income, when the services have been rendered.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

2.4 Summary of Significant Accounting Policies (continued)

Employee benefits (continued)

Retirement benefits schemes

The Group operates an occupational retirement scheme registered under the Occupational Retirement Schemes Ordinance (Cap. 426). This scheme has been granted exemption pursuant to Section 5 of the Mandatory Provident Fund Schemes Ordinance. Contributions are made based on a percentage of the employees' basic salaries. When an employee leaves the scheme, unvested benefits will be used to reduce the ongoing employer's contributions.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. The Group's employer contributions based on 5% of the employees' relevant income will vest fully with the employees upon retirement.

Contributions to these schemes are charged to the income statement as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group and managed by independent professional fund managers.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the respective local municipal governments. These subsidiaries are required to contribute a specific percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

2.4 Summary of Significant Accounting Policies (continued)

Employee benefits (continued)

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested by 1 January 2005 and to those granted on or after 1 January 2005.

2.4 Summary of Significant Accounting Policies (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section in the balance sheet, until they have been approved by the shareholders in the annual general meeting. When these dividends have been declared and approved by the shareholders, they are recognised as a liability.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.4 Summary of Significant Accounting Policies (continued)

Foreign currencies (continued)

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at exchange rates ruling at the balance sheet date, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. Significant Accounting Judgements and Estimates

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill on acquisitions of subsidiaries and an associate at 31 December 2006 was HK$702,654,000 (2005: HK$676,466,000) and HK$229,689,000 (2005: HK$229,689,000), respectively. More details are given in notes 17 and 20 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2006 was HK$12,678,000 (2005: HK$11,132,000). The amounts of unrecognised tax losses arising in Hong Kong and Mainland China at 31 December 2006 was HK$80,703,000 (2005: HK$49,434,000) and HK$42,129,000 (2005: HK$52,089,000), respectively. Further details are contained in note 36 to the financial statements.

4. Revenue, Other Income and Gains

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold and repair services rendered; the gross proceeds on the sale of properties; interest income earned from time deposits, term loans, margin loans and credit linked notes; premiums received from currency options; dividend income from listed investments; foreign exchange trading losses; net gains/(losses) on dealing in listed investments; commission and brokerage income from securities dealing; and insurance brokerage income, but excludes intra-group transactions.

The Group's revenue, other income and gains for the year arose from the following activities:

	2006 HK$'000	2005 HK$'000 (Restated)
Revenue		
Sale of goods	**16,151,077**	12,248,115
Rendering of repair services	**847,066**	586,889
Sale of properties	**621,952**	473,070
Interest income from:		
Time deposits	**–**	1,225
Term loans and margin loans	**18,767**	10,934
Credit linked notes	**5,968**	6,698
Premium received from currency options	**–**	4,694
Dividend income from listed investments	**10,951**	7,463
Foreign exchange trading losses, net	**–**	(40,046)
Net gains/(losses) on dealing in listed investments	**27,425**	(4,496)
Commission and brokerage income from securities dealing	**8,196**	3,458
Insurance brokerage income	**880**	772
	17,692,282	13,298,776
Other income and gains		
Fair value gains on equity investments at fair value through profit or loss, net	**7,019**	1,851
Gross rental income	**43,457**	23,971
Bank interest income	**35,876**	29,451
Trade finance services income	**34,790**	–
Other income	**43,601**	20,592
	164,743	75,865

5. Profit Before Tax

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2006 HK$'000	2005 HK$'000 (Restated)
Cost of inventories sold		**15,248,128**	11,313,223
Cost of services rendered		**551,658**	404,642
Depreciation of property, plant and equipment	13	**131,475**	96,488
Depreciation of investment properties	14	**9,693**	4,970
Recognition of prepaid land premiums	15	**6,472**	4,289
Release of goodwill upon sales of developed properties*	17	**11,599**	7,972
Minimum lease payments under operating leases for land and buildings		**52,549**	63,798
Auditors' remuneration		**5,708**	4,787
Employee benefits expense (including directors' remuneration (note 7)):			
Wages and salaries		**461,735**	354,870
Pension scheme contributions		**21,103**	18,035
Less: Forfeited contributions		**(1,006)**	(135)
Net pension scheme contributions**		**20,097**	17,900
		481,832	372,770
Foreign exchange differences, net		**(54,876)**	12,549
Impairment of trade receivables		**11,629**	18,154
Impairment of a short term receivable		**5,000**	–
Write-down of inventories to net realisable value		**34,115**	20,258
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**12,400**	8,310
Provision for long service payments	35	**7,804**	10,415
Provision for product warranties	35	**9,957**	11,311

5. Profit Before Tax (continued)

	2006 HK$'000	2005 HK$'000 (Restated)
Fair value gains on equity investments at fair value through profit or loss, net	**(7,019)**	(1,851)
Gain on disposal of items of property, plant and equipment	**(596)**	(128)
Dividend income from listed investments	**(10,951)**	(7,463)
Net rental income	**(31,057)**	(15,661)
Interest income	**(60,611)**	(48,308)

* Goodwill arising on acquisitions of subsidiaries whose principal activity is property development is released by reference to the sales of the related developed properties. The amount was included in "Other operating expenses" on the face of the consolidated income statement.

** At 31 December 2005, the Group had forfeited contributions of HK$18,000 available to reduce its contributions to the pension schemes in future years.

6. Finance Costs

	Group	
	2006 HK$'000	2005 HK$'000 (Restated)
Interest on borrowings wholly repayable within five years:		
Bank loans	**132,774**	104,922
Trust receipt loans	**53,696**	43,638
Bank overdrafts	**8,593**	3,212
	195,063	151,772

7. Directors' Remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Fees	**810**	650
Other emoluments:		
Salaries, allowances and benefits in kind	**10,003**	11,454
Discretionary bonuses	**3,714**	2,396
Pension scheme contributions	**693**	784
	14,410	14,634
	15,220	15,284

(a) Independent non-executive directors

The fees paid and payable to independent non-executive directors during the year were as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Fung Ka Pun	**150**	120
Hubert Meier	**150**	120
Alan Howard Smith, *JP*	**120**	120
	420	360

There were no other emoluments payable to the independent non-executive directors during the year (2005: Nil).

7. Directors' Remuneration (continued)

(b) Executive directors and non-executive directors

2006	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:					
Gan Khian Seng	–	3,015	1,250	225	4,490
Yong Foo San, *JP*	–	3,011	1,000	180	4,191
Lim Mooi Ying, Marianne	–	3,007	1,250	225	4,482
Volker Josef Eckehard Harms (resigned on 19 April 2006)	–	362	–	27	389
Poh Yeow Kim Lawrence (resigned on 19 April 2006)	–	608	214	36	858
	–	10,003	3,714	693	14,410
Non-executive directors:					
Victor Yang	150	–	–	–	150
Christopher Patrick Langley, *OBE*	120	–	–	–	120
Lam Kwong Yu, *SBS*	120	–	–	–	120
	390	–	–	–	390
	390	10,003	3,714	693	14,800

7. Directors' Remuneration (continued)

(b) Executive directors and non-executive directors (continued)

2005	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:					
Gan Khian Seng	–	3,014	750	225	3,989
Yong Foo San, *JP*	–	3,010	600	180	3,790
Lim Mooi Ying, Marianne	–	3,006	750	225	3,981
Volker Josef Eckehard Harms	–	1,200	200	90	1,490
Poh Yeow Kim Lawrence	–	511	96	29	636
Lam Kwong Yu, *SBS* (re-designated as non-executive director on 4 August 2005)	–	713	–	35	748
	–	11,454	2,396	784	14,634
Non-executive directors:					
Victor Yang	120	–	–	–	120
Christopher Patrick Langley, *OBE*	120	–	–	–	120
Lam Kwong Yu, *SBS* (re-designated as non-executive director on 4 August 2005)	50	–	–	–	50
	290	–	–	–	290
	290	11,454	2,396	784	14,924

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

8. Five Highest Paid Employees

The five highest paid employees during the year included three (2005: three) executive directors, details of whose remuneration are set out in note 7 above. Details of the remuneration of the remaining two (2005: two) non-director, highest paid employees for the year are as follows:

	Group	
	2006 HK$'000	2005 HK$'000
Salaries, allowances and benefits in kind	**5,637**	4,724
Discretionary bonuses	**890**	730
Pension scheme contributions	**242**	204
	6,769	5,658

8. Five Highest Paid Employees (continued)

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2006	2005
HK$2,500,001 – HK$3,500,000	**1**	2
HK$3,500,001 – HK$4,500,000	**1**	–
	2	2

9. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

		Group	
	Note	**2006 HK$'000**	2005 HK$'000 (Restated)
Group:			
Income tax			
Current – Hong Kong			
Charge for the year		**2,122**	18,468
Overprovision in prior years		**(1,130)**	(4,918)
Current – Elsewhere			
Charge for the year		**259,207**	101,295
Underprovision in prior years		**1,521**	–
Land appreciation tax			
Charge for the year		**20,581**	70,035
Deferred	36	**4,419**	9,938
Total tax charge for the year		**286,720**	194,818

9. Tax (continued)

A reconciliation of the tax charge applicable to profit before tax using the statutory tax rate for the location in which the Company and the majority of its subsidiaries are domiciled to the tax charge at the Group's effective tax rate is as follows:

	2006 **HK$'000**	2005 HK$'000 (Restated)
Profit before tax	**667,985**	507,827
Tax charge at the Hong Kong statutory tax rate	**116,897**	88,870
Tax effect arising from lower or higher tax rates of overseas subsidiaries and associates, ranging from 15% to 33%	**98,215**	54,698
Tax effect of non taxable income	**(5,855)**	(16,514)
Tax effect of non deductible expenses	**54,381**	33,322
Utilisation of tax losses	**(14,197)**	(8,312)
Tax losses not recognised	**16,735**	11,463
Adjustments in respect of current tax of previous years	**391**	(4,918)
Tax effect of profits and losses attributable to associates	**(17,752)**	(14,595)
Tax effect of temporary differences, net	**24,116**	3,881
Land appreciation tax	**20,581**	70,035
Tax effect of land appreciation tax	**(6,792)**	(23,112)
Tax charge at the Group's effective rate	**286,720**	194,818

The share of tax attributable to associates amounting to HK$29,558,000 (2005 (restated): HK$23,879,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

The land appreciation tax is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 50% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sale of properties less deductible expenditures including lease charges of land use rights, borrowing costs and all property development expenditures. The land appreciation tax of HK$20,581,000 (2005: HK$70,035,000) is charged to the consolidated income statement for the year.

10. Profit Attributable to Equity Holders of the Parent

The consolidated profit attributable to equity holders of the parent for the year ended 31 December 2006 includes a loss of HK$70,000 (2005: profit of HK$17,508,000) which has been dealt with in the financial statements of the Company (note 39(b)).

11. Dividend

	Company	
	2006	2005
	HK$'000	HK$'000
Proposed final – HK3 cents (2005: HK3 cents) per ordinary share	**31,818**	31,816

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all the dilutive potential ordinary shares into ordinary shares.

12. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent (continued)

The calculations of basic and diluted earnings per share are based on:

	2006 HK$'000	2005 HK$'000 (Restated)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**315,215**	285,879

	Number of shares	
	2006	2005
Shares		
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	**1,060,559,323**	1,057,596,486
Effect of dilution – Weighted average number of ordinary shares:		
Warrants	**5,512,496**	7,259,401
	1,066,071,819	1,064,855,887

As the subscription prices of the share options outstanding during the years ended 31 December 2006 and 2005 were higher than the respective average market prices of the Company's shares during these years, there was no dilutive effect on the basic earnings per share.

13. Property, Plant and Equipment

Group

	Notes	Construction in progress HK$'000 (Restated)	Land and buildings HK$'000 (Restated)	Leasehold improve- ments HK$'000 (Restated)	Furniture, fixtures and equipment HK$'000 (Restated)	Motor vehicles HK$'000 (Restated)	Vessel HK$'000	Total HK$'000 (Restated)
31 December 2006								
At 31 December 2005 and at 1 January 2006:								
Cost		68,949	1,082,958	60,721	362,172	182,819	1,850	1,759,469
Accumulated depreciation		–	(128,786)	(24,741)	(154,871)	(67,247)	(1,557)	(377,202)
Net carrying amount		68,949	954,172	35,980	207,301	115,572	293	1,382,267
At 1 January 2006, net of accumulated depreciation		68,949	954,172	35,980	207,301	115,572	293	1,382,267
Additions		117,181	154,986	26,525	175,065	210,962	–	684,719
Disposals		–	(11,409)	–	(45,998)	(59,650)	–	(117,057)
Disposal of a subsidiary	40(c)	–	–	(557)	(756)	–	–	(1,313)
Depreciation provided during the year		–	(27,221)	(10,569)	(51,935)	(41,565)	(185)	(131,475)
Transfers to inventories		–	–	–	(28,297)	–	–	(28,297)
Transfers to investment properties	14	–	(186,010)	–	–	–	–	(186,010)
Reclassification		(121,412)	121,412	–	–	–	–	–
Exchange realignment		2,649	59,552	1,225	10,634	6,210	–	80,270
At 31 December 2006, net of accumulated depreciation		67,367	1,065,482	52,604	266,014	231,529	108	1,683,104
At 31 December 2006:								
Cost		67,367	1,205,780	88,576	402,647	315,044	1,850	2,081,264
Accumulated depreciation		–	(140,298)	(35,972)	(136,633)	(83,515)	(1,742)	(398,160)
Net carrying amount		67,367	1,065,482	52,604	266,014	231,529	108	1,683,104

13. Property, Plant and Equipment (continued)

Group

	Note	Construction in progress HK$'000 (Restated)	Land and buildings HK$'000 (Restated)	Leasehold improve-ments HK$'000 (Restated)	Furniture, fixtures and equipment HK$'000 (Restated)	Motor vehicles HK$'000 (Restated)	Vessel HK$'000	Total HK$'000 (Restated)
31 December 2005								
At 1 January 2005:								
Cost		50,870	845,905	40,637	283,894	148,562	1,850	1,371,718
Accumulated depreciation		–	(107,352)	(18,152)	(134,779)	(52,780)	(1,372)	(314,435)
Net carrying amount		50,870	738,553	22,485	149,115	95,782	478	1,057,283
At 1 January 2005, net of accumulated depreciation		50,870	738,553	22,485	149,115	95,782	478	1,057,283
Additions		58,642	270,413	19,420	101,557	79,496	–	529,528
Disposals		–	(241)	–	(4,154)	(36,220)	–	(40,615)
Depreciation provided during the year		–	(26,312)	(6,317)	(38,369)	(25,305)	(185)	(96,488)
Transfers to inventories and properties held for sale		–	(937)	–	(3,667)	–	–	(4,604)
Transfers to investment properties	14	–	(82,565)	–	–	–	–	(82,565)
Reclassification		(41,506)	41,506	–	–	–	–	–
Exchange realignment		943	13,755	392	2,819	1,819	–	19,728
At 31 December 2005, net of accumulated depreciation		68,949	954,172	35,980	207,301	115,572	293	1,382,267
At 31 December 2005:								
Cost		68,949	1,082,958	60,721	362,172	182,819	1,850	1,759,469
Accumulated depreciation		–	(128,786)	(24,741)	(154,871)	(67,247)	(1,557)	(377,202)
Net carrying amount		68,949	954,172	35,980	207,301	115,572	293	1,382,267

13. Property, Plant and Equipment (continued)

The Group's land and buildings included above are analysed as follows:

	Hong Kong	**Elsewhere**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Freehold	**–**	**640,761**	**640,761**
Long term leases	**8,085**	**35,749**	**43,834**
Medium term leases	**–**	**380,887**	**380,887**
Net carrying amount at 31 December 2006	**8,085**	**1,057,397**	**1,065,482**

	Hong Kong	**Elsewhere**	**Total**
	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)
Freehold	–	551,177	551,177
Long term leases	8,295	31,785	40,080
Medium term leases	–	362,915	362,915
Net carrying amount at 31 December 2005	8,295	945,877	954,172

13. Property, Plant and Equipment (continued)

Company

	Leasehold land and building HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Vessel HK$'000	Total HK$'000
31 December 2006						
At 1 January 2006, net of accumulated depreciation	**8,295**	**159**	**–**	**4,052**	**293**	**12,799**
Additions	**–**	**45**	**–**	**–**	**–**	**45**
Depreciation provided during the year	**(210)**	**(71)**	**–**	**(1,442)**	**(185)**	**(1,908)**
At 31 December 2006, net of accumulated depreciation	**8,085**	**133**	**–**	**2,610**	**108**	**10,936**
At 31 December 2006:						
Cost	**10,500**	**495**	**12**	**9,020**	**1,850**	**21,877**
Accumulated depreciation	**(2,415)**	**(362)**	**(12)**	**(6,410)**	**(1,742)**	**(10,941)**
Net carrying amount	**8,085**	**133**	**–**	**2,610**	**108**	**10,936**
31 December 2005						
At 1 January 2005:						
Cost	10,500	450	12	8,419	1,850	21,231
Accumulated depreciation	(1,995)	(219)	(12)	(4,549)	(1,372)	(8,147)
Net carrying amount	8,505	231	–	3,870	478	13,084
At 1 January 2005, net of accumulated depreciation	8,505	231	–	3,870	478	13,084
Additions	–	–	–	1,372	–	1,372
Depreciation provided during the year	(210)	(72)	–	(1,190)	(185)	(1,657)
At 31 December 2005, net of accumulated depreciation	8,295	159	–	4,052	293	12,799
At 31 December 2005 and at 1 January 2006:						
Cost	10,500	450	12	9,791	1,850	22,603
Accumulated depreciation	(2,205)	(291)	(12)	(5,739)	(1,557)	(9,804)
Net carrying amount	8,295	159	–	4,052	293	12,799

The Company's land and building is situated in Hong Kong and is held under a long term lease.

14. Investment Properties

	Group HK$'000	Company HK$'000
31 December 2006		
Carrying amount at 1 January 2006		
As previously reported	**462,941**	**2,030**
Effect of adopting HKAS 27 Amendment (note 2.2(b))	**(35,831)**	**–**
As restated	**427,110**	**2,030**
Exchange realignment	**31,046**	**–**
Additions	**19,881**	**–**
Transfer from property, plant and equipment (note 13)	**186,010**	**–**
Depreciation provided during the year	**(9,693)**	**(62)**
Carrying amount at 31 December 2006	**654,354**	**1,968**
At 31 December 2006:		
Cost	**690,644**	**2,091**
Accumulated depreciation	**(36,290)**	**(123)**
Net carrying amount	**654,354**	**1,968**

	Group HK$'000 (Restated)	Company HK$'000
31 December 2005		
Carrying amount at 1 January 2005	75,030	2,091
Additions	274,485	–
Transfer from property, plant and equipment (note 13)	82,565	–
Depreciation provided during the year	(4,970)	(61)
Carrying amount at 31 December 2005	427,110	2,030
At 31 December 2005:		
Cost	438,640	2,091
Accumulated depreciation	(11,530)	(61)
Net carrying amount	427,110	2,030

14. Investment Properties (continued)

The Group's investment properties are situated outside Hong Kong and are analysed as follows:

	2006 HK$'000	2005 HK$'000 (Restated)
Freehold	**473,651**	332,961
Long term leases	**39,402**	19,767
Medium term leases	**141,301**	74,382
Net carrying amount at 31 December	**654,354**	427,110

The Company's investment property is situated in the PRC and held under a medium term lease. Other details of the Group's investment properties as at 31 December 2006 are as follows:

Location	**Group's interest**	**Tenure**	**Gross floor area**	**Existing use**
Unit 703A-B, 7th Floor, Citic Building, Jin Sha Road East, Long Hu District, Shantou, Guangdong, PRC	100%	Medium term lease	447m^2	Office
Rooms 1201-06 on 12th Floor and the whole of 24th Floor and car parking spaces nos. 90, 91, 92, 93, 94 and 95 in Basement 2, Guangzhou International Trading Centre, No.1, Lin He Road West, Tianhe District, Guangzhou, Guangdong, PRC	100%	Medium term lease	3,158m^2	Office
1000 Huashan Road, Changning District, Shanghai, PRC	100%	Medium term lease	715m^2	Office
The Clubhouse, Starcrest, Wangjing Dong Yuan Yi Qu, Chaoyang District, Beijing, PRC	95%	Long term lease	1,835m^2	Clubhouse
16th Floor and two car parking spaces nos. 51 & 52, 2nd Tower Basement, Shartex Plaza, No.88 Zun Yi Nan Road, Changning District, Shanghai, PRC	100%	Long term lease	954m^2	Office
58-20, 98 Hangdong 7 ga, Jung-gu, Incheon, Korea	100%	Freehold	4,256m^2	Warehouse

14. Investment Properties (continued)

Location	Group's interest	Tenure	Gross floor area	Existing use
B301, 101-13, Yulhyeon-dong, Gangnam-gu, Seoul, Korea	100%	Freehold	341m^2	Used car centre
3rd to 6th Floors, Porsche Tower, 949-11, Daechi-dong, Gangnam-gu, Seoul, Korea	100%	Freehold	3,594m^2	Showroom and office
3rd to 6th Floors, Je-il Fire Insurance Building, 168-3, 168-4, 168-5 Samsung-dong, Gangnam-gu, Seoul, Korea	100%	Freehold	4,794m^2	Office
No. 285 Gang Ao Road, Wai Gao Qiao Free Trade Zone, Shanghai, PRC	100%	Medium term lease	14,070m^2	Warehouse
No. 75 Haibin 5th Road, Tianjin Tanggu Free Trade Zone, Tianjin, PRC	100%	Medium term lease	16,425m^2	Showroom, storage and office
No. 19 Haitian Road, Dalian Free Trade Zone, Dalian, PRC	100%	Medium term lease	8,271m^2	Showroom, storage and office
B-0111, D-0231 and D-0251, RITS Garden, Tianzhu Zhen Shunyi District, Beijing, PRC	100%	Long term lease	1,365m^2	Residential

The aggregate fair value of the Group's investment properties at 31 December 2006 assessed by Chung, Chan & Associates, independent professionally qualified valuers, on an open market, existing use basis was HK$844,576,000. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 42(a) to the financial statements.

15. Prepaid Land Premiums

	Group	
	2006	2005
	HK$'000	HK$'000
Carrying amount at 1 January	**240,888**	201,487
Exchange adjustments	**6,174**	2,021
Additions	**72,104**	48,570
Disposals	**(68,188)**	(6,901)
Recognised during the year	**(6,472)**	(4,289)
Carrying amount at 31 December	**244,506**	240,888
Current portion	**(6,569)**	(5,127)
Non-current portion	**237,937**	235,761

The Group's leasehold land is situated outside Hong Kong and is analysed as follows:

	2006	2005
	HK$'000	HK$'000
Long term leases	**5,833**	74,113
Medium term leases	**238,673**	166,775
Net carrying amount at 31 December	**244,506**	240,888

16. Properties Under Development

	Group	
	2006	2005
	HK$'000	HK$'000
		(Restated)
At 1 January		
As previously reported	**662,728**	1,303,464
Effect of adopting HKAS 27 Amendment (note 2.2(b))	**146,952**	114,918
As restated	**809,680**	1,418,382
Exchange adjustments	**19,741**	18,706
Additions, at cost	**390,245**	606,903
Reclassified as "Properties held for sale" within the current assets section in the consolidated balance sheet	**–**	(1,234,311)
At 31 December	**1,219,666**	809,680

Details of the properties under development are as follows:

Location	Use	Group's interest	Site area	Gross floor area	Stage of completion	Expected completion date
Starcrest Phase III, A3 Residential Area, Wangjing New City, Chaoyang District, Beijing, PRC	Residential/ Retail	95%	$35,026m^2$	$119,992m^2$	Foundation	2008
Lot No.7, Cheng Du Road, Jing An District, Shanghai, PRC*	–	95%	$7,358m^2$	$44,148m^2$	Land bank	–
LSH Plaza, No. 28, Area B, Wangjing New City, Chaoyang District, Beijing, PRC	Commercial/ Retail	100%	$31,988m^2$	$174,989m^2$	Super-structure under construction	2008

* A letter of intent was entered into between the Group and the Shanghai government for a proposed exchange of the land with another piece of land in Shanghai having comparable gross floor area. This arose as the Shanghai government modified the area around the land into a green zone for city. The Group is currently in discussion with the Shanghai government on detail terms of the land exchange but is uncertain on the timing by which the exchange will be completed.

17. Goodwill

Group

	HK$'000
At 1 January 2005:	
Cost	681,395
Accumulated release upon sales of developed properties	–
Net carrying amount	681,395
Cost at 1 January 2005, net of accumulated release upon sales of developed properties	681,395
Exchange adjustments	132
Purchase of an additional interest in a subsidiary (note 40(a))	2,911
Release during the year upon sales of developed properties (note 5)*	(7,972)
At 31 December 2005	676,466
At 31 December 2005:	
Cost	684,438
Accumulated release upon sales of developed properties	(7,972)
Net carrying amount	676,466
Cost at 1 January 2006, net of accumulated release upon sales of developed properties	**676,466**
Exchange adjustments	**116**
Purchases of additional interests in subsidiaries (note 40(a))	**37,671**
Release during the year upon sales of developed properties (note 5)*	**(11,599)**
At 31 December 2006	**702,654**
At 31 December 2006:	
Cost	**722,231**
Accumulated release upon sales of developed properties	**(19,577)**
Net carrying amount	**702,654**

* Goodwill arising on acquisitions of subsidiaries whose principal activity is property development is released by reference to the sales of the related development properties.

As further detailed in note 2.4 to the financial statements, the Group applied the transitional provisions of HKFRS 3 that permitted goodwill in respect of business combinations which occurred prior to 2001, to remain eliminated against consolidated reserves. As at 31 December 2006, the amount of goodwill remaining in consolidated reserves, arising from the acquisitions of subsidiaries prior to the adoption of SSAP 30 in 2001, was stated at its cost of HK$3,082,000 (2005: HK$3,082,000).

17. Goodwill (continued)

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating units, which are reportable segments, for impairment testing:

- the cash-generating unit of the trading of motor vehicles and spare parts and provision of after-sales services;

- the cash-generating unit of the trading of heavy equipment and provision of product support services; and

- the cash-generating unit of property development and investment.

The cash-generating unit of the trading of motor vehicles and spare parts and provision of after-sales services

The recoverable amount of the cash-generating unit of the trading of motor vehicles and spare parts and provision of after-sales services has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a five-year period. The discount rate applied to cash flow projections is 5% (2005: 5%) and cash flows beyond the five-year period are extrapolated using a growth rate of 8% (2005: 8%) which is the same as the long term average growth rate of the motor vehicles industry.

The cash-generating unit of the trading of heavy equipment and provision of product support services

The recoverable amount of the cash-generating unit of the trading of heavy equipment and provision of product support services has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a five-year period. The discount rate applied to cash flow projections is 5% (2005: 5%) and cash flows beyond the five-year period are extrapolated using a growth rate of 10% (2005: 10%) which is the same as the long term average growth rate of the heavy equipment industry.

The cash-generating unit of property development and investment

The recoverable amount of the cash-generating unit of property development and investment is also determined based on the fair value less costs to sell by reference to the prevailing market prices on the properties held under development.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2006	2005
	HK$'000	HK$'000
Trading of motor vehicles and spare parts and provision of after-sales services	**575,067**	537,396
Trading of heavy equipment and provision of product support services	**11,528**	11,412
Property development and investment	**116,059**	127,658
Carrying amount of goodwill	**702,654**	676,466

17. Goodwill (continued)

Impairment testing of goodwill (continued)

Key assumptions were used in the value in use calculation of the cash-generating units of the trading of motor vehicles and spare parts and provision of after-sales services and trading of heavy equipment and provision of product support services for the years ended 31 December 2006 and 2005. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

18. Other Intangible Asset

Group

	Trading right	
	2006	2005
	HK$'000	HK$'000
At 1 January and 31 December:		
Cost	**3,000**	3,000
Accumulated amortisation	**(1,350)**	(1,350)
Net carrying amount	**1,650**	1,650

19. Interests in Subsidiaries

	Company	
	2006	2005
	HK$'000	HK$'000
Unlisted shares, at cost	**3,366,673**	3,366,673
Due from subsidiaries	**2,706,371**	2,291,061
Due to subsidiaries	**(353,920)**	(480,819)
	5,719,124	5,176,915
Impairment	**(519,100)**	(519,100)
	5,200,024	4,657,815

Certain unsecured amounts due from subsidiaries bear interest at approximately 4.9% per annum (2005: approximately 3.6% per annum) and have no fixed terms of repayment. Certain unsecured amounts due to subsidiaries bear interest at rates ranging from approximately 4.3% to 4.7% per annum (2005: approximately 2.1% to 3.7% per annum) and have no fixed terms of repayment. Other amounts due from/to subsidiaries are unsecured, non interest-bearing and have no fixed terms of repayment. The carrying amounts of these amounts due from/to subsidiaries approximate to their fair values.

Details of the principal subsidiaries are set out in note 47 to the financial statements.

20. Interests in Associates

	Group	
	2006	2005
	HK$'000	HK$'000
		(Restated)
Share of net assets other than goodwill	**1,707,465**	1,641,157
Effect of adopting HKAS 27 Amendment (note 2.2(b))	**32,738**	1,747
	1,740,203	1,642,904
Goodwill on acquisition	**229,689**	229,689
	1,969,892	1,872,593
Due from associates	**43,996**	25,731
Due to associates	**(32,845)**	(172,471)
	11,151	(146,740)
	1,981,043	1,725,853

The amounts due from/to the associates are unsecured, interest-free, and have no fixed terms of repayment. The carrying amounts of these balances approximate to their fair values.

Impairment testing of goodwill on acquisition of an associate

The acquired goodwill related to an associate which is engaged in the trading of motor vehicles and spare parts and provision of after-sales services in Taiwan. The recoverable amount of the associate's cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a five-year period. The discount rate applied to cash flow projections is 5% (2005: 5%) and cash flows beyond the five-year period are extrapolated using a growth rate of 8% (2005: 8%) which is the same as the long term average growth rate of the motor vehicle industry.

Key assumptions were used in the value in use calculation of the cash-generating unit of the trading of motor vehicles and spare parts and provision of after-sales services for the years ended 31 December 2006 and 2005 and are explained under "Goodwill" (note 17) above.

Details of the principal associates are set out in note 48 to the financial statements.

20. Interests in Associates (continued)

The following table illustrates the summarised financial information of the Group's associates extracted from their financial statements:

	2006 **HK$'000**	2005 HK$'000 (Restated)
Assets	**13,467,566**	8,896,037
Liabilities	**8,166,834**	4,050,589
Revenues	**15,936,421**	5,664,840
Profit	**307,367**	176,239

21. Available-for-Sale Investments

	Group		**Company**	
	2006 **HK$'000**	2005 HK$'000 (Restated)	**2006** **HK$'000**	2005 HK$'000
Unlisted equity investments in overseas companies, at cost	**1,991**	1,886	**–**	–
Transferable club membership debentures, at fair value	**7,930**	9,803	**1,820**	1,820
	9,921	11,689	**1,820**	1,820

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate. As management has considered that the variability in the range of reasonable fair value estimates for these unquoted investments is significant for those investments and the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, these unlisted equity investments are stated at cost less any impairment losses.

The fair values of debentures are based on quoted market prices.

22. Net Investments in Finance Leases

The Group leases out machinery products under finance lease arrangements. The terms of the leases range from two to five years.

At 31 December 2006, the total future minimum lease receivables under finance leases and their present values were as follows:

	Minimum lease receivables 2006 HK$'000	Minimum lease receivables 2005 HK$'000	**Present value of minimum lease receivables 2006 HK$'000**	Present value of minimum lease receivables 2005 HK$'000
Amounts receivable:				
Within one year	**15,649**	82,864	**15,649**	82,864
In the second to fifth years, inclusive	**26,244**	42,143	**23,512**	37,888
Total minimum finance lease receivables	**41,893**	125,007	**39,161**	120,752
Unearned finance income	**(2,732)**	(4,255)		
Total net finance lease receivables	**39,161**	120,752		
Portion classified as current assets	**(15,649)**	(82,864)		
Non-current portion	**23,512**	37,888		

The net finance lease receivables bear interest at 6.5% per annum (2005: 7.4% per annum) and their carrying amounts approximate to their fair values.

23. Loans and Receivables

	Group	
	2006	2005
	HK$'000	HK$'000
		(Restated)
Loans receivable	**369,158**	218,545
Credit linked notes	**77,993**	155,973
Statutory deposits	**362**	245
Short term receivable	**–**	60,000
	447,513	434,763
Portion classified as current assets	**(132,394)**	(336,383)
Portion classified as non-current assets	**315,119**	98,380

(a) The short term receivable represents the proceeds from the disposal of a subsidiary, in the form of cash or residential and rental floor space, which was settled in 2006.

(b) The loans receivable bear interest at floating interest rates ranging from 6% to 11% per annum (2005: 5.75% to 9.75% per annum). Credit linked notes bear interest at a fixed interest rate of 4.7% per annum (2005: at rates ranging from 3.8% to 4.7% per annum) and are receivable in 2008. The statutory deposits and short term receivable are non interest-bearing.

(c) The carrying amounts of the Group's loans and receivables approximate to their fair values.

24. Inventories

	Group	
	2006	2005
	HK$'000	HK$'000
		(Restated)
Motor vehicles and spare parts	**1,781,476**	1,633,744
Heavy equipment and spare parts	**1,005,012**	579,546
Others	**–**	680
	2,786,488	2,213,970

25. Properties Held for Sale

	Group	
	2006	2005
	HK$'000	HK$'000
Properties held for sale, at cost	**840,215**	1,217,145

Details of the properties held for sale are as follows:

Location	**Use**	**Group's interest**	**Gross floor area**	**Stage of completion**
Starcrest, Phases I and II, A3 Residential Area, Wangjing New City, Chaoyang District, Beijing, PRC	Residential/ parking spaces	95%	250,834m^2	Completed
Lots A and B, 1319, Yan An Xi Road, Changning District, Shanghai, PRC	Residential/ parking spaces	100%	4,447m^2	Completed

Certain properties held for sale with an aggregate carrying value of approximately HK$90,844,000 (2005: HK$87,822,000) are subject to deferred sales contracts pursuant to which the buyers are required to purchase the properties at agreed prices within three years from the respective contract dates. Down payments received from the buyers in the current year are included in the "Sundry payables and accruals" account. Sales will be recognised when the significant risks and rewards of ownership to the properties have been transferred to the buyers.

26. Trade Receivables

The Group has granted credit to substantially all its debtors ranging from 30-60 days. Due to certain trade patterns, a minority of debtors have been given a credit period of 90-150 days. The Group seeks to maintain strict control over its outstanding receivables and has credit control to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on the payment due date and net of provisions, is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
		(Restated)
Current	**613,089**	412,768
0 – 3 months	**230,735**	191,232
4 – 6 months	**8,154**	3,767
7 – 12 months	**2,720**	1,628
Over 1 year	**1,061**	82
	855,759	609,477

27. Bills Receivable with Full Recourse/Bills Discounted with Full Recourse

Bills receivable with full recourse are not yet overdue and non interest-bearing. Bills discounted with full recourse are repayable within one year and bear interest at an average floating interest rate of 5.83% per annum (2005: 4.5% per annum). Their carrying amounts approximate to their fair values.

28. Prepayments, Deposits and Sundry Receivables

	Group		**Company**	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		
Prepayments and deposits	**627,748**	655,763	**–**	596
Sundry debtors	**426,187**	296,018	**3,744**	1,825
	1,053,935	951,781	**3,744**	2,421

29. Equity Investments at Fair Value Through Profit or Loss

	Group	
	2006	2005
	HK$'000	HK$'000
Listed equity investments, at market value:		
Hong Kong	**28,207**	110,486
Overseas	**–**	15,884
	28,207	126,370

The above equity investments at 31 December 2005 and 2006 were classified as held for trading.

30. Cash and Cash Equivalents and Pledged Time Deposits

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000
Cash and bank balances	**1,121,078**	1,052,191	**93**	93
Time deposits	**291,095**	272,077	**121,931**	39,708
	1,412,173	1,324,268	**122,024**	39,801
Less: Pledged deposits for securing payments to a main contractor	**(28,897)**	(23,883)	**–**	–
Cash and cash equivalents	**1,383,276**	1,300,385	**122,024**	39,801

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

The Group maintains trust accounts with an authorised institution in respect of clients' monies arising from the course of securities and finance businesses. As at 31 December 2006, clients' monies amounting to HK$11,868,000 (2005: HK$3,912,000) was held by the Group on behalf of customers in the trust accounts and the clients' monies was not included in the balances of cash and cash equivalents and pledged time deposits.

31. Trade and Bills Payables

An aged analysis of the trade and bills payables as at the balance sheet date, based on the payment due date, is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
		(Restated)
Current	**1,517,970**	1,384,780
0 – 3 months	**305,029**	70,710
4 – 6 months	**69,577**	8,879
7 – 12 months	**–**	19,353
	1,892,576	1,483,722

Included in the trade and bills payables are trade payables of HK$668,071,000 (2005: Nil) due to associates which are repayable within 15 days, which represents similar credit terms to those offered by the associates to their major customers. The trade payables are non interest-bearing and are normally settled on 60-day terms.

32. Sundry Payables and Accruals

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		
Accruals	**438,481**	393,693	**7,137**	1,152
Deposits received	**1,179,767**	1,218,460	**–**	–
Sundry payables	**246,934**	155,460	**96**	6
	1,865,182	1,767,613	**7,233**	1,158

Sundry payables are non interest-bearing and have an average term of three months.

33. Derivative Financial Instruments

	Group	
	2006	2005
	Liabilities	Liabilities
	HK$'000	HK$'000
Cross currency interest rate swaps	**43,178**	31,224
Portion classified as non-current	**(41,575)**	(15,177)
Current portion	**1,603**	16,047

The carrying amounts of cross currency interest rate swaps are the same as their fair values.

Fair value hedge

At 31 December 2006, the Group had cross currency interest rate swap agreements in place with an aggregate notional amount of HK$311,140,000 (2005: HK$387,755,000). The swap agreements are used to hedge the exposure to changes in the fair value of certain of the Group's bank loans with interest rates of 4.7% and LIBOR plus 0.8%, at the aggregate fair value of HK$311,140,000 (2005: HK$387,755,000). Under the swap agreements, the Group receives interest at fixed rates of 4.7%, and LIBOR plus 0.8%, and pays variable rates at the Korean certificate of deposit ("CD") rate plus 0.85% and the CD rate plus 0.9% on the notional amount. The secured debts and cross currency interest rate swap agreements have the same critical terms. These hedges of the cross currency interest rate swaps were assessed to be effective.

34. Interest-Bearing Bank Borrowings and Other Non Interest-Bearing Borrowing

	Average interest rate per annum (%)	Group	
		2006	2005
		HK$'000	HK$'000
			(Restated)
Current			
Bank overdrafts – unsecured	5.58	**237,277**	9,237
Bank loans – unsecured*	5.26	**1,323,117**	813,421
Trust receipt loans	5.67	**576,129**	1,111,094
Other loan – unsecured	–	**93,312**	–
		2,229,835	1,933,752
Non-current			
Bank loans – unsecured*	5.26	**1,371,073**	963,268
		3,600,908	2,897,020

* Includes the effects of the related cross currency interest rate swaps as further detailed in note 33 to the financial statements.

34. Interest-Bearing Bank Borrowings and Other Non Interest-Bearing Borrowing (continued)

	Average interest rate per annum (%)	Company	
		2006 HK$'000	2005 HK$'000
Current			
Bank loans – unsecured	6.43	**83,619**	27,143
Other loan – unsecured	–	**93,312**	–
		176,931	27,143
Non-current			
Bank loans – unsecured	6.43	**735,068**	234,592
		911,999	261,735

	Group		Company	
	2006 HK$'000	2005 HK$'000 (Restated)	**2006 HK$'000**	2005 HK$'000
Analysed into:				
Bank overdrafts repayable within one year or on demand	**237,277**	9,237	**–**	–
Bank loans repayable:				
Within one year or on demand	**1,323,117**	813,421	**83,619**	27,143
In the second year	**601,002**	131,685	**140,013**	36,837
In the third to fifth years, inclusive	**770,071**	761,787	**595,055**	162,857
Beyond five years	**–**	69,796	**–**	34,898
	2,694,190	1,776,689	**818,687**	261,735
Other loan repayable on demand	**93,312**	–	**93,312**	–
Trust receipt loans repayable within one year	**576,129**	1,111,094	**–**	–
	3,600,908	2,897,020	**911,999**	261,735
Portion classified as current liabilities	**(2,229,835)**	(1,933,752)	**(176,931)**	(27,143)
Long term portion – unsecured	**1,371,073**	963,268	**735,068**	234,592

34. Interest-Bearing Bank Borrowings and Other Non Interest-Bearing Borrowing (continued)

Notes:

(a) At 31 December 2006, the Group's and the Company's other loan was advanced by a major shareholder. This loan is unsecured, interest-free and is repayable on demand.

(b) Except for bank loans with an aggregate carrying value of approximately HK$77,685,000 (2005: HK$311,975,000), which bear interest at fixed rates, all borrowings of the Group and the Company bear interest at floating interest rates.

(c) Except for certain bank loans which are denominated in United States dollars, all interest-bearing bank borrowings and other non interest-bearing borrowing are denominated in the functional currency of the entity to which they related.

(d) The carrying amounts of the Group's and the Company's borrowings approximate to their fair values.

35. Provisions

Group

	Product warranties HK$'000	Long service payments HK$'000	Total HK$'000
At 1 January 2006	**30,128**	**15,283**	**45,411**
Exchange adjustment	**2,738**	**–**	**2,738**
Provided during the year (note 5)	**9,957**	**7,804**	**17,761**
Amounts utilised during the year	**(4,179)**	**(15,273)**	**(19,452)**
At 31 December 2006	**38,644**	**7,814**	**46,458**

The Group provides warranties to its customers on certain of its motor vehicles within the free warranty period. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

36. Deferred Tax

The movements in deferred tax liabilities and assets during the year were as follows:

Deferred tax liabilities

Group

HK$'000	Fair value adjustments arising from acquisitions of subsidiaries		Unremitted earnings		Revaluation of properties		Others		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
At 1 January	**141,643**	149,418	**50,612**	46,326	**813**	834	**3,589**	2,627	**196,657**	199,205
Deferred tax charged/(credited) to the income statement during the year (note 9)	**(13,102)**	(7,775)	**24,521**	4,286	**(21)**	(21)	**1,207**	962	**12,605**	(2,548)
Gross deferred tax liabilities at 31 December	**128,541**	141,643	**75,133**	50,612	**792**	813	**4,796**	3,589	**209,262**	196,657

Deferred tax assets

Group

HK$'000	Losses available for offset against future taxable profits		Provision		Others		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
At 1 January	**11,132**	12,727	**9,987**	11,999	**–**	8,336	**21,119**	33,062
Deferred tax credited/(charged) to the income statement during the year (note 9)	**1,546**	(1,595)	**6,640**	(2,333)	**–**	(8,558)	**8,186**	(12,486)
Exchange differences	**–**	–	**908**	321	**–**	222	**908**	543
Gross deferred tax assets at 31 December	**12,678**	11,132	**17,535**	9,987	**–**	–	**30,213**	21,119

The Group has tax losses arising in Hong Kong of HK$80,703,000 (2005: HK$49,434,000) that are available indefinitely, and in Mainland China of HK$42,129,000 (2005: HK$52,089,000) that are available for a maximum of five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets arising in Hong Kong and Mainland China have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

37. Share Capital

Shares

	2006	2005
	HK$'000	HK$'000
Authorised:		
2,000,000,000 ordinary shares of HK$1 each	**2,000,000**	2,000,000
Issued and fully paid:		
1,060,588,288 (2005: 1,060,519,774) ordinary shares of HK$1 each	**1,060,588**	1,060,520

During the period from 1 January 2006 to 19 June 2006, 68,514 ordinary shares of HK$1 each were issued for cash at an exercise price of HK$3 per share pursuant to the exercise of the Company's warrants for a total cash consideration, before expenses, of HK$205,542. The warrant subscription reserve of HK$34,257 attaching to the exercised warrants was reclassified into the share premium account accordingly.

During the year ended 31 December 2005, 11,000,000 ordinary shares of HK$1 each were issued for cash at an exercise price of HK$3 per share pursuant to the exercise of the Company's warrants for a total cash consideration, before expenses, of HK$33,000,000. The warrant subscription reserve of HK$5,500,000 attaching to the exercised warrants was reclassified into the share premium account accordingly.

A summary of the transactions during the year with reference to the above movements in the Company's issued ordinary share capital is as follows:

	Number of shares in issue	**Issued capital**	**Share premium account**	**Total**
		HK$'000	HK$'000	HK$'000
At 1 January 2005	1,049,519,774	1,049,520	2,705,398	3,754,918
Warrants exercised	11,000,000	11,000	27,500	38,500
At 31 December 2005 and 1 January 2006	1,060,519,774	1,060,520	2,732,898	3,793,418
Warrants exercised	68,514	68	171	239
At 31 December 2006	**1,060,588,288**	**1,060,588**	**2,733,069**	**3,793,657**

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 38 to the financial statements.

37. Share Capital (continued)

Warrants

A rights issue of warrants at an initial subscription price of HK$0.5 per warrant was made in the proportion of one warrant for every five shares held by members on the register of members on 28 May 2001, resulting in 190,233,000 warrants being issued. Each warrant entitles the holder thereof to subscribe for one ordinary share of HK$1 at an initial exercise price of HK$3 per share, payable in cash and subject to adjustment, at any time from 19 June 2001 to 19 June 2006. In accordance with the terms and conditions of the instrument constituting the warrants dated 25 May 2001, the subscription rights attaching to the warrants expired at 4:00 p.m. of 19 June 2006. The listing of the Company's warrants on the Stock Exchange was also withdrawn after 4:00 p.m. of 19 June 2006. The warrant subscription reserve of HK$36,937,000 attaching to the unexercised warrants was reclassified into retained profits accordingly.

During the period from 1 January 2006 to 19 June 2006, 68,514 warrants were exercised for 68,514 ordinary shares of HK$1 each at a price of HK$3 per share.

38. Share Option Scheme

The Company operated a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants. Eligible participants of the Scheme include the employees and directors (excluding non-executive directors) of the Company and any of its subsidiaries. The Scheme became effective on 25 June 1997 and lapsed on 24 June 2002. All share options granted prior to the expiration of the Scheme remain in full force and effect.

The maximum number of shares in respect of which options may be granted under the Scheme was not permitted to exceed 5% of the issued share capital of the Company from time to time. The maximum number of shares issuable under share options to each eligible participant in the Scheme was not permitted to exceed 25% of the maximum aggregate number of shares in respect of the options granted under the Scheme.

The offer of a grant of share options could be accepted from the date of the offer upon payment of HK$1, being the nominal consideration for the grant of an option. The granted share options may be exercised at any time during the period of eight years from the second anniversary of the date on which the share option is deemed to be granted and accepted by the holders in accordance with the provisions of the Scheme.

The exercise price of the share options is the higher of 80% of the average of the closing prices on the Stock Exchange for the five trading days immediately preceding the date of the offer of the option and the nominal value of the shares.

Share options do not confer rights on the holders to receive dividends or to vote at shareholders' meetings.

38. Share Option Scheme (continued)

The following share options were outstanding under the Scheme during the year:

Name or category of participant	Number of share options: At 1 January 2006	Reclassified/ (lapsed) during the year	At 31 December 2006	Date of grant of share options	Exercise period of share options	Exercise price of share options HK$ per share	Price of the Company's shares at grant date of options HK$ per share
Directors							
Gan Khian Seng	500,000	–	500,000	2-8-1997	1-9-1999 to 31-8-2007	5.89	7.75
	200,000	–	200,000	24-1-1998	31-1-2000 to 30-1-2008	6.00	7.45
Yong Foo San, *JP*	500,000	–	500,000	2-8-1997	21-8-1999 to 20-8-2007	5.89	7.75
	200,000	–	200,000	24-1-1998	27-1-2000 to 26-1-2008	6.00	7.45
Volker Josef Eckehard Harms (Note1)	500,000	(500,000)	–	2-8-1997	2-8-1999 to 1-8-2007	5.89	7.75
	200,000	(200,000)	–	24-1-1998	24-1-2000 to 23-1-2008	6.00	7.45
Lim Mooi Ying, Marianne	500,000	–	500,000	2-8-1997	2-8-1999 to 1-8-2007	5.89	7.75
	200,000	–	200,000	24-1-1998	27-1-2000 to 26-1-2008	6.00	7.45
Poh Yeow Kim Lawrence (Note 2)	100,000	(100,000)	–	24-1-1998	9-2-2000 to 8-2-2008	6.00	7.45
	2,900,000	(800,000)	2,100,000				
Other employees in aggregate	3,085,000	–	3,085,000	2-8-1997	(Note 3)	5.89	7.75
	2,036,000	100,000	2,136,000	24-1-1998	(Note 3)	6.00	7.45
	5,121,000	100,000	5,221,000				
	8,021,000	(700,000)	7,321,000				

Notes:

1. Mr. Volker Josef Eckehard Harms resigned as an executive director of the Company on 19 April 2006. Mr. Harms ceased to be an employee of the Company on 1 July 2006 and the said 700,000 share options were cancelled in December 2006 in accordance with the provisions of the Scheme.

2. Mr. Poh Yeow Kim Lawrence resigned as an executive director of the Company on 19 April 2006. Mr. Poh remains as an employee of the Company.

3. The granted share options may be exercised at any time during the period of eight years from the second anniversary of the date on which the share options are deemed to be granted and accepted by the holders in accordance with the provisions of the Scheme.

38. Share Option Scheme (continued)

At the balance sheet date, the Company had 7,321,000 share options outstanding under the Scheme, which represented approximately 0.69% of the Company's shares in issue as at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 7,321,000 additional ordinary shares of the Company and an additional share capital of HK$7,321,000 and share premium of HK$36,100,650 before the related share issue expenses.

In accordance with the terms and conditions of the instrument constituting the Scheme dated 25 June 1997, 4,585,000 share options granted on 2 August 1997 will lapse in August 2007.

39. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 68 to 71 of the annual report.

Pursuant to the respective laws and regulations for Sino-foreign joint venture enterprises and Korea and Taiwan incorporated companies, a portion of the profits of subsidiaries and associates of the Group in the PRC, Korea and Taiwan has been transferred to reserve funds.

Certain amounts of goodwill arising on the acquisitions of subsidiaries in prior years remain eliminated against consolidated reserves, as explained in note 17 to the financial statements.

(b) Company

	Notes	Share premium account HK$'000	Warrant subscription reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2005		2,705,398	42,471	604,292	3,352,161
Exercise of warrants	37	27,500	(5,500)	–	22,000
Profit for the year		–	–	17,508	17,508
Proposed 2005 final dividend	11	–	–	(31,816)	(31,816)
At 31 December 2005 and 1 January 2006		2,732,898	36,971	589,984	3,359,853
Exercise of warrants	37	171	(34)	–	137
Expiry of warrants	37	–	(36,937)	36,937	–
Loss for the year		–	–	(70)	(70)
Proposed 2006 final dividend	11	–	–	(31,818)	(31,818)
At 31 December 2006		**2,733,069**	**–**	**595,033**	**3,328,102**

40. Notes to the Consolidated Cash Flow Statement

(a) Purchases of additional interests in subsidiaries during the year

	2006 HK$'000	2005 HK$'000
Purchases of additional interests in subsidiaries, previously accounted for as minority interests	**97,678**	14,638
Goodwill on acquisition (note 17)	**37,671**	2,911
	135,349	17,549
Satisfied by:		
Cash	**135,349**	17,549

An analysis of the net outflow of cash and cash equivalents in respect of the purchases of additional interests in subsidiaries during the year is as follows:

	2006 HK$'000	2005 HK$'000
Net outflow of cash and cash equivalents in respect of the purchases of additional interests in subsidiaries	**135,349**	17,549

(b) Purchases of additional interests in associates during the year

	2006 HK$'000	2005 HK$'000
Purchases of additional interests in associates	**6,751**	–
Satisfied by:		
Cash	**6,751**	–

An analysis of the net outflow of cash and cash equivalents in respect of the purchases of additional interests in associates during the year is as follows:

	2006 HK$'000	2005 HK$'000
Net outflow of cash and cash equivalents in respect of the purchases of additional interests in associates	**6,751**	–

40. Notes to the Consolidated Cash Flow Statement (continued)

(c) Disposal of a subsidiary during the year

	Note	2006 HK$'000	2005 HK$'000
Net assets disposed of:			
Property, plant and equipment	13	**1,313**	–
Trade receivables, prepayments and deposits		**3,864**	–
Inventories		**1,157**	–
Cash and bank balances		**13,172**	–
Trade payables, sundry payables and accruals		**(1,798)**	–
Interest-bearing bank borrowings		**(11,929)**	–
Tax payable		**(2,679)**	–
		3,100	–
Satisfied by:			
Cash		**1,550**	–
Interest in an associate		**1,550**	–
		3,100	–

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2006	2005
Cash received	**1,550**	–
Cash and bank balances disposed of	**(13,172)**	–
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	**(11,622)**	–

41. Contingent Liabilities

At the balance sheet date, the Group had contingent liabilities in respect of performance guarantees given to banks for certain customers amounting to HK$120,640,000 (2005: HK$30,614,000).

At the balance sheet date, the Company had contingent liabilities relating to guarantees given to banks to secure general banking facilities granted to subsidiaries amounting to HK$7,048,950,000 (2005: HK$8,029,567,000), where general banking facilities utilised by subsidiaries amounting to HK$2,245,126,000 (2005: HK$4,362,864,000).

42. Operating Lease Arrangements

(a) As lessor

The Group leases its investment properties (note 14 to the financial statements) under operating lease arrangements. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions.

At 31 December 2006, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2006 **HK$'000**	2005 HK$'000 (Restated)
Within one year	**28,507**	19,035
In the second to fifth years, inclusive	**57,216**	27,928
	85,723	46,963

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. At 31 December 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2006 **HK$'000**	2005 HK$'000 (Restated)
Within one year	**56,902**	49,143
In the second to fifth years, inclusive	**122,402**	84,721
Beyond five years	**89,319**	96,764
	268,623	230,628

43. Commitments

In addition to the operating lease commitments detailed in note 42(b) above, the Group had the following capital commitments at the balance sheet date:

	Group	
	2006	2005
	HK$'000	HK$'000
		(Restated)
Contracted, but not provided for:		
Properties under development	**450,062**	227,376
Construction in progress	**44,248**	64,190
Leasehold improvements	**–**	4,161
Furniture, fixtures and equipment	**407**	3,088
Capital contributions payable to subsidiaries	**601,396**	167,184
	1,096,113	465,999
Authorised, but not contracted for:		
Construction in progress	**133,405**	45,937
Leasehold improvements	**–**	3,742
Furniture, fixtures and equipment	**9,120**	13,999
	142,525	63,678
Total capital commitments	**1,238,638**	529,677

44. Related Party Transactions

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

(i) In the prior year, the Group was appointed as an agent of Mercedes-Benz (China) Limited ("MBCL"), an associate of the Group, to provide it with trade finance services for service income based on approximately 2% of the transaction value. Service revenue was recorded by the Group of HK$34,790,000 (2005: Nil) during the year. The balance owing from MBCL was HK$135,499,000 (2005: HK$127,703,000) which is unsecured, interest-free and is repayable on similar credit terms to those offered to the major customers of the Group.

(ii) The purchases from certain associates of the Group of HK$7,698,149,000 (2005: Nil) were made according to the published prices and conditions offered by the associates to their major customers.

(b) Except for the balance owing from MBCL detailed in note 44(a)(i) above which are included in "Prepayments, deposits and sundry receivables", details of the Group's amounts due from/to its associates as at the balance sheet date are included in note 20 to the financial statements.

(c) Details of the Group's trade balances with its associates as at the balance sheet date are disclosed in note 31 to the financial statements.

(d) Compensation of key management personnel of the Group (excluding directors' emoluments):

	2006 HK$'000	2005 HK$'000
Short term employee benefits	**19,299**	17,440
Post-employment benefits	**890**	816
Total compensation paid to key management personnel	**20,189**	18,256

Further details of directors' emoluments are included in note 7 to the financial statements.

45. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, other than derivatives, comprise bank loans and overdrafts, other non interest-bearing loans, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally cross currency interest rate swaps contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are liquidity risk, credit risk and foreign currency risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Liquidity Risk

Liquidity risk is the risk of not having access to sufficient funds to meet the Group's obligation as they become due. The Group's funding for treasury activities are monitored by a Central Treasury at the corporate level. Its objective is to maintain a balance between the continuity of funding and the flexibility through the use of bank loans. Banking facilities have therefore been put in place for contingency purposes.

Credit Risk

Credit risk is the risk of economic loss resulting from the failure of one of the Group's customers to make payment when due or in the case of equity investments, the loss in value resulting from a corporate failure. The Group mitigates credit risk by formulating detailed credit policies, performing credit analysis on potential customers and where applicable, establishing risk sharing arrangements with other partners.

Foreign Currency Risk

Foreign currency risk is the risk of incurring a loss in the value of a financial instrument or a loss in the Group's investments as a result of changes in foreign currency exchange rates. The Group manages its foreign currency trading risk with trading policies and close monitoring of adherence to such policies. The Group has significant investments in the PRC and its balance sheet, including a portion of its bank loans denominated in US$, can be affected by movements in the RMB/HK$ and RMB/US$ exchange rates. As both the HK$ and RMB are pegged to the US$, the Group does not expect significant movements in the exchange rates.

46. Segment Information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the "Trading of motor vehicles and spare parts and provision of after-sales services" segment operates dealerships of Mercedes-Benz passenger cars and engages in the after-sales services in the Northern and Eastern regions of the PRC, Korea and Vietnam;

(b) the "Trading of heavy equipment and provision of product support services" segment handles the distribution of Caterpillar heavy equipment and the related product support services in the Eastern region of the PRC and Taiwan;

(c) the "Property development and investment" segment engages in property development and real estate management of the Group's property portfolio in the PRC;

(d) the "General trading" segment engages in the trading of commodity-based products, fertilisers and watch components;

46. Segment Information (continued)

(e) the "Securities broking and trading" segment engages in the provision of securities broking services and the trading in listed equity investments in Hong Kong and overseas;

(f) the "Trading of foreign exchange" segment engages in foreign exchange investments;

(g) the "Money lending" segment engages in the provision of loan finance; and

(h) the "Others" segment comprises the Group's other businesses, together with corporate income and expense items.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted by reference to the selling prices used for sales made to third parties at the then prevailing market prices.

46. Segment Information (continued)

(a) Business segments

The following table presents revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2006 and 2005.

Group

	Trading of motor vehicles and spare parts and provision of after-sales services		Trading of heavy equipment and provision of product support services		Property development and investment		General trading	
	2006 HK$'000	2005 HK$'000 (Restated)	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000 (Restated)	2006 HK$'000	2005 HK$'000
Segment revenue:								
Sales to external customers	**12,882,723**	8,832,536	**2,654,650**	2,217,284	**621,952**	473,070	**1,458,334**	1,781,782
Intersegment sales	**-**	-	**-**	-	**-**	-	**149,726**	2,562,444
Intersegment revenue	**9,646**	9,128	**-**	5	**1,799**	2,719	**11,418**	28,779
Other revenue	**103,765**	41,983	**3,295**	5,394	**10,292**	9,819	**28,036**	11,892
Total	**12,996,134**	8,883,647	**2,657,945**	2,222,683	**634,043**	485,608	**1,647,514**	4,384,897
Segment results	**640,971**	294,950	**97,334**	71,382	**4,552**	254,884	**44,334**	77,298
Finance costs								
Share of profits and losses of associates	**71,427**	58,083	**-**	-	**-**	-	**1,959**	-
Profit before tax								
Tax								
Profit for the year								
Assets and liabilities								
Segment assets	**6,075,029**	5,568,725	**1,898,801**	1,338,849	**2,581,687**	2,713,196	**673,662**	1,718,725
Interests in associates	**1,953,610**	1,713,527	**-**	-	**-**	-	**(19,957)**	(18,422)
Unallocated assets								
Total assets								
Segment liabilities	**1,589,114**	1,952,636	**1,005,552**	609,644	**1,025,004**	1,114,977	**104,515**	768,876
Unallocated liabilities								
Total liabilities								
Other segment information:								
Depreciation and amortisation	**116,220**	80,840	**19,676**	14,533	**17,073**	12,310	**3,507**	3,722
Other non-cash expenses, net	**27,241**	26,411	**34,588**	28,777	**5,529**	19	**(37)**	3,635
Capital expenditure	**569,087**	747,966	**181,583**	88,231	**410,898**	616,622	**3,284**	2,907

	Securities broking and trading		Trading of foreign exchange		Money lending		Others		Eliminations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (Restated)
	53,510	13,123	**–**	(34,128)	**17,797**	10,670	**3,316**	4,439	**–**	–	**17,692,282**	13,298,776
	–	–	**–**	–	**–**	–	**–**	–	**(149,726)**	(2,562,444)	**–**	–
	–	–	**–**	–	**–**	–	**43,613**	37,649	**(66,476)**	(78,280)	**–**	–
	8,719	2,484	**–**	–	**265**	2	**10,371**	4,291	**–**	–	**164,743**	75,865
	62,229	15,607	**–**	(34,128)	**18,062**	10,672	**57,300**	46,379	**(216,202)**	(2,640,724)	**17,857,025**	13,374,641
	8,436	(22,051)	**–**	(75,552)	**(6,172)**	4,186	**21,553**	28,337	**(13,482)**	(28,784)	**797,526**	604,650
											(195,063)	(151,772)
	–	–	**–**	–	**–**	–	**(7,864)**	(3,134)	**–**	–	**65,522**	54,949
											667,985	507,827
											(286,720)	(194,818)
											381,265	313,009
	205,866	314,592	**–**	–	**449,851**	218,683	**163,540**	75,462	**(42,585)**	(1,216,099)	**12,005,851**	10,732,133
	–	–	**–**	–	**–**	–	**47,390**	30,748	**–**	–	**1,981,043**	1,725,853
											30,213	21,119
											14,017,107	12,479,105
	59,760	19,921	**–**	–	**12,341**	59,291	**93,693**	18,724	**(42,585)**	(1,216,099)	**3,847,394**	3,327,970
											4,085,089	3,502,173
											7,932,483	6,830,143
	41	54	**–**	–	**2**	–	**2,720**	2,260	**–**	–	**159,239**	113,719
	(6,986)	(1,514)	**–**	–	**619**	–	**532**	959	**–**	–	**61,486**	58,287
	115	50	**–**	–	**16**	–	**1,966**	3,710	**–**	–	**1,166,949**	1,459,486

46. Segment Information (continued)

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2006 and 2005.

Group

	People's Republic of China									
	Hong Kong		Mainland China		Other Asian regions		Eliminations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
				(Restated)						(Restated)
Segment revenue:										
Sales to external customers	**789,192**	1,182,846	**12,433,846**	8,718,652	**4,469,244**	3,397,278	**–**	–	**17,692,282**	13,298,776
Other segment information:										
Segment assets	**1,046,514**	2,426,467	**8,084,062**	7,190,112	**2,917,860**	2,331,653	**(42,585)**	(1,216,099)	**12,005,851**	10,732,133
Capital expenditure	**1,041**	3,688	**892,300**	835,473	**273,608**	620,325	**–**	–	**1,166,949**	1,459,486

Notes to Financial Statements (continued)
31 December 2006

47. Subsidiaries

Particulars of the principal subsidiaries are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/registered share capital	Percentage of equity attributable to the Company 2006	2005	Principal activities
Lei Shing Hong Automobile Limited #	Corporate	Hong Kong	HK$2,200,000,000	**100**	100	Investment holding
Sino Motors Company Limited	Corporate	Hong Kong	HK$3,000,000	**100**	100	Investment holding
Mandarin Star Holding Limited	Corporate	Hong Kong	HK$20,000,000	**100**	100	Investment holding
Eastern Star Automobile Limited	Corporate	Hong Kong	HK$10,000	**100**	100	Trading of motor vehicles
Shanghai Eastern Star Automobile Trading Company Limited	WFOE +	Mainland China	US$4,460,000	**100**	100	Trading of motor vehicles
Shanghai Star Automobile Service Company Limited	WFOE +	Mainland China	US$3,600,000	**100**	100	Motor vehicle repairs and maintenance
Xiamen Airport Star Automobile Repair Centre Limited *	Sino-foreign joint venture enterprise	Mainland China	RMB12,500,000	**60**	60	Motor vehicle repairs and maintenance
Pasture Developments Limited	Corporate	British Virgin Islands @	US$100	**100**	100	Investment holding
Glory Sheen Investment Limited *	Corporate	Hong Kong	HK$10,000	**100**	100	Investment holding
Big Dragon Limited	Corporate	British Virgin Islands @	HK$10,000	**100**	100	Investment holding

47. Subsidiaries (continued)

Particulars of the principal subsidiaries are as follows (continued):

Name	Business structure	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/registered share capital	Percentage of equity attributable to the Company		Principal activities
				2006	2005	
Han Sung Investment Limited (formerly Han Sung Motor Company Limited)	Corporate	Korea	WON7,550,000,000	**100**	100	Investment holding and trading of motor vehicles
Asia Pacific Star Limited	Corporate	British Virgin Islands @	US$1	**100**	100	Investment holding
Vietnam Star Automobile Limited	Corporate	Vietnam	US$6,000,000	**100**	100	Trading of motor vehicles
Beijing Star Automobile Service Company Limited *	Sino-foreign joint venture enterprise	Mainland China	US$10,000,000	**80**	80	Motor vehicle repairs and maintenance
Jinan Star Automobile Repair and Service Company Limited *	WFOE +	Mainland China	US$5,000,000	**100**	60	Motor vehicle repairs and maintenance
Dalian Star Automobile Service Company Limited *	Sino-foreign joint venture enterprise	Mainland China	US$5,000,000	**63**	63	Motor vehicle repairs and maintenance
Qingdao Star Automobile Service Company Limited *	WFOE +	Mainland China	US$1,650,000	**100**	60	Motor vehicle repairs and maintenance
Shanghai Star Trading Company Limited	Limited company	Mainland China	RMB5,000,000	**100**	100	Trading of motor vehicles
Beijing Bei Xing Hang Automobile Sales Centre	Co-operative partnership	Mainland China	RMB10,000,000	**100**	100	Trading of motor vehicles

47. Subsidiaries (continued)

Particulars of the principal subsidiaries are as follows (continued):

Name	Business structure	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/registered share capital	Percentage of equity attributable to the Company 2006	2005	Principal activities
Northern Star Automobile (Hong Kong) Limited	Corporate	Hong Kong	HK$1,000	**84**	59	Trading of motor vehicles
Northern Star (Tianjin) Automobile Limited *	Sino-foreign joint venture enterprise	Mainland China	US$30,000,000	**84**	59	Trading of motor vehicles
Lei Shing Hong (Singapore) Pte Limited */#	Corporate	Singapore	S$7,000,000	**100**	100	General Trading
Lei Shing Hong Machinery Limited #	Corporate	Hong Kong	HK$100,000,000	**100**	100	Investment holding and trading of heavy equipment
Capital Machinery Limited	Corporate	Taiwan	NT$200,000,000	**100**	100	Trading of heavy equipment
Lei Shing Hong Machinery (Kunshan) Company Limited	WFOE +	Mainland China	US$12,500,000	**100**	100	Provision of product support services of heavy equipment
Lei Shing Hong Machinery (Shanghai) Company Limited	WFOE +	Mainland China	US$500,000	**100**	100	Trading of heavy equipment
Lei Shing Hong Properties Limited #	Corporate	Hong Kong	HK$1,000,000,000	**100**	100	Investment holding

47. Subsidiaries (continued)

Particulars of the principal subsidiaries are as follows (continued):

Name	Business structure	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/registered share capital	Percentage of equity attributable to the Company		Principal activities
				2006	2005	
Lei Shing Hong Properties (China) Limited	Corporate	Hong Kong	HK$10,000	**100**	100	Investment holding
Shanghai Lee Kwok Property Limited *	WFOE +	Mainland China	US$12,000,000	**100**	100	Property development
Beijing Bao Xing Property Company Limited *	Sino-foreign joint venture enterprise	Mainland China	US$12,000,000	**95**	95	Property development
Lei Sing Property Development (Shanghai) Limited *	Sino-foreign joint venture enterprise	Mainland China	US$20,000,000	**95**	95	Property development
Lei Shing Hong Trading Limited #	Corporate	Hong Kong	HK$10,000,000	**100**	100	Investment holding and general trading
Lei Shing Hong Wood Products Limited	Corporate	British Virgin Islands @	US$2,000,000	**100**	100	Investment holding
Lei Shing Hong Wood Products (Shanghai) Company Limited	WFOE +	Mainland China	US$1,000,000	**100**	100	General trading
Lei Shing Hong Capital Limited #	Corporate	Hong Kong	HK$10,000	**100**	100	Investment holding
Lei Shing Hong Investment Limited	Corporate	Hong Kong	HK$10,000	**100**	100	Share trading and investment and foreign exchange trading

47. Subsidiaries (continued)

Particulars of the principal subsidiaries are as follows (continued):

Name	Business structure	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/registered share capital	Percentage of equity attributable to the Company		Principal activities
				2006	2005	
Lei Shing Hong Securities Limited	Corporate	Hong Kong	HK$100,000,000	100	100	Securities dealing
Lei Shing Hong Insurance Services Limited *	Corporate	Hong Kong	HK$100,000	100	100	Insurance brokerage
Lei Shing Hong Finance Limited	Corporate	Hong Kong	HK$55,000,000	100	100	Provision of financial services
Lei Shing Hong Credit Limited	Corporate	Hong Kong	HK$50,000,000	100	100	Provision of financial services

* Audited by certified public accountants other than Ernst & Young

\# Directly held by the Company

@ The principal place of operations is Hong Kong

\+ Wholly-foreign-owned enterprise ("WFOE")

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

48. Associates

Particulars of the Group's principal associates are as follows:

Name	Nominal value of issued ordinary share capital/registered share capital	Place of incorporation/ registration	Percentage of ownership interest to the Group 2006	2005	Principal activities
CMI Holdings Limited	NT$3,500,000,000	Taiwan	**34.9**	34.9	Trading of motor vehicles
DaimlerChrysler Taiwan Limited */&	NT$1,715,000,000	Taiwan	**17.8**	17.8	Trading of motor vehicles
Shanghai Ben Chi Automobile Limited */#	US$3,500,000	Mainland China	**55**	55	Trading of motor vehicles
Shanghai Dong Chi Automobile Service Company Limited */#	US$2,300,000	Mainland China	**55**	55	Trading of motor vehicles
Mercedes-Benz Korea Limited *	WON3,000,000,000	Korea	**49**	49	Trading of motor vehicles
DaimlerChrysler Financial Services Korea Limited */@	WON20,000,000,000	Korea	**20**	20	Provision of financial services
DaimlerChrysler Financial Services China Limited */@	HK$90,000,000	Hong Kong	**20**	20	Provision of financial services
Caterpillar Logistics Services China Limited *	HK$10,000	Hong Kong	**30**	30	Provision of logistics services
Mercedes-Benz (China) Limited *	US$60,000,000	Mainland China	**49**	49	Trading of motor vehicles

* Audited by certified public accountants other than Ernst & Young.

\# The interests in these companies have not been accounted for as interests in subsidiaries because the directors consider that the Group does not exercise unilateral control over the joint ventures' boards of directors.

& The interest in this company has been accounted for as an interest in an associate because the Group has significant influence over the company, the shareholding in which is held through a 34.9% associate.

@ The interest in this company has been accounted for as an interest in an associate because the Group has significant influence over the company, the shareholding in which is held through a wholly-owned subsidiary.

48. Associates (continued)

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

49. Post Balance Sheet Event

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and will become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. Since the detailed implementation and administrative rules and regulations have not yet been announced, the financial impact of the New Corporate Income Tax Law on the Group cannot be reasonably estimated at this stage.

50. Comparative Amounts

As further explained in note 2.2 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

In addition, in prior years, the Group's land appreciation tax levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 50% on the appreciation of land value, was included in the cost of sales and services in the consolidated income statement. To conform with the current year's presentation, the Group's land appreciation tax of HK$20,581,000 (2005: HK$70,035,000) was presented as a component of the Group's total tax charge in the consolidated income statement.

51. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 19 April 2007.