1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company is Suites 1502-3, 15th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company. The activities of its principal subsidiaries, associate and jointly controlled entity are set out in notes 15, 16 and 17, respectively.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the Group's net current liabilities of approximately HK$194 million at 31st December, 2006. The directors of the Company have been taking steps to improve the liquidity of the Group. As set out in note 43, subsequent to the balance sheet date, the Company issued 24,000,000 new shares of HK$0.10 each at an aggregate consideration, net of expenses, of approximately HK$17.4 million. In addition, the Company intended to place a series of convertibles notes of up to an aggregate principal amount of HK$500 million and HK$65 million of such convertible notes had been issued at the date of this report. Furthermore, the Group has also obtained consent from four financial institutions to extend their loans to the Group at the aggregate amount of approximately HK$63 million for another year when they fall due in January and June 2007. In order to further enhance the Group's liquidity, the Group has also obtained standby loan facilities of HK$80 million from certain financial institutions for meeting short term funding needs. The directors are satisfied that the Group will have sufficient resources to be able to meet its financial obligations as they fall due for the foreseeable future, after taking into consideration the factors mentioned above and the Group's ability to arrange similar terms of credit facilities of the remaining bank and other borrowings with collateral at an aggregate amount of approximately HK$43 million. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group and the Company have applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

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

[1] Effective for annual periods beginning on or after 1st January, 2007
[2] Effective for annual periods beginning on or after 1st January, 2009
[3] Effective for annual periods beginning on or after 1st March, 2006
[4] Effective for annual periods beginning on or after 1st May, 2006
[5] Effective for annual periods beginning on or after 1st June, 2006
[6] Effective for annual periods beginning on or after 1st November, 2006
[7] Effective for annual periods beginning on or after 1st March, 2007
[8] Effective for annual periods beginning on or after 1st January, 2008

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, commences when the assets are ready for their intended use and depreciates on the same basis as other property assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Borrowing costs

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interest in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

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

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

Interest in a jointly controlled entity

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

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

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Trading right

Trading right represents the right of trading on the Stock Exchange. Trading right is stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation for trading right is provided to write off the relevant cost on a straight-line basis over the estimated useful lives.

Any gain or loss arising on derecognition of the trading right is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is included in the consolidated income statement in the year in which the asset is derecognised.

Inventories

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

Non-current assets held for sale

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

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' (or disposal groups') previous carrying amount and fair value less costs to sell, except for investment properties held for sale which are measured using the fair value model.

Financial instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, bills receivable, short-term loans receivable, bank deposits and bank balances and amounts due from subsidiaries of the Company) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Available-for-sale financial assets

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

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including trade and other payables, bills payable, amount due to a minority shareholder of subsidiaries, bank and other borrowings and amounts due to subsidiaries of the Company are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

Derecognition

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

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

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

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

Share options granted to employees (Continued)

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

Impairment

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

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

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Sales of electricity are recognised when electricity has been transmitted to the customer and the right to receive payment has been established.

All transactions in securities dealings are recorded on a trade date basis.

Commission and brokerage income and property management fee income are recognised when the services are rendered.

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

Rental income, including rental invoiced in advance from properties let under operating leases, is recognised on a straight-line basis over the term of the relevant lease.

Taxation

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(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 profits will be available to allow all or part of the asset to be recovered.

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

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

Retirement benefits costs

Payments to state-managed retirement benefits schemes/Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, management makes various estimates based on past experiences, expectations of the future and other information. The key sources of estimation uncertainty, that may significantly affect the amounts recognised in the consolidated financial statements within the next financial year, are disclosed below:

Allowance on trade receivables, loans receivable and interest receivable

Management regularly reviews the recoverability and/or age of the trade receivables, loans receivable and interest receivable. Appropriate allowance for estimated irrecoverable amounts are recognised in the consolidated income statement when there is objective evidence that the asset is impaired.

In determining whether allowance is required, the Group takes into consideration the current creditworthiness, the past collection history, age status and likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flow expected to receive discounted using the original effective interest rate and its carrying value. If the financial conditions of customers and borrowers of loans receivable of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

As at 31st December, 2006, the carrying value of trade receivables, loans receivable and interest receivable, net of impairment losses, are HK$23,885,000, HK$24,255,000 and HK$1,511,000, respectively.

6. FINANCIAL INSTRUMENTS

a. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade and other receivables, bills receivable, short-term loans receivable, trade and other payables, bills payable, bank and other borrowings and bank deposits and bank balances. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's principal financial assets include trade receivables, bills receivable, loans receivable and bank deposits and balances. The Group's maximum exposure to credit risk in the event of counterparties' failure to perform their obligations as at 31st December, 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In addition, the Group is also exposed to credit risk which may cause a financial loss to the Group due to financial guarantee contract issued to a bank in respect of banking facilities granted to an outside supplier (Note 42 Contingent Liabilities). In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

In addition, the Group reviews the recoverable amount of each individual receivable at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the directors of the Company consider that the Group's credit risk is significantly reduced.

6. FINANCIAL INSTRUMENTS *(Continued)*

a. Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. In addition, certain trade receivables and payables and bank balances of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, management considers the foreign exchange exposure is relatively insignificant currently and will monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

(ii) Price risk

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

6. FINANCIAL INSTRUMENTS *(Continued)*

a. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(iii) Commodity price risk

The Group sources large quantities of coal for its power generation process. Accordingly, the Group is exposed to commodity price risk. The Group currently does not have a policy to hedge against the price risk of coal. However, management monitor commodity price exposure and will consider hedging significant commodity price exposure should the need arises.

(iv) Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its bank deposits and bank balances, loans receivable and borrowings. Balances at variable rates exposed the Group to cash flow interest-rate risk. Balances at fixed rates exposed the Group to fair value interest rate risk. Details of the Group's bank deposits and bank balances, loans receivable and borrowings are set out in respective notes.

The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient bank balances and cash and the availability of fundings through an adequate amount of committed credit facilities. The Group also aims at maintaining flexibility in funding by arranging and keeping committed banking facilities and other external financing available.

The Group's primary cash requirements have been for capital investments and repayment of related debts. The Group finances its working capital requirements through a combination of funds generated from operations and borrowings.

As set out in note 2, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the Group's net current liabilities of approximately HK$194 million at 31st December, 2006. The directors of the Company have taken steps to improve the liquidity of the Group and the directors are satisfied that the Group will have sufficient resources to be able to meet its financial obligations as they fall due for the foreseeable future.

6. FINANCIAL INSTRUMENTS *(Continued)*

b. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices, respectively; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. REVENUE

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

	2006	2005
	HK$'000	*HK$'000*
Sales of goods	**342,434**	248,098
Sales of electricity	**173,821**	117,274
Securities dealing and commission and brokerage income	**95,956**	4,375
Interest income from provision of finance	**3,419**	3,495
Rental and property management income	**1,087**	3,279
	616,717	376,521

8. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into five operating divisions – power generation, trading of goods, provision of finance, property investment and management, and brokerage and securities investment. These divisions are the basis on which the Group reports its primary segment information.

INCOME STATEMENT

For the year ended 31st December, 2006

	Power generation HK$'000	Trading of goods HK$'000	Provision of finance HK$'000	Property investment and management HK$'000	Brokerage and securities investment HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE							
External sales	173,821	342,434	3,419	1,087	95,956	–	616,717
Inter-segment sales*	–	–	–	223	–	(223)	–
Total	173,821	342,434	3,419	1,310	95,956	(223)	616,717
RESULTS							
Segment results	16,825	759	3,059	(2,436)	(11,045)	–	7,162
Unallocated corporate income							1,160
Unallocated corporate expenses							(12,194)
Impairment loss recognised in respect of interest in an associate							(111,497)
Provision for litigation claims							(92,095)
Finance costs							(26,408)
Share of loss of an associate							(32,123)
Share of profit of a jointly controlled entity							7,782
Loss before taxation							(258,213)
Income tax expense							(1,438)
Loss for the year							(259,651)

* *Inter-segment sales were charged at cost plus margin basis as agreed between both parties.*

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

BALANCE SHEET

At 31st December, 2006

	Power generation HK$'000	Trading of goods HK$'000	Provision of finance HK$'000	Property investment and management HK$'000	Brokerage and securities investment HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	479,029	567	25,767	443	28,452	534,258
Interest in an associate held for sale						141,300
Interest in a jointly controlled entity						42,963
Unallocated corporate assets						42,846
Consolidated total assets						761,367
LIABILITIES						
Segment liabilities	98,528	11,015	1,518	1,507	13,318	125,886
Provision for litigation claims						92,095
Unallocated corporate liabilities						279,405
Consolidated total liabilities						497,386

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

OTHER INFORMATION

For the year ended 31st December, 2006

	Power generation HK$'000	Trading of goods HK$'000	Provision of finance HK$'000	Property investment and management HK$'000	Brokerage and securities investment HK$'000	Unallocated HK$'000	Consolidated HK$'000
Allowance for bad and doubtful debts	2,152	389	-	13	126	-	2,680
Capital additions	20,197	-	-	-	93	134	20,424
Depreciation/amortisation of							
– property, plant and equipment	37,815	-	-	-	661	501	38,977
– prepaid lease payments	882	-	-	-	-	-	882
– trading right	-	-	-	-	100	-	100
Impairment loss recognised in respect of interest in an associate	-	-	-	-	-	111,497	111,497
Loss arising from fair value change in respect of investments held for trading	-	-	-	-	7,445	-	7,445
Loss on disposal of investment properties held for sale	-	-	-	1,170	-	-	1,170
Loss on disposal of property, plant and equipment	20	-	-	-	375	-	395
Provision for litigation claims	-	-	-	-	-	92,095	92,095

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

INCOME STATEMENT

For the year ended 31st December, 2005

	Power generation HK$'000	Trading of goods HK$'000	Provision of finance HK$'000	Property investment and management HK$'000	Brokerage and securities investment HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE							
External sales	117,274	248,098	3,495	3,279	4,375	–	376,521
Inter-segment sales*	–	–	–	660	–	(660)	–
Total	117,274	248,098	3,495	3,939	4,375	(660)	376,521
RESULTS							
Segment results	3,156	1,950	(908)	(3,617)	(4,683)	–	(4,102)
Unallocated corporate income							1,576
Unallocated corporate expenses							(23,813)
Finance costs							(11,572)
Share of loss of an associate							(41,421)
Share of profit of a jointly controlled entity							4,332
Loss before taxation							(75,000)
Income tax expense							(1,898)
Loss for the year							(76,898)

* *Inter-segment sales were charged at cost plus margin basis as agreed between both parties.*

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

BALANCE SHEET

At 31st December, 2005

	Power generation	Trading of goods	Provision of finance	Property investment and management	Brokerage and securities investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS						
Segment assets	475,334	410	23,261	63,225	50,563	612,793
Interest in an associate						265,149
Interest in a jointly controlled entity						38,718
Unallocated corporate assets						29,337
Consolidated total assets						945,997
LIABILITIES						
Segment liabilities	98,514	11,810	907	8,930	17,131	137,292
Unallocated corporate liabilities						315,409
Consolidated total liabilities						452,701

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

OTHER INFORMATION

For the year ended 31st December, 2005

	Power generation *HK$'000*	Trading of goods *HK$'000*	Provision of finance *HK$'000*	Property investment and management *HK$'000*	Brokerage and securities investment *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Allowance for bad and doubtful debts	2,153	–	–	–	–	–	2,153
Allowance on interest receivable	–	–	1,963	–	–	–	1,963
Allowance on short-term loans receivable	–	–	2,078	–	–	–	2,078
Capital additions	79,197	–	–	–	1,305	32	80,534
Depreciation/amortisation of							
– property, plant and equipment	18,384	–	–	–	698	476	19,558
– prepaid lease payments	846	–	–	–	–	–	846
– trading right	–	–	–	–	90	–	90
Impairment loss recognised in respect of goodwill	–	–	–	–	582	–	582
Impairment loss recognised in respect of goodwill of an associate	–	–	–	–	–	8,673	8,673
Loss on disposal of property, plant and equipment	1,665	–	–	–	–	–	1,665
Decrease in fair value of investment properties	–	–	–	5,000	–	–	5,000

Geographical segments

The Group is principally engaged in power generation and trading of goods in the PRC and all its customers are based in the PRC. In addition, substantially all identifiable assets of the Group are principally located in the PRC. Accordingly, no geographical segmental analysis has been presented.

9. FINANCE COSTS

	2006	2005
	HK$'000	*HK$'000*
Interest on borrowings wholly repayable within five years:		
Bank loans	**10,556**	15,120
Other loans	**15,852**	4,108
	26,408	19,228
Less: Amount capitalised as cost of construction in progress	**–**	(7,656)
	26,408	11,572

Borrowing costs capitalised during the year ended 31st December, 2005 were related to a specific bank loan obtained for the purpose of financing the Group's construction of one of its coal-fired power plants.

10. INCOME TAX EXPENSE

	2006	2005
	HK$'000	*HK$'000*
The tax charge comprises:		
Hong Kong Profits Tax	**–**	25
Deferred tax *(note 20)*	**1,438**	1,873
	1,438	1,898

No provision for Hong Kong Profits Tax has been made for the year ended 31st December, 2006 as the Group had no assessable profit subject to Hong Kong Profits Tax for the year.

Hong Kong Profits Tax for the year ended 31st December, 2005 was calculated at 17.5% of the estimated assessable profit for that year.

No provision for taxation arose in other jurisdictions as the Group had no assessable profit subject to taxation for the year.

10. INCOME TAX EXPENSE *(Continued)*

Pursuant to the relevant laws and regulations in the PRC, a subsidiary of the Group is entitled to exemption from the PRC enterprise income tax for two years commencing from its first profit-making year of operation and thereafter, it is entitled to 50% relief from the PRC enterprise income tax for the following three years. The reduced tax rate for the relief period is 7.5%. The subsidiary had no assessable profit subject to taxation for the year.

The tax charge for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2006	2005
	HK$'000	*HK$'000*
Loss before taxation	**(258,213)**	(75,000)
Tax at the domestic income tax rate of 15% (2005: 15%) *(note)*	**(38,732)**	(11,250)
Tax effect of share of profit of a jointly controlled entity	**(1,167)**	(650)
Tax effect of share of loss of an associate	**4,819**	6,213
Tax effect of expenses not deductible for tax purpose	**37,639**	5,163
Tax effect of income not taxable for tax purpose	**(258)**	(1,804)
Tax effect of tax losses not recognised	**550**	4,222
Effect of utilisation of tax losses previously not recognised	**(1,413)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**–**	4
Tax charge for the year	**1,438**	1,898

Note: The domestic tax rate in the jurisdiction where the operations of the Group is substantially based is used.

Details of deferred taxation are set out in note 20.

11. LOSS FOR THE YEAR

	2006	2005
	HK$'000	HK$'000
Loss for the year has been arrived at after charging:		
Staff costs including directors' remuneration	17,605	19,034
Retirement benefits schemes contributions	1,126	842
Total staff costs	18,731	19,876
Allowance for bad and doubtful debts	2,680	2,153
Amortisation of:		
– prepaid lease payments	882	846
– trading right	100	90
Auditors' remuneration	1,905	1,823
Cost of inventories recognised as an expense	373,725	233,333
Depreciation of property, plant and equipment	38,977	19,558
Loss on disposal of property, plant and equipment	395	1,665
Net exchange loss	66	33
Share of taxation of a jointly controlled entity (included in share of profit of a jointly controlled entity)	4,285	2,533
and after crediting:		
Bank interest income	971	840
Proceeds on sales of investments (included in revenue)	84,991	414
Less: Cost of sales (included in cost of sales)	(77,633)	(511)
Net realised gain (loss) on investments held for trading	7,358	(97)
Property rental income, net of outgoings of HK$75,000 (2005: HK$221,000)	953	2,873

12. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Directors' emoluments

The emoluments paid or payable to each of the six (2005: seven) directors were as follows:

2006

	Suen Cho Hung, Paul HK$'000	Sue Ka Lok HK$'000	Cao Jian An HK$'000	Sun Ka Ziang, Henry HK$'000	Kwok Ming Fai HK$'000	Wong Yun Kuen HK$'000	Total HK$'000
Fees	–	–	–	84	84	84	252
Other emoluments							
Salaries and other benefits	1,273	1,124	450	–	–	–	2,847
Retirement benefits schemes contributions	50	39	16	–	–	–	105
Total emoluments	1,323	1,163	466	84	84	84	3,204

2005

	Suen Cho Hung, Paul HK$'000	Li Zhicai HK$'000	Sue Ka Lok HK$'000	Cao Jian An HK$'000	Sun Ka Ziang, Henry HK$'000	Kwok Ming Fai HK$'000	Wong Yun Kuen HK$'000	Total HK$'000
Fees	–	–	–	–	82	82	82	246
Other emoluments								
Salaries and other benefits	1,170	602	1,014	480	–	–	–	3,266
Retirement benefits schemes contributions	46	25	34	18	–	–	–	123
Total emoluments	1,216	627	1,048	498	82	82	82	3,635

12. DIRECTORS' AND EMPLOYEES' REMUNERATION *(Continued)*

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2005: four) individuals were directors of the Company whose emoluments are included in the disclosures set out in note (a) above. The emoluments of the remaining highest paid individuals were as follows:

	2006 **HK$'000**	2005 HK$'000
Salaries and other benefits	**2,331**	480
Retirement benefits schemes contributions	**32**	24
	2,363	504

Their emoluments were within the following band:

	2006 **No. of employee**	2005 No. of employee
Nil to HK$1,000,000	**3**	1

(c) During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors have waived any emoluments during the year.

13. LOSS PER SHARE

The calculation of the basic loss per share attributable to the equity holders of the Company is based on the following data:

	2006	2005
	HK$'000	*HK$'000*
Loss attributable to equity holders of the Company	**238,132**	75,614

Number of shares

	2006	2005
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,214,116,131**	1,214,115,987
Effect of share consolidation on 23rd January, 2007	**(1,092,704,518)**	(1,092,704,388)
Weighted average number of ordinary shares for the purpose of basic loss per share	**121,411,613**	121,411,599

The weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted for the share consolidation on 23rd January, 2007 as set out in note 43(a).

No diluted loss per share for 2006 is presented because the exercise price of the Company's options was higher than the average market price for the year.

No diluted loss per share for 2005 has been presented because the assumed conversion of the Company's outstanding convertible bonds would result in a decrease in loss per share for that year.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Construction in progress HK$'000	Total HK$'000
THE GROUP							
COST							
At 1st January, 2005	128,536	1,669	1,363	1,626	154,738	94,894	382,826
Exchange realignment	3,749	–	(90)	104	1,811	857	6,431
Additions	4,204	52	1,302	416	48,873	25,687	80,534
Transfer	–	–	(127)	–	84,172	(84,045)	–
Disposals	(2,908)	–	–	(425)	(4,380)	(360)	(8,073)
Fair value adjustment *(note)*	–	–	–	–	(10,000)	–	(10,000)
At 31st December, 2005	133,581	1,721	2,448	1,721	275,214	37,033	451,718
Exchange realignment	5,564	–	7	33	11,626	1,285	18,515
Additions	274	20	107	888	10,314	8,821	20,424
Transfer	(4,076)	–	409	566	45,116	(42,015)	–
Disposal of subsidiaries	–	–	(7)	–	–	–	(7)
Disposals	–	(1,445)	(1,791)	(284)	(127)	–	(3,647)
At 31st December, 2006	135,343	296	1,173	2,924	342,143	5,124	487,003
DEPRECIATION AND IMPAIRMENT							
At 1st January, 2005	2,461	467	281	168	13,948	–	17,325
Exchange realignment	751	–	(38)	(15)	(3,339)	–	(2,641)
Provided for the year	5,862	468	434	382	12,412	–	19,558
Eliminated on disposals	(784)	–	–	(94)	(1,745)	–	(2,623)
At 31st December, 2005	8,290	935	677	441	21,276	–	31,619
Exchange realignment	1,190	–	7	22	2,632	–	3,851
Provided for the year	6,957	354	640	540	30,486	–	38,977
Transfer	(985)	–	228	92	665	–	–
Eliminated on disposal of subsidiaries	–	–	(1)	–	–	–	(1)
Eliminated on disposals	–	(1,077)	(1,078)	(113)	(32)	–	(2,300)
At 31st December, 2006	15,452	212	473	982	55,027	–	72,146
CARRYING VALUES							
At 31st December, 2006	**119,891**	**84**	**700**	**1,942**	**287,116**	**5,124**	**414,857**
At 31st December, 2005	125,291	786	1,771	1,280	253,938	37,033	420,099

Note:

In October 2003, the Group acquired two power plants from Asian Power Development Limited ("Asian Power"). The consideration of the acquisition was in part settled by the issue of convertible bonds by the Company with an aggregate principal amount of HK$80 million, of which HK$40 million matured in October 2004 and the balance matured in April 2006. In view of breaches of representations and warranties given by Asian Power under the sale and purchase agreement, the Company did not pay the consideration and writ of summons and winding up petition were issued against the Company since 2004. In December 2005, the Company and Asian Power entered into a deed of settlement whereby convertible bonds of HK$80 million was discharged by a payment of HK$70 million by the Group. In the opinion of the directors of the Company, the difference of HK$10 million represents an adjustment to the fair value of the plant and equipment of the power plants at the time of acquisition. Accordingly, an adjustment was made to the cost of the relevant plant and equipment.

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

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

Buildings	2% – 18%
Leasehold improvements	Over the term of the leases
Furniture and fixtures	20%
Motor vehicles	20%
Plant and machinery	5% – 33%

At 31st December, 2005, included in construction in progress was net interest capitalised of HK$19,435,000.

15. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM (TO) SUBSIDIARIES

	THE COMPANY	
	2006	2005
	HK$'000	*HK$'000*
Cost of unlisted investments	**38,906**	38,906
Less: Impairment losses recognised	**(6,319)**	(19)
	32,587	38,887
Amounts due from subsidiaries	**585,942**	679,688
Less: Impairment losses recognised	**(305,562)**	(181,913)
	280,380	497,775
Amounts due to subsidiaries	**(43,386)**	(52,245)

During the year, the directors of the Company reviewed and examined the current operations of the subsidiaries and identified that the present value of estimated net future cash flows from certain subsidiaries are lower than their carrying amounts. Accordingly, the carrying amounts of these balances are reduced to their respective recoverable amounts.

15. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM (TO) SUBSIDIARIES

(Continued)

The amounts due from (to) subsidiaries are unsecured and have no fixed terms of repayment. Of the balances, HK$50,294,000 (2005: HK$47,933,000) of the amounts due from subsidiaries bear interest at an effective interest rate of HIBOR plus 1% (2005: HIBOR plus 1%) per annum and the remaining balances are non-interest bearing.

Particulars of the Company's principal subsidiaries at 31st December, 2006 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital held by Company		Principal activities
			Directly	Indirectly	
Asian Wealth Group Limited	British Virgin Islands ("BVI")	US$1	–	100%	Investment holding
Broadmeadow Investments Limited	BVI	US$1	100%	–	Investment holding
China Group Limited	BVI	US$1	–	100%	Investment holding
Citi Merit Limited	BVI	US$100	–	100%	Investment holding
Eastern Prosper Developments Ltd.	BVI	US$1	100%	–	Securities investment
Equal Link Investments Limited	Hong Kong	HK$2	–	100%	Investment holding
GT Capital Limited ("GT Capital")	Hong Kong	HK$39,500,000	–	100%	Securities brokerage
GT Financial Holdings Limited (formerly known as Poly Genesis Limited)	BVI	US$1	–	100%	Investment holding
Henan APD Tian Yuan Power Company Limited ("Henan APD") *(Note a)*	PRC	RMB90,620,000	–	80%	Power generation

15. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM (TO) SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital held by Company Directly	Proportion of nominal value of issued capital held by Company Indirectly	Principal activities
Henan CGL Tian Yuan Power Company Limited ("Henan CGL") *(Note b)*	PRC	RMB92,000,000	–	80%	Power generation
Lolliman Finance Limited	Hong Kong	HK$1,000,000	100%	–	Financial services
Lolliman Property Nominees Limited	Hong Kong	HK$2	100%	–	Property management
Marvellous Development Limited	Hong Kong	HK$100	100%	–	Property investment
Poly International Trading Limited	BVI	US$1	–	100%	Trading of iron ore
Poly Metal and Minerals Limited	Hong Kong	HK$1	–	100%	Trading of iron ore
Poly Power Group Limited	BVI	US$1	–	100%	Investment holding
Poly Trading Group Limited	BVI	US$1	–	100%	Investment holding
Success Harbour International Limited ("Success Harbour")	BVI	US$100	–	80%	Investment holding
Sunstar Management Limited	Hong Kong	HK$2	100%	–	Provision of management services
Time Profit Investments Limited	Hong Kong	HK$100	100%	–	Property investment
Treasure Well Associates Limited	BVI	US$1	100%	–	Investment holding

15. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM (TO) SUBSIDIARIES

(Continued)

Notes:

a. Henan APD is a sino-foreign equity joint venture established for a term of twenty years commencing from 25th September, 1997.

b. Henan CGL is a sino-foreign equity joint venture established for a term of twenty years commencing from 14th October, 1997.

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

None of the subsidiaries had any debt securities outstanding during the year or at the balance sheet date.

16. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Cost of unlisted investment in an associate	**323,243**	323,243
Share of post-acquisition loss and reserves, net of dividends received	**(70,446)**	(58,094)
Less: Impairment loss recognised	**(111,497)**	–
	141,300	265,149
Reclassified as assets held for sale	**(141,300)**	–
	–	265,149

16. INTEREST IN AN ASSOCIATE *(Continued)*

During the year, the Group's associate, Xi'an Gaoxin Hospital Co., Ltd. ("Gaoxin Hospital") had exchanged certain of its investments at an aggregate amount of approximately HK$219 million and other receivables at an amount of approximately HK$90 million for investments in two mining rights located in Shanxi Province, the PRC. The mining rights allow Gaoxin Hospital to explore and extract slate from the two mines. Gaoxin Hospital is in the process of obtaining approval from the relevant government authorities for the transfer of the legal titles of these two mining rights and the approval has not yet been granted at the date of this report. The directors of the Company have taken note of this matter and have made due inquiries. In the opinion of the directors of the Company, Gaoxin Hospital is expected to receive the approval in due course.

Interest in an associate has been classified as assets held for sale as at 31st December, 2006. As set out in note 43(g), subsequent to the balance sheet date, pursuant to a conditional sale and purchase agreement entered into between the Group and an independent third party, the Group's entire equity interest in Gaoxin Hospital will be disposed of at a consideration of HK$150 million, subject to the approval of the shareholders of the Company. Part of the consideration will be receivable in two installments over a period of 18 months from the date of completion of the transaction. Accordingly, the Group's interest in Gaoxin Hospital has been written down to the fair value of the deferred consideration as estimated by the directors of the Company.

Particulars of the Group's associate at 31st December, 2006 are as follows:

Name of entity	Form of business structure	Country of establishment	Principal place of operation	Proportion of nominal value of registered capital indirectly held by the Group	Principal activities
Gaoxin Hospital	Established	PRC	Xian, the PRC	46.29%	Provision of hospital services and investment

16. INTEREST IN AN ASSOCIATE *(Continued)*

The summarised financial information in respect of Gaoxin Hospital is set out below:

	2006	2005
	HK$'000	*HK$'000*
Total assets	**874,869**	765,058
Total liabilities	**(328,755)**	(192,256)
Net assets	**546,114**	572,802
The Group's share of net assets of the associate	**252,797**	265,149
Revenue	**133,341**	99,134
Loss for the year	**(69,396)**	(89,478)
The Group's share of loss of the associate for the year	**(32,123)**	(41,421)

17. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Cost of unlisted investment in a jointly controlled entity	**49,862**	49,862
Share of post-acquisition profits and reserves, net of dividends received	**(6,899)**	(11,144)
	42,963	38,718

17. INTEREST IN A JOINTLY CONTROLLED ENTITY *(Continued)*

Particulars of the Group's jointly controlled entity at 31st December, 2006 are as follows:

Name of entity	Form of business structure	Country of establishment	Principal place of operation	Proportion of nominal value of registered capital indirectly held by the Group	Principal activities
Shanghai Hong Qiao Friendship Shopping Center Co., Ltd. ("Hong Qiao")	Established	PRC	Shanghai, the PRC	30%	Retail sales of high end consumer goods

The summarised financial information in respect of Hong Qiao is set out below:

	2006	2005
	HK$'000	*HK$'000*
Non-current assets	**137,967**	147,871
Current assets	**157,548**	120,672
Current liabilities	**(120,356)**	(107,329)
Net current assets	**37,192**	13,343
Non-current liabilities	**(31,947)**	(32,153)
Net assets	**143,212**	129,061
The Group's share of net assets of the jointly controlled entity	**42,963**	38,718
Income	**526,834**	478,261
Expenses	**(486,610)**	(455,378)
Income tax expense	**(14,283)**	(8,444)
Profit for the year	**25,941**	14,439
The Group's share of profit of the jointly controlled entity for the year	**7,782**	4,332

18. PREPAID LEASE PAYMENTS

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Analysed for reporting purposes as:		
Current assets	**882**	867
Non-current assets	**8,767**	9,315
	9,649	10,182

The Group's prepaid lease payments represent leasehold land situated in the PRC and are held under medium-term land use rights.

19. AVAILABLE-FOR-SALE INVESTMENTS

THE GROUP AND THE COMPANY

Available-for-sale investments at the balance sheet date represent investments in a company which was established in the PRC. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

20. DEFERRED TAXATION

THE GROUP

The followings are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior periods.

	Accelerated tax depreciation *HK$'000*	Pre-operating expenses *HK$'000*	Others *HK$'000*	Total *HK$'000*
As 1st January, 2005	2,333	(3,743)	(1,295)	(2,705)
Exchange realignment	77	(108)	(521)	(552)
Transfer	(548)	(620)	1,168	–
Charge to consolidated income statement for the year	1,072	–	801	1,873
At 31st December, 2005	2,934	(4,471)	153	(1,384)
Exchange realignment	75	(91)	7	(9)
Charge to consolidated income statement for the year	(3,253)	4,562	129	1,438
At 31st December, 2006	**(244)**	**–**	**289**	**45**

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

	2006 **HK$'000**	2005 *HK$'000*
Deferred tax liabilities	**3,861**	3,060
Deferred tax assets	**(3,816)**	(4,444)
	45	(1,384)

At 31st December, 2006, the Group had unused tax losses of HK$158,641,000 (2005: HK$164,398,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are HK$62,633,000 (2005: HK$69,427,000) that will expire in five years from the dates they were incurred, other tax losses may be carried forward indefinitely.

21. OTHER ASSETS

THE GROUP

Other assets are statutory deposits paid to government regulators in relation to the Group's licensed activities in the Hong Kong securities market.

22. TRADING RIGHT

	THE GROUP *HK$'000*
COST	
Balance at 1st January, 2005, 31st December, 2005 and 31st December, 2006	778
AMORTISATION AND IMPAIRMENT	
At 1st January, 2005	338
Amortisation for the year	90
At 31st December, 2005	428
Amortisation for the year	100
At 31st December, 2006	528
CARRYING VALUES	
At 31st December, 2006	250
At 31st December, 2005	350

Trading right is amortised on a straight-line basis over the useful life of four years.

23. INVENTORIES

THE GROUP

At the balance sheet date, the inventories were raw materials carried at cost.

24. TRADE AND OTHER RECEIVABLES/BILLS RECEIVABLE

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Trade receivables	**23,885**	32,679
Other receivables and prepayments	**25,501**	20,733
	49,386	53,412
Bills receivable	**12,516**	–
	61,902	53,412

The settlement term of trade receivables arising from securities dealing business is two days after the trade date. Interests are charged on cash account clients and margin account clients at prime rate plus 5% (2005: prime rate plus 5%) per annum and at prime rate plus 1% to 3% (2005: prime rate plus 1% to 3%) per annum, respectively. Trade receivables arising from securities dealing business are as follows:

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Margin account clients	**6,603**	3,524
Cash account clients	**1,071**	3,007
Clearing house	**–**	685
	7,674	7,216

24. TRADE AND OTHER RECEIVABLES/BILLS RECEIVABLE *(Continued)*

The Group allows an average credit period of 60 days to its other trade customers. The following is an aged analysis of trade receivables (other than arising from securities dealing business) and bills receivable at the balance sheet date:

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
0 to 60 days	**28,727**	25,417
61 to 90 days	**–**	46
	28,727	25,463

25. INVESTMENTS HELD FOR TRADING

THE GROUP AND THE COMPANY

Investments held for trading at the balance sheet date represent equity securities listed on the Stock Exchange.

26. SHORT-TERM LOANS RECEIVABLE

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Fixed-rate short-term loans receivable, net of impairment losses recognised	**24,255**	22,724

Included in the carrying value of loans receivable at 31st December, 2006 is aggregate allowance of HK$10,501,000 (2005: HK$10,501,000).

The range of effective interest rates (which are equal to contractual interest rates) on the Group's loans receivable is 8% to 24% (2005: 8% to 12%) per annum.

27. PLEDGED BANK DEPOSITS/BANK BALANCES HELD UNDER SEGREGATED TRUST ACCOUNTS/BANK BALANCES AND CASH

THE GROUP AND THE COMPANY

Pledged bank deposits represent deposits pledged to banks to secure short-term banking facilities granted to the Group and therefore have been classified as current assets. The pledged bank deposits will be released upon the settlement of relevant bank borrowing.

Bank balances carry interest at market rates ranging from 0.72% to 4.00% (2005: 0.85% to 3.00%) per annum. The pledged deposits are non-interest bearing.

As a subsidiary of the Company is principally engaged in the business of securities dealing and broking, it receives and holds money deposits by clients and other institutions in the course of the conduct of the regulated activities. These clients' monies are maintained in one or more segregated trust bank accounts. The Group has recognised the corresponding account payables to respective clients and other institutions. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

28. ASSETS HELD FOR SALE

THE GROUP

Interest in an associate held for sale

As set out in note 16, the Group's interest in an associate, Gaoxin Hospital, has been reclassified as assets held for sale as at 31st December, 2006.

Investment properties held for sale

The amount at 31st December, 2005 represented investment properties held for sale. On 31st December, 2005, the Group entered into a conditional sale and purchase agreement with an independent third party to dispose of its investment properties. As the completion of the disposal was expected to take place within twelve months, the investment properties had been classified as investment properties held for sale at 31st December, 2005. The transaction was completed during the year.

29. TRADE AND OTHER PAYABLES/BILLS PAYABLE

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Trade payables arising from securities dealing business:		
Cash account clients	**10,074**	9,986
Clearing house	**1,457**	–
Margin account clients	**1,086**	4,593
	12,617	14,579
Trade payables and bills payable arising from other businesses:		
0 to 60 days	**46,318**	38,491
61 to 90 days	**3,411**	7,041
Over 90 days	**14,182**	17,307
	63,911	62,839
Other payables	**47,222**	61,318
Value added tax payables	**3,321**	2,244
	50,543	63,562
	127,071	140,980

The settlement term of trade payables arising from securities dealing business is two days after the trade date. Amounts due to margin account clients are repayable on demand.

Included in account payables arising from securities dealing business of HK$12,385,000 (2005: HK$11,846,000) was payable to clients and other institutions in respect of the trust bank balances received and held for clients and other institutions in the course of the conduct of the regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed. The deposits placed carry variable commercial interest rate.

30. PROVISION FOR LITIGATION CLAIMS

THE GROUP

(a) During the year, a total of approximately RMB78.4 million (equivalent to approximately HK$78.4 million) of Henan APD's and Henan CGL's assets were charged according to a judgment handed down by China's Supreme People's Court on 30th August, 2006 in respect of a litigation involving, among others, Henan APD, Henan CGL, a bank in the PRC (the "Bank") and an independent third party which is in the process of liquidation, for a RMB75 million loan granted by the Bank to the third party where Henan APD and Henan CGL act as guarantors. Having obtained legal advice, the Group is planning to appeal against the judgment and now is at the stage of collation of evidence. The Group's right to appeal will expire two years from the date of the judgment, which is on 30th August, 2008. The ultimate outcome of the appeal cannot presently be determined with an acceptable degree of certainty. Accordingly, the directors of the Company have made full provision of the amount being claimed (including accrued interest) which amounted to approximately RMB89.6 million (equivalent to approximately HK$89.6 million) against the litigation in the consolidated financial statements.

(b) A subsidiary of the Company was named as a respondent in a shipping dispute for an amount of approximately HK$4.1 million (2005: HK$4.1 million). Subsequent to the balance sheet date, the Group and the plaintiff (the "Plaintiff") entered into a settlement agreement, pursuant to which the Group agreed to settle US$311,000 (equivalent to approximately HK$2,426,000) of such claims and the Plaintiff agreed to dismiss the proceedings against the Group upon the receipt of the settlement. The case has been dismissed at the date of this report. The related provision was accrued in the consolidated financial statements as at 31st December, 2006.

31. AMOUNT DUE TO A MINORITY SHAREHOLDER OF SUBSIDIARIES

THE GROUP

The balance represents amount due to Sanmenxia Tian Yuan Aluminum Industries Group Company Limited ("Sanmenxia Tian Yuan"). Sanmenxia Tian Yuan holds 20% equity interest in Henan APD and Henan CGL, non wholly-owned subsidiaries of the Company. The amount is unsecured, non-interest bearing and has no fixed terms of repayment.

32. BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank loans	**173,984**	194,212	**–**	–
Other loans	**92,826**	111,866	**9,250**	8,500
	266,810	306,078	**9,250**	8,500
Analysed as:				
Secured	**219,984**	156,206	**–**	–
Unsecured	**46,826**	149,872	**9,250**	8,500
	266,810	306,078	**9,250**	8,500
Carrying amount repayable:				
On demand or within one year	**246,310**	251,983	**9,250**	8,500
More than one year, but not exceeding two years	**20,500**	30,602	**–**	–
More than two years, but not exceeding five years	**–**	23,493	**–**	–
	266,810	306,078	**9,250**	8,500
Less: Amount due within one year shown under current liabilities	**(246,310)**	(251,983)	**(9,250)**	(8,500)
	20,500	54,095	**–**	–

32. BANK AND OTHER BORROWINGS *(Continued)*

The exposure of the Group's fixed-rate borrowings, which carry interest ranging from 3.30% to 12.00% (2005: 5.31% to 6.90%) per annum, and the contractual maturity dates are as follows:

	THE GROUP		THE COMPANY	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Fixed rate borrowings:				
Within one year	**186,815**	146,393	**9,250**	8,500
More than one year, but not exceeding two years	**20,500**	30,602	**–**	–
More than two years, but not exceeding three years	**–**	19,886	**–**	–
More than three years, but not exceeding four years	**–**	3,607	**–**	–
	207,315	200,488	**9,250**	8,500

In addition, the Group has variable-rate borrowings amounting to HK$59,495,000 (2005: HK$105,590,000) which carry interest at prime rate plus 3% (2005: prime rate minus 2% to prime rate plus 5%) per annum.

33. SHARE CAPITAL

	Number of shares		Share capital	
	2006	2005	**2006**	2005
			HK$'000	*HK$'000*
Ordinary shares of HK$0.5 each				
Authorised:				
At beginning of the year and at end of the year	**1,800,000,000**	1,800,000,000	**900,000**	900,000
Issued and fully paid:				
At beginning of the year	**1,214,115,987**	1,214,115,987	**607,058**	607,058
Issue of shares on exercise of share options	**1,013**	–	**1**	–
At end of the year	**1,214,117,000**	1,214,115,987	**607,059**	607,058

During the year, the Company issued 1,013 ordinary shares of HK$0.5 each, at par, on exercise of share options which were granted on 9th November, 2006. These shares rank pari passu in all respects with the existing shares.

34. RESERVES

	Share premium HK$'000	Capital reserve HK$'000	Convertible bonds equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
THE COMPANY					
At 1st January, 2005	2,252	3,547	4,297	(93,001)	(82,905)
Loss for the year	–	–	–	(46,650)	(46,650)
Transfer	–	–	(4,297)	4,297	–
At 31st December, 2005	2,252	3,547	–	(135,354)	(129,555)
Loss for the year	–	–	–	(215,657)	(215,657)
At 31st December, 2006	**2,252**	**3,547**	**–**	**(351,011)**	**(345,212)**

The Company had no distributable reserve as at the balance sheet date.

Capital reserve of the Company represents the amount of initial payment from certain shareholders to subscribe for new shares in the Company and the amount was subsequently forfeited as a result of non-payment of the remaining committed contribution.

35. SHARE OPTION SCHEMES

The Old Scheme

The primary purpose of the share option scheme of the Company which was approved and adopted at the extraordinary general meeting held on 19th June, 2001 (the "Old Scheme") was to provide incentives to eligible employees of the Group by offering them an opportunity to participate in the growth of the Group.

Pursuant to the Old Scheme, the Company may grant options to the executive directors and the employees of the Company or its subsidiaries to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted. Share options granted are exercisable during the period commencing on the date of the grant and expiring on the date ten years after the date of grant. The maximum number of shares in respect of which share options may be granted shall not exceed 10% of the issued share capital of the Company from time to time excluding any shares issued upon the exercise of share options granted pursuant to the Old Scheme.

35. SHARE OPTION SCHEMES *(Continued)*

The Old Scheme *(Continued)*

The exercise price per share is determined by the directors of the Company, and shall not be less than the higher of the nominal value of the Company's shares and 80% of the average closing price of the shares for the five business days immediate preceding the offer date.

The Old Scheme was terminated on 8th November, 2006. There were no share options granted and outstanding during the year ended 31st December, 2006 or 2005.

The New Scheme

A new share option scheme of the Company was approved and adopted by the shareholders of the Company at the extraordinary general meeting held on 8th November, 2006 (the "New Scheme"). The primary purpose of the New Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

Pursuant to the New Scheme, which will expire on 7th November, 2016, the Company may grant share options to all directors and employees of the Company or its subsidiaries and any other persons including consultants, advisors, agents, customers, suppliers, service providers, contractors, business partners or connected persons (as such term is defined in the Rules Governing the Listing of Securities on the Stock Exchange) of any member of the Group who, in the sole discretion of the board of directors of the Company, have contributed or will contribute to the Group to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted.

Share options granted should be accepted within 14 days from the offer date. Share options granted are exercisable during the period commencing on the date of grant and expiring on the date ten years after the date of grant. The number of shares which may be issued upon exercise of all share options to be granted under the New Scheme or any other share option schemes adopted by the Company shall not exceed 10% of the shares in issue on the date of adoption of the New Scheme. The total number of shares issued and to be issued upon exercise of the share options granted to each participant or grantee (as the case may be) (including both exercised and unexercised options) under the New Scheme or any other share option schemes adopted by the Company in any 12 month period must not exceed 1% of the shares in issue unless otherwise approved by shareholders of the Company in accordance with the terms of the New Scheme. The subscription price for the shares shall be no less than the highest of (i) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share on the date of grant. The subscription price will be determined by the board of directors of the Company at the time the share option is offered to the relevant participant.

35. SHARE OPTION SCHEMES *(Continued)*

The New Scheme *(Continued)*

Pursuant to the New Scheme, share options were granted and exercised by an employee during the year. Details of movements are as follow:

			Number of share options			
Date of grant	Exercisable period	Subscription price per share	Outstanding at 1st January, 2006	Granted during the year	Exercised during the year	Outstanding at 31st December, 2006
		HK$				
9th November, 2006	9th November, 2006 to 8th November, 2016	0.5	–	1,013	1,013	–

Notes:

(a) The closing price of shares quoted on the Stock Exchange on the trading date immediately before the date on which the share options were granted was HK$0.085.

(b) The closing price of shares quoted on the Stock Exchange on the trading date immediately before the date on which the share options were exercised was HK$0.084.

(c) There was no vesting period for the share options granted during the year.

(d) There were no share options cancelled or lapsed during the year ended 31st December 2006.

The directors of the Company considered that the consideration received and the expenses incurred in relation to the share options granted during the year is insignificant.

On 23rd March, 2007, 3,050,000 and 8,860,000 share options were granted to directors and employees of the Group, respectively. These share options entitle the holders thereof to subscribe for shares of HK$0.10 each in the Company at a subscription price of HK$1.52 per share during the exercisable period from 23rd March, 2007 to 22nd March, 2017.

As at the date of this report, a total of 231,057 shares are available for issue under the New Scheme which represents approximately 0.13% of the issued share capital of the Company as at the date of this report.

36. DISPOSAL OF SUBSIDIARIES

During the current year, the Group disposed of its entire equity interests in several subsidiaries that are engaged in the business of insurance brokerage, investment management of offshore funds and asset management. The aggregate amounts of net assets and liabilities of these subsidiaries at the date of disposal were:

	2006
	HK$'000
NET ASSETS DISPOSED OF	
Property, plant and equipment	**6**
Other receivables	**1,838**
Other payables	**(2,000)**
Bank balances and cash	**360**
	204
Gain on disposal of subsidiaries	**20**
Total consideration	**224**
Satisfied by:	
Cash	**224**
Net cash outflow arising on disposal:	
Cash consideration received	**224**
Bank balances and cash disposed of	**(360)**
	(136)

The subsidiaries disposed of during the year did not contribute significantly to the turnover, operating results or cash flows of the Group.

37. OPERATING LEASE ARRANGEMENTS

The Group as lessee:

	2006	2005
	HK$'000	*HK$'000*
Operating lease rentals in respect of land and buildings	**1,474**	833

At the balance sheet date, the Group had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases, which fall due as follows:

	Land and buildings	
	2006	2005
	HK$'000	*HK$'000*
Within one year	**423**	872
In the second to fifth year inclusive	**214**	409
	637	1,281

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for an average term of two years with fixed rentals.

The Group as lessor:

Gross property rental income earned during the year was HK$1,028,000 (2005: HK$3,094,000). All of the Group's investment properties which were held for rental purposes had been disposed of during the year.

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

	2006	2005
	HK$'000	*HK$'000*
Within one year	**–**	2,856
In the second to fifth year inclusive	**–**	1,490
	–	4,346

38. CAPITAL COMMITMENTS

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**1,147**	3,089

39. PLEDGE OF ASSETS

At the balance sheet date, the following assets were pledged to secure banking and other facilities granted to the Group:

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Investment properties	**–**	63,000
Property, plant and equipment	**159,198**	121,639
Bank deposits	**25,003**	9,615
	184,201	194,254

In addition, at the balance sheet date, the Group's equity interest in Equal Link Investments Limited, a wholly-owned subsidiary of the Company which in turn holds 30% equity interest in the jointly controlled entity, was pledged to an independent third party for credit facilities granted to the Group. At 31st December, 2006, an amount of HK$50,000,000 (2005: HK$42,000,000) of such facilities was utilised.

40. OTHER RESTRICTION OF ASSETS

During the year ended 31st December, 2004, the Group entered into a long-term bank loan agreement. Pursuant to the terms of this agreement, a subsidiary of the Company engaging in the power generation business has pledged its tariff collection right to a bank to secure banking facilities granted to the Group. At 31st December, 2006, the subsidiary's tariff collection right pledged was HK$4,665,000 (2005: HK$14,994,000).

41. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, this contribution is matched by employees.

The employees of the Group's subsidiaries established in the PRC are members of state-managed retirement benefits schemes operated by the local government. The subsidiaries are required to contribute a certain percentage of their payroll costs to the retirement benefits schemes to fund the benefits. The only obligations of the Group with respect to the retirement benefits schemes are to make the specified contributions.

42. CONTINGENT LIABILITIES

At 31st December, 2006, the directors of the Company considered that the fair value of the financial guarantee given to a bank in respect of banking facilities of HK$4,000,000 (2005: Nil) utilised by an outside supplier is insignificant.

In addition, the Group's share of contingent liabilities of its associate is as follows:

	Amount utilised		Amount recognised as provision for financial guarantees	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial guarantees given to banks in respect of banking facilities utilised by certain outside parties	**36,106**	–	**14,010**	–

43. POST BALANCE SHEET EVENTS

The following significant events took place subsequent to 31st December, 2006:

(a) The Company's capital reorganisation became effective on 23rd January, 2007 after the sanction of the proposed capital reduction and share premium account reduction of the Company by the High Court of Hong Kong on 19th January, 2007. The capital reorganisation of the Company ("Capital Reorganisation") involved:

(i) the authorised share capital of the Company reduced from HK$900,000,000 divided into 1,800,000,000 shares of HK$0.50 each to HK$18,000,000 divided into 1,800,000,000 shares of HK$0.01 each and that such reduction was effected by cancelling capital paid up or credited as paid up to the extent of HK$0.49 per share upon each of the shares which were in issue immediately before the Capital Reorganisation became effective and by reducing the nominal value of all the issued and unissued shares in the capital of the Company from HK$0.50 to HK$0.01 per share ("Capital Reduction").

(ii) every 10 shares of such 1,800,000,000 shares of HK$0.01 each were consolidated into 1 share of HK$0.10 each.

43. POST BALANCE SHEET EVENTS *(Continued)*

(iii) the authorised share capital of the Company was increased to HK$900,000,000 by the creation of 8,820,000,000 new shares of HK$0.10 each.

(iv) the share premium account of the Company was reduced to zero ("Share Premium Account Reduction") and the credit arising from such reduction was set off against accumulated losses of the Company.

(v) the credit arising from the Capital Reduction was set off against accumulated losses of the Company and the balance was credited to the share premium account of the Company.

The Company has given the following undertakings to court in respect of the Capital Reduction and Share Premium Account Reduction:

1. So long as there shall remain outstanding any debt of or claim against the Company which would be admissible to proof in a winding-up of the Company commencing on the day on which the Capital Reduction and Share Premium Account Reduction take effect ("the effective date") and the persons entitled to the benefit of such debts or claims shall not have agreed otherwise, in the event of its making any future recoveries in respect of the identified list of assets (the "Assets"), in respect of which provision for diminution in value was made in the accounts of the Company during the loss-making years/periods for the financial years/periods from the year ended 31st March, 1992 to the six months ended 30th June, 2006, beyond their written down value as stated in the Company's management accounts as at 30th June, 2006, all such recoveries beyond that written down value up to an amount of HK$84,095,000 ("the limit"), will be credited to a special capital reserve in the accounting records of the Company ("Capital Recovery Reserve") and such reserve shall not be treated as realised profits of the Company for the purposes of section 79B of the Hong Kong Companies Ordinance (Cap. 32) and shall be treated as an undistributable reserve of the Company for the purposes of section 79C of the Hong Kong Companies Ordinance (Cap. 32), or any statutory re-enactments or modifications thereof provided that:

   (1) the Company shall be at liberty to apply the Capital Recovery Reserve for the same purposes as a share premium account may be applied;

43. POST BALANCE SHEET EVENTS *(Continued)*

(2) the limit in respect of the Capital Recovery Reserve may be reduced by the amount of any increase, after the effective date, in the paid up share capital or the amount standing to the credit of the share premium account of the Company as the result of the payment up of shares by the receipt of new consideration or the capitalisation of distributable profits;

(3) the limit in respect of the Capital Recovery Reserve may be reduced upon the disposal or other realisation, after the effective date, of any of the Assets by the amount of the provision made in relation to such asset as at 30th June, 2006 less such amount, if any, as is credited to the Capital Recovery Reserve as a result of such disposal or realisation; and

(4) in the event that the amount standing to the credit of the Capital Recovery Reserve exceeds the limit thereof after any reduction of such limit pursuant to provisos (2) and/or (3) above, the Company shall be at liberty to add the amount of any such excess to the retained profits of the Company and the same shall become available for distribution or to use any such excess to offset the accumulated losses of the Company, as the case may be.

2. The amount of approximately HK$437,055,000, representing the amount by which the total credit arising from the Capital Reduction and the Share Premium Account Reduction, exceeds the total accumulated losses of the Company as at 30th June, 2006, will be credited to the Share Premium Account of the Company.

And the Company further undertook that, for so long as the undertakings set out above remain effective, it will:

(1) cause or procure its statutory auditor to report by way of a note or otherwise a summary of such undertakings in its audited financial statements or in the accounts of the Company published in any other form; and

(2) publish or cause to be published in any prospectus issued by or on behalf of the Company a summary of such undertakings.

Further details of the Capital Reorganisation are set out in the Company's announcements dated 28th September, 2006, 21st December, 2006 and 19th January, 2007 and the Company's circular dated 16th October, 2006.

43. POST BALANCE SHEET EVENTS *(Continued)*

(b) On 26th January, 2007, the Company entered into an agreement with GT Capital in relation to the placing of up to 24,000,000 new shares of HK$0.10 each in the Company to six placees who are independent individuals and institutional investors at a price of HK$0.74 per share (the "Placing"). The placing was completed subsequent to the balance sheet date. The net proceeds from the Placing was approximately HK$17.4 million and will be used for general working capital of the Group. Details of the Placing are set out in the Company's announcement dated 26th January, 2007.

(c) On 16th February, 2007, the Company entered into an agreement with GT Capital to place a series of convertibles notes of up to an aggregate principal amount of HK$500 million to be issued by the Company ("Convertible Notes"). The Company agreed that GT Capital may, at any time during the period from 4th April, 2007 to 29th December, 2007, require the Convertible Notes to be issued in up to ten separate tranches with the principal amount of the Convertible Notes comprised in each tranche to be not less than HK$50 million and the maximum aggregate principal amount for all tranches not to exceed HK$500 million.

The Convertible Notes will bear interest at the rate of 2% per annum and the holders of the Convertible Notes can convert the outstanding principal amount of each convertible note in whole or in part into shares of the Company.

On 26th April, 2007, the Company issued HK$65 million Convertible Notes to six investors in which a total of 30,000,000 shares has been converted at the conversion price of HK$1 per share as at the date of this report.

Details of the Convertible Notes are set out in the Company's announcements dated 26th February, 2007, 19th March, 2007 and 4th April, 2007 and the Company's circular dated 19th March, 2007.

(d) As set out in note 30(b), on 6th February, 2007, the Group and the Plaintiff entered into a settlement agreement, pursuant to which the Group agreed to settle US$311,000 (equivalent to approximately HK$2,426,000) of the claims and the Plaintiff agreed to dismiss the proceedings against the Group in respect of the shipping dispute upon the receipt of the settlement. The case was dismissed as at the date of this report.

(e) The Group obtained consent from four financial institutions to extend their loans to the Group in the aggregate amount of approximately HK$63 million for another year when they fall due in January and June 2007.

43. POST BALANCE SHEET EVENTS *(Continued)*

(f) On 23rd March, 2007, 3,050,000 and 8,860,000 share options were granted to directors and employees of the Group, respectively. Details of these are set out in note 35.

(g) On 24th April, 2007, the Group entered into a conditional sale and purchase agreement with an independent third party for the disposal of the Group's entire equity interest in Success Harbour, which holds 46.29% equity interest in Gaoxin Hospital, and the assignment of shareholder's loan in the principal amount of approximately HK$315 million at an aggregate consideration of HK$150 million. The sale and purchase agreement will become unconditional upon the approval of the shareholders of the Company. Details of the disposal are set out in the Company's announcement dated 25th April, 2007.