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").

In the opinion of the directors, the Company's ultimate holding company is China Poly Group Corporation ("China Poly"), a state-owned enterprise established in the PRC. Its parent is Ringo Trading Limited, a company incorporated in the British Virgin Islands. China Poly and its affiliated companies, other than members of the Group, are hereinafter collectively referred to as China Poly Group. The addresses of the registered office and principal place of business of the Company are disclosed in the section of "Corporate Information" to the annual report.

The Company is an investment holding company. Its subsidiaries are engaged in hotel operations and its related services, property investment and management, property development, supply of electricity and gas, securities investment and financial services.

2. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has 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 ("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 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 standard, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standard, amendment or 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 HKAS29 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]

2. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

[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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts and 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 (the "Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of a 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on acquisitions prior to 1st January, 2005

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

Previously capitalised goodwill arising on acquisitions of subsidiaries after 1st January, 2005 is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired.

Goodwill arising on acquisitions on or after 1st January, 2005

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

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

Goodwill arising on acquisitions on or after 1st January, 2005 *(Continued)*

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

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

Interests in subsidiaries

Interests in subsidiaries is included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net asset of the associate, less any identified impairment loss. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in associates *(Continued)*

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

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.

Interests in jointly controlled entities

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

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

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.

Jointly controlled operations

When a group entity undertakes its activities under joint venture arrangements directly, constituted as jointly controlled operations, the assets and liabilities arising from those jointly controlled operations are recognised in the balance sheet of the relevant company on an accrual basis and classified according to the nature of the item. The Group's share of the income from jointly controlled operations, together with the expenses that it incurs are included in the consolidated income statement when it is probable that the economic benefits associated with the transactions will flow to/from the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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' (disposal groups') previous carrying amount and fair value less costs to sell.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, from sales of electricity, properties and goods, hotel operations, investments, services provided and subsidies received or receivable, net of discounts and sales related taxes.

(a) Sales of electricity are recognised when electricity is generated and transmitted to the power grids operated by the power grid companies.

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

(c) Building management service income is recognised over the relevant period in which the services are rendered.

(d) Revenue from hotel operations and related services is recognised when the relevant services are provided.

(e) Licence fees for the exclusive right of managing certain of the Group's assets are recognised on a straight line basis over the period of the respective licence agreement.

(f) 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.

(g) Dividend income from investments is recognised when the Group's rights to receive payment have been established.

(h) Rental income under operating leases are recognised in a straight line basis over the term of the relevant lease.

(i) Consultancy fee income is recognised when the consultancy services are provided.

(j) Construction revenue is recognised on the percentage of completion method, measured by reference to the value of work certified during the year.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

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

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

Property, plant and equipment

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

Advantage has been taken of the transitional relief provided by paragraph 80A of HKAS 16 *Property, Plant and Equipment* from the requirement to make regular revaluations of the Group's land and buildings which had been carried at revalued amounts prior to 30th September, 1995, and accordingly no further revaluation of land and buildings is carried out. Prior to 30th September, 1995, the revaluation increase arising on the revaluation of these assets was credited to the revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the corresponding revaluation surplus is transferred to retained profits.

Hotel properties are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using the fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of hotel properties is credited to the hotel properties revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the consolidated income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on the revaluation of such buildings is dealt with as an expense to the extent that it exceeds the balance, if any, held on the hotel properties revaluation reserve relating to a previous revaluation of that asset.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Depreciation on revalued hotel properties is charged to profit or loss. On the subsequent sale or retirement of a revalued hotel property, the attributable revaluation surplus remaining in the hotel properties revaluation reserve is transferred directly to accumulated profits.

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, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the remaining period in which they are incurred.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amount due to customers for contract work. Amounts received before the related work is performed are included in the consolidated balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated balance sheet under trade and other receivables.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Prepaid lease payments

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

Other intangible asset

Other intangible asset, which represents premium on acquisition of prepaid lease payments, are stated at cost and amortised over the remaining period of the lease on a straight line basis.

Club membership

Club membership with indefinite life are stated cost less identified impairment loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items 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.

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.

Retirement benefits scheme contributions

Payments to Group's defined contribution retirement benefits schemes and Mandatory Provident Fund Scheme are charged as expenses when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefits schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 capitalised.

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

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 or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Properties under development

Properties under development developed for future sale in the ordinary course of business are included in current assets at the lower of cost and net realisable value. It comprises the consideration for development expenditure directly contributable to the development of the properties.

Other inventories

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

Financial instruments

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

Financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of financial assets at fair value through profit or loss and 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified as other financial 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, amounts due to subsidiaries, amounts due to ultimate holding company, intermediate holding company, fellow subsidiaries and minority shareholders of subsidiaries, bank borrowings, other borrowings, loan from a fellow subsidiary and loans from minority shareholders of subsidiaries 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.

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 receivable.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equity-settled share-based payment transactions

For share options granted to directors and employees of the Company or its subsidiaries, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in the share options reserve in equity.

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

Government grants

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

Impairment losses (other than goodwill)

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Estimated impairment on properties under development

Management reviews the recoverability of the Group's properties under development with reference to its intended use and current market environment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. Appropriate impairment for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired.

In determining whether impairment on properties under development is required, the Group takes into consideration the intended use of the properties, the current market environment, the estimated market value of the properties and/or the present value of future cash flow expected to receive. Impairment is recognised based on the higher of estimated future cash flow and estimated market value. If the market environment/circumstances changes significantly, resulting in a decrease in the recoverable amount of these properties interest, additional impairment loss may be required.

Allowance on trade and other receivables and short-term loan receivables

In determining whether there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the trade and other receivables and short-term loan receivables' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the trade and other receivables and short-term loan receivables' original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

5. FINANCIAL INSTRUMENTS

5a. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, short-term loan receivables, amounts due from fellow subsidiaries, amounts due from associates, amounts due from minority shareholders of subsidiaries, amounts due from related companies, bank balances, deposits and cash, trade and other payables, amount due to ultimate holding company, amount due to an intermediate holding company, amounts due to fellow subsidiaries, amounts due to minority shareholders of subsidiaries, amounts due to related companies and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to short-term loan receivables and fixed-rate bank borrowings and loan from a fellow subsidiary (see note 35 and note 40 for details of these borrowings). Currently, the Group does not have a hedging policy. However, the management monitors interest rate exposure and will consider hedging significant fixed rate bank borrowings should the need arise.

(ii) Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank borrowings (see note 35 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

(iii) Price risk

The Group is exposed to equity security price risk through its investment in available-for-sale investments and held-for-trading investments. The management manages this exposure by reviewing the investments regularly.

5. FINANCIAL INSTRUMENTS *(Continued)*

5a. Financial risk management objectives and policies *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31st December, 2006, the Group have available unutilised short-term bank loan facilities of approximately HK$40 million (2005: HK$30 million).

Credit risk

As at 31st December, 2006, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

As at 31st December, 2006, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to financial guarantees issued by the Company is arising from the amount of contingent liabilities disclosed in note 48.

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 trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's credit risk on liquid funds is limited because the counterparties are banks with good reputation.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers except for the short-term loan receivables advance to Tong Sun Limited ("Tong Sun") and Loyal Way (China) Group Limited ("Loyal Way") as set out in note 30.

5b. Fair value

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

6. REVENUE

Revenue represents the aggregate of the net amounts received and receivable from third parties, net of business tax payable in the PRC and is summarised as follows:

	2006 *HK$'000*	2005 *HK$'000*
Continuing operations		
Sales of electricity and gas	**472,085**	365,124
Income from hotel operations	**137,606**	132,897
Rental income and building management service income	**132,671**	106,013
Sales of goods	**87,260**	87,335
Construction revenue	**75,050**	–
Interest income from investments	**23,199**	16,336
Sale proceeds from disposal of held-for-trading investments	**10,523**	–
Consultancy fees	**5,883**	1,850
Dividend income	**2,459**	100
	946,736	709,655
Discontinued operations		
Vessel charterhire income *(note 13(i))*	**–**	25,304
	946,736	734,959

7. OTHER INCOME

	Continuing operations		Discontinued operations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Net reversal of impairment loss previously recognised in respect of short-term loan receivables	**5,857**	–	**–**	–	**5,857**	–
Net reversal of impairment loss previously recognised in respect of trade and other receivables	**2,163**	–	**–**	–	**2,163**	–
Subsidies from PRC government *(note 50)*	**3,600**	6,658	**–**	–	**3,600**	6,658
Exchange gains	**2,236**	3,855	**–**	–	**2,236**	3,855
Compensation for guaranteed profit *(note i)*	**10,161**	13,051	**–**	–	**10,161**	13,051
Sale of scrap materials	**9,831**	3,029	**–**	–	**9,831**	3,029
Gain on disposal of available-for-sale investments	**6,471**	–	**–**	–	**6,471**	–
Gain on disposal of investment properties	**4,372**	15,633	**–**	–	**4,372**	15,633
Imputed interest income	**17,873**	9,071	**–**	–	**17,873**	9,071
Discount on acquisition of subsidiaries *(note ii)*	**–**	2,880	**–**	–	**–**	2,880
Others	**12,542**	15,560	**–**	770	**12,542**	16,330
	75,106	69,737	**–**	770	**75,106**	70,507

Notes:

(i) Pursuant to the sales and purchase agreements entered into between the Group and Golden Concord Holdings Limited ("GCH"), certain subsidiaries and associates of the Group engaged in provision of electricity and gas are guaranteed by GCH for a pre-agreed level of income. During the year, compensation for guaranteed profit of HK$10,161,000 was recognised as income.

(ii) Upon the application of HKFRS 3 in the year ended 31st December, 2005, the excess of the Group's interest in the net fair value of acquirees' identifiable assets and liabilities was recognised immediately in the income statement, which represented the increase in net assets of the acquirees from the contract date to the acquisition date.

8. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest on bank and other borrowings:						
– wholly repayable within five years	**94,840**	49,031	**–**	46	**94,840**	49,077
– not wholly repayable within five years	**3,194**	–	**–**	–	**3,194**	–
Imputed interest expense on non-current interest-free borrowings	**14,179**	9,558	**–**	–	**14,179**	9,558
Total borrowing costs	**112,213**	58,589	**–**	46	**112,213**	58,635
Less: amounts capitalised	**(19,475)**	–	**–**	–	**(19,475)**	–
	92,738	58,589	**–**	46	**92,738**	58,635

9. DIRECTORS' EMOLUMENTS

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

		Other emoluments				
2006	**Fees**	**Salaries and other benefits**	**Bonuses**	**Equity-settled share-based payment expense**	**Retirement benefits scheme contributions**	**Total emoluments**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Wang Jun	**20**	**–**	**–**	**–**	**–**	**20**
He Ping	**20**	**–**	**–**	**–**	**–**	**20**
Li Shi Liang *(note)*	**–**	**628**	**–**	**–**	**31**	**659**
Chan Tak Chi, William	**20**	**–**	**–**	**–**	**–**	**20**
Chen Hong Sheng	**20**	**–**	**–**	**–**	**–**	**20**
Zhang Zhen Gao	**20**	**–**	**–**	**–**	**–**	**20**
Xue Ming	**20**	**443**	**–**	**–**	**–**	**463**
Ye Li Wen	**–**	**743**	**120**	**–**	**12**	**875**
Ip Chun Chung, Robert	**50**	**–**	**–**	**–**	**–**	**50**
Yao Kang, J. P.	**80**	**–**	**–**	**–**	**–**	**80**
Choy Shu Kwan, Wilson	**50**	**–**	**–**	**–**	**–**	**50**
Lam Tak Shing	**50**	**–**	**–**	**–**	**–**	**50**
Total	**350**	**1,814**	**120**	**–**	**43**	**2,327**

Note: Mr. Li Shi Liang deceased on 5th July, 2006.

9. DIRECTORS' EMOLUMENTS *(Continued)*

2005	Fees	Other emoluments: Salaries and other benefits	Bonuses	Equity-settled share-based payment expense	Retirement benefits scheme contributions	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Wang Jun	20	–	–	1,617	–	1,637
He Ping	20	–	–	2,246	–	2,266
Li Shi Liang	–	1,517	60	1,042	63	2,682
Chan Tak Chi, William	20	–	–	63	–	83
Chen Hong Sheng	20	–	–	2,110	–	2,130
Ip Chun Chung, Robert	50	–	–	63	–	113
Yao Kang, J. P.	80	–	–	105	–	185
Choy Shu Kwan, Wilson	50	–	–	63	–	113
Lam Tak Shing	50	–	–	63	–	113
Total	310	1,517	60	7,372	63	9,322

In each of the two years ended 31st December, 2006, no emoluments were paid by the Group to the directors, as an inducement to join or upon joining the Group or as a compensation for loss of office. None of the directors has waived any emoluments during each of the two years ended 31st December, 2006.

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

10. EMPLOYEES' EMOLUMENTS

The aggregate emoluments of the five highest paid individuals included one (2005: four) executive directors of the Company, whose emoluments are included in note 9 above. The aggregate emoluments of the remaining four (2005: one) highest paid individuals are as follows:

	2006	2005
	HK$'000	*HK$'000*
Salaries and other benefits	**3,212**	1,155
Bonuses	**558**	60
Retirement benefits scheme contributions	**114**	50
	3,884	1,265

The emoluments of the remaining four (2005: one) highest paid individuals were within the following bands:

	2006	2005
	Number of employees	*Number of employees*
Nil to HK$1,000,000	**3**	–
HK$1,000,001 to HK$1,500,000	**1**	1

11. PROFIT BEFORE TAXATION

	Continuing operations		Discontinued operations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Profit before taxation has been arrived at after charging:						
Staff costs						
– directors' emoluments *(note 9)*	**2,327**	9,322	**–**	–	**2,327**	9,322
– other staff costs	**75,719**	67,317	**–**	1,207	**75,719**	68,524
– other staff's retirement benefit scheme contributions	**7,151**	5,981	**–**	–	**7,151**	5,981
– other staff's equity-settled share-based payment expense	**–**	385	**–**	–	**–**	385
	85,197	83,005	**–**	1,207	**85,197**	84,212
Amortisation of other intangible asset (include in administrative expenses)	**1,626**	–	**–**	–	**1,626**	–
Amortisation of prepaid lease payments (included in administrative expenses)	**10,301**	8,804	**–**	–	**10,301**	8,804
Depreciation of property, plant and equipment	**101,645**	94,913	**–**	2,468	**101,645**	97,381
Total depreciation and amortisation	**113,572**	103,717	**–**	2,468	**113,572**	106,185
Auditors' remuneration						
– current year	**3,512**	1,800	**–**	–	**3,512**	1,800
– underprovision in prior year	**305**	56	**–**	–	**305**	56
Cost of inventory recognised as expenses	**364,515**	316,212	**–**	–	**364,515**	316,212
Operating lease rentals in respect of						
– rented premises	**506**	2,441	**–**	–	**506**	2,441
– satellite	**–**	4,680	**–**	–	**–**	4,680
Share of tax of associates (included in share of results of associates)	**633**	1,333	**–**	–	**633**	1,333
Land appreciation tax	**3,465**	–	**–**	–	**3,465**	–
and after crediting:						
Gain on disposal of investment properties	**4,372**	15,633	**–**	–	**4,372**	15,633
Gain on disposal of property, plant and equipment	**562**	165	**–**	–	**562**	165
Gain on disposal of held-for-trading investments	**1,760**	–	**–**	–	**1,760**	–
Property rental income, net of direct expenses of HK$6,270,000 (2005: HK$5,235,000)	**126,401**	100,778	**–**	–	**126,401**	100,778

12. INCOME TAX EXPENSE

	Continuing operations		Consolidated	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The charge comprises:				
Hong Kong Profits Tax	**–**	–	**–**	–
PRC Enterprise Income Tax				
– current year	**28,199**	16,107	**28,199**	16,107
– overprovision in prior year	**(218)**	–	**(218)**	–
	27,981	16,107	**27,981**	16,107
Deferred taxation *(note 45)*	**10,035**	13,777	**10,035**	13,777
	38,016	29,884	**38,016**	29,884

Hong Kong Profits Tax is 17.5% (2005: 17.5%) of the estimated assessable profit for the year. No provision for Hong Kong Profits Tax has been made as there is no assessable profit for both years.

The provision of PRC Enterprise Income Tax is calculated at a range of 12% to 33% of the estimated assessable profit for the year in accordance with the relevant income tax rates and regulations in the PRC.

Pursuant to the relevant laws and regulations as stated in中華人民共和國主席令第45號issued in 1991, Shanghai Puly Real Estate Development Company Limited ("Shanghai Puly Real Estate"), a PRC subsidiary of the Company, is subject to a preferential PRC Enterprise Income Tax rate of 15%.

Details of deferred taxation are set out in note 45.

12. INCOME TAX EXPENSE *(Continued)*

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

	2006	2005
	HK$'000	*HK$'000*
Profit before taxation:		
Continuing operations	**213,719**	136,039
Discontinued operations	**–**	75,771
	213,719	211,810
Tax at PRC statutory tax rate of 33% (2005: 33%)	**70,527**	69,897
Tax effect of share of results of associates	**1,873**	10,066
Tax effect of expenses not deductible for tax purpose	**18,701**	16,615
Tax effect of income not taxable for tax purpose	**(33,112)**	(31,164)
Tax effect of tax losses not recognised	**19,787**	19,173
Tax effect of utilisation of tax losses previously not recognised	**(17,398)**	(331)
Effect of tax exemptions granted to a PRC subsidiary	**(5,912)**	(5,184)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(16,232)**	(49,188)
Overprovision in prior years	**(218)**	–
Tax charge for the year	**38,016**	29,884

13. DISCONTINUED OPERATIONS/ASSETS CLASSIFIED AS HELD FOR SALE

In November 2004, the Group entered into agreements to dispose of two motor vessels, namely "Hai Ji" and "Hai Kang", for a consideration of US$27,175,000 (equivalent to approximately HK$211,965,000) and US$25,175,000 (equivalent to HK$196,365,000), respectively. The Group's shipping operations ceased upon the completion of the sales of these two motor vessels. The disposal of motor vessel "Hai Ji" was completed in 2004 and resulted in a gain of HK$54,637,000 to the Group. The disposal of motor vessel "Hai Kang" was completed in April 2005 and resulted in a gain of HK$59,503,000 to the Group.

13. DISCONTINUED OPERATIONS/ASSETS CLASSIFIED AS HELD FOR SALE

(Continued)

(i) Income statement

The profit for the year from the discontinued operations is analysed as follows:

	2005
	HK$'000
Profit of discontinued operations (see note below)	16,268
Gain on disposal of discontinued operations	59,503
Presented in consolidated income statement	75,771

Note: Profit of discontinued operations as follows:

	2005
	HK$'000
Revenue	25,304
Cost of sales	(9,414)
Gross profit	15,890
Other income	770
Administrative expenses	(346)
Finance costs	(46)
Profit for the year	16,268

(ii) Cash flow statement

The cash flows of the discontinued operations for the year are as follows:

	2005
	HK$'000
Net cash used in operating activities	(40,757)
Net cash from investing activities	196,365

In September 2006 and March 2007, the Group entered into a letter of intent and a sale agreement to dispose of a wholly owned subsidiary, Red Empire Limited ("Red Empire"), together with its subsidiaries, for a consideration of HK$452,148,000. Red Empire is the legal and beneficial owner of 51% of the total issued share capital of Yue Tian Development Limited ("Yue Tian"). The principal asset of which is its interest in a PRC hotel development project. The assets and liabilities to the PRC hotel development project, which is expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated balance sheet (see below). The PRC hotel development project is included in the Group's hotel and restaurant operations activities for segment reporting purposes (see note 56). The disposal was effected in order to generate cash flows for the expansion of the Group's other businesses. The disposal is expected to be completed in May 2007.

13. DISCONTINUED OPERATIONS/ASSETS CLASSIFIED AS HELD FOR SALE

(Continued)

(iii) Balance sheet

The major classes of assets and liabilities of the PRC hotel development project classified as held for sale are as follows:

	2006
	HK$'000
Assets	
Property, plant and equipment	**836,141**
Prepaid lease payments	**304,612**
Other receivables	**189**
Bank balances and cash	**7,258**
Total assets classified as held for sale	**1,148,200**
Liabilities	
Other payables	**68,677**
Amounts due to related companies	**75,690**
Bank borrowings – due after one year	**366,300**
Loans from minority shareholders of subsidiaries *(note 41)*	**133,239**
Total liabilities associated with assets classified as held for sale	**643,906**

14. DIVIDENDS

	2006	2005
	HK$'000	*HK$'000*
2005 Interim dividend of HK$0.02 per share	**–**	17,900
2005 final dividend of HK$0.03 (2004: HK$0.03) per share	**26,908**	26,872
	26,908	44,772

No interim dividend was paid for the year ended 31st December, 2006.

A final dividend for the year ended 31st December, 2006 of HK$0.02 (2005: HK$0.03) per share has been proposed by the board of directors and is subject to approval by the shareholders in the forthcoming general meeting.

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the year is based on the following data:

	2006	2005
	HK$'000	*HK$'000*
Earnings:		
Profit for the year attributable to equity holders of the Company:		
– Continuing operations	**189,387**	88,830
– Discontinued operations	**–**	75,771
	189,387	164,601

	2006	2005
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,059,478,182**	897,425,157
Effect of dilutive potential ordinary shares on share options	**20,188,046**	8,276,722
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,079,666,228**	905,701,879

The weighted average number of shares has been adjusted for the effect of the rights issue as set out in note 36.

The basic and diluted earnings per share from discontinued operations based on the above data are as follows:

	2006	2005
From discontinued operations		
– Basic	**–**	8.44 cents
– Diluted	**–**	8.36 cents

16. INVESTMENT PROPERTIES

	HK$'000
THE GROUP	
FAIR VALUE	
At 1st January, 2005	720,964
Exchange adjustments	15,750
Acquired on an acquisition of a subsidiary *(note 43)*	546,000
Increase in fair value recognised in the income statement	113,722
Disposals	(38,662)
At 31st December, 2005	1,357,774
Exchange adjustments	36,287
Acquired on acquisition of subsidiaries *(note 43)*	88,213
Increase in fair value recognised in the income statement	94,359
Disposals	(9,938)
At 31st December, 2006	1,566,695

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties at 31st December, 2006 was arrived at on the basis of a valuation carried out on that date by AA Property Services Limited, an independent professional surveyor and property valuer not connected with the Group. AA Property Services Limited is a member of the Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to comparable sales transactions as available in the relevant market.

The carrying value of investment properties comprises:

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Properties held under		
– long-term leases in Hong Kong	**83,000**	76,000
– medium-term land use rights in the PRC	**1,483,695**	1,281,774
	1,566,695	1,357,774

17. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties	Buildings	Furniture, fixtures and equipment	Motor vehicles	Plant and machinery	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP							
COST OR VALUATION							
At 1st January, 2005	471,900	164,688	105,465	11,453	407,492	136,534	1,297,532
Exchange adjustments	–	34,380	2,970	372	13,354	1,265	52,341
Additions	–	19,515	2,173	5,569	7,468	459,227	493,952
Acquired on acquisition of a subsidiary *(note 43)*	78,400	198,714	2,970	2,677	224,636	5,000	512,397
Transfer	–	18,457	–	–	52,568	(71,025)	–
Disposals	–	(499)	(2,152)	(1,841)	(38)	–	(4,530)
At 31st December, 2005	550,300	435,255	111,426	18,230	705,480	531,001	2,351,692
Exchange adjustments	17,805	16,566	4,071	817	4,165	27,184	70,608
Additions	–	3,953	4,743	8,578	6,835	314,888	338,997
Acquired on acquisition of subsidiaries *(note 43)*	–	136,287	3,863	11,060	142,085	–	293,295
Adjustment arising on revaluation	12,313	–	–	–	–	–	12,313
Transfer	–	1,715	172	–	4,882	(6,769)	–
Disposal of subsidiaries	–	–	(2,505)	(647)	(14,381)	–	(17,533)
Disposals	–	(19,575)	(8,475)	(4,449)	(8,728)	–	(41,227)
Transfer to properties under development	–	–	–	–	–	(9,260)	(9,260)
Transfer to assets classified as held for sale	–	–	(918)	(2,601)	–	(834,085)	(837,604)
At 31st December, 2006	**580,418**	**574,201**	**112,377**	**30,988**	**840,338**	**22,959**	**2,161,281**
Comprising:							
At cost	–	430,669	102,843	30,988	840,338	22,959	1,427,797
At valuation – 1995	–	27,893	–	–	–	–	27,893
– 1997	–	115,639	–	–	–	–	115,639
– 2004	–	–	9,534	–	–	–	9,534
– 2005	550,300	–	–	–	–	–	550,300
– 2006	30,118	–	–	–	–	–	30,118
	580,418	574,201	112,377	30,988	840,338	22,959	2,161,281

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

	Hotel properties	Buildings	Furniture, fixtures and equipment	Motor vehicles	Plant and machinery	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
DEPRECIATION							
At 1st January, 2005	–	62,468	84,623	6,178	128,272	–	281,541
Exchange adjustments	–	1,969	2,379	274	4,148	–	8,770
Provided for the year	11,673	27,536	8,089	2,715	44,900	–	94,913
Eliminated on disposals	–	(373)	(884)	(1,605)	(38)	–	(2,900)
Eliminated on revaluation	(11,673)	–	–	–	–	–	(11,673)
At 31st December, 2005	–	91,600	94,207	7,562	177,282	–	370,651
Exchange adjustments	–	2,746	4,093	157	5,078	–	12,074
Provided for the year	5,568	36,380	8,918	3,283	47,496	–	101,645
Eliminated on disposal of subsidiaries	–	–	(2,249)	(482)	(3,385)	–	(6,116)
Eliminated on disposals	–	(10,132)	(10,138)	(2,119)	(6,397)	–	(28,786)
Eliminated on revaluation	(5,568)	–	–	–	–	–	(5,568)
Transfer to assets classified as held for sale	–	–	(435)	(1,028)	–	–	(1,463)
At 31st December, 2006	**–**	**120,594**	**94,396**	**7,373**	**220,074**	**–**	**442,437**
CARRYING VALUES							
At 31st December, 2006	**580,418**	**453,607**	**17,981**	**23,615**	**620,264**	**22,959**	**1,718,844**
At 31st December, 2005	550,300	343,655	17,219	10,668	528,198	531,001	1,981,041

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

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

Hotel properties	2%
Buildings	2% – 18%
Furniture, fixtures and equipment	20%
Motor vehicles	20%
Plant and machinery	5% – 23%

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
The carrying value of hotel properties and buildings located at:		
Long-term leases in Hong Kong	**22,665**	23,232
Medium-term leases in the PRC	**1,011,360**	870,723
	1,034,025	893,955

Certain buildings of the Group were valued at 31st March, 1995, 31st March, 1997 by an independent professional surveyor and property valuer, on an open market value basis before being transferred from investment properties. No further valuation has been carried out on these properties thereafter.

Had these buildings been carried at cost less accumulated depreciation, their carrying values would have been HK$317,407,000 (2005: HK$343,014,000).

The fair value of the Group's hotel properties at 31st December, 2006 was arrived at on the basis of a valuation carried out on that date by AA Property Services Limited, an independent professional surveyor and property valuer not connected with the Group. AA Property Services Limited is a member of the Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to comparable sales transactions as available in the relevant market.

18. PREPAID LEASE PAYMENTS

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
The Group's prepaid lease payments comprise:		
Long-term leases in Hong Kong	**92,282**	94,587
Medium-term land use rights in the PRC	**320,036**	905,948
	412,318	1,000,535
Analysed for reporting purposes as:		
Current asset	**10,769**	24,525
Non-current asset	**401,549**	976,010
	412,318	1,000,535

19. GOODWILL

	THE GROUP
	HK$'000
COST	
At 1st January, 2005 and 1st January, 2006	6,474
Arising on acquisition of a subsidiary *(note 43)*	1,017
At 31st December, 2006	7,491
IMPAIRMENT	
Impairment loss recognised during the year ended 31st December, 2005 and balance at 31st December, 2005 and 31st December, 2006	6,474
CARRYING VALUES	
At 31st December, 2006	1,017
At 31st December, 2005	–

20. OTHER INTANGIBLE ASSET

Other intangible asset of the Group represents premium on acquisition of prepaid lease payments which is to be amortised on the same basis as the related prepaid lease payments.

The movement of other intangible asset is set out below:

	THE GROUP
	HK$'000
COST	
Acquired on acquisition of a subsidiary during the year ended 31st December, 2005, balance at 31st December, 2005 and 31st December, 2006	65,012
AMORTISATION	
Charge for the year and balance at 31st December, 2006	1,626
CARRYING VALUES	
At 31st December, 2006	63,386
At 31st December, 2005	65,012

21. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2006	2005
	HK$'000	*HK$'000*
Unlisted shares, at cost	**160,056**	160,056

Details of the Company's principal subsidiaries at 31st December, 2006 are set out in note 55.

22. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES

Interests in associates

	THE GROUP		THE COMPANY	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cost of unlisted investments in associates	**90,127**	261,191	**–**	77,060
Share of post-acquisition profits and reserves, net of dividends received	**54,226**	(16,894)	**–**	–
	144,353	244,297	**–**	77,060

In August 2006, the Group acquired 22% equity interest in 重慶綠地東原房地產開發有限公司（"重慶綠地"）through its acquisition of entire interest in 保利置業有限公司 Shanghai Poly Real Estate Limited ("Poly Shanghai") as set out in note 43. In November 2006, the Group further acquired 8% equity interest in 重慶綠地 for a consideration of RMB5,173,000 (equivalent to HK$5,072,000). A discount on acquisition of HK$5,591,000 was recognised during the year ended 31st December, 2006.

During the year ended 31st December, 2006, the Group disposed of its 48% equity interest in Winterthur Insurance Asia Limited ("Winterthur"), with a gain of HK$24,684,000.

In addition, the Group disposed of its entire interest in the issued share capital of Prime Harvest Investment Limited ("Prime Harvest") as set out in note 44. The principal asset of which is its interests in 35% equity interests in each of 陽江市保豐碼頭有限公司 and 陽江市豐源糧油工業有限公司.

22. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES *(Continued)*

Interests in associates *(Continued)*

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

	2006	2005
	HK$'000	*HK$'000*
Total assets	**3,708,428**	3,053,797
Total liabilities	**(3,529,171)**	(2,504,030)
Net assets	**179,257**	549,767
Group's share of net assets of associates	**144,353**	244,297
Revenue	**185,742**	1,660,766
Loss for the year	**(8,714)**	(83,045)
Group's share of loss of associates for the year	**(5,675)**	(30,503)

There are no unrecognised share of losses for both years.

22. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES *(Continued)*

Interests in associates *(Continued)*

Details of the Group's associates at 31st December, 2006 are as follows:

Name of associate	Place of incorporation/ establishment	Attributable proportion of nominal value of issued capital/registered capital indirectly held by the Company	Principal activities
Funing Golden Concord Environmental Protection Co-generation Co., Ltd. ("Funing Power")	PRC	29.4%	Provision of electricity and gas
Tong Sun	Samoa	49%	Investment holding in a property development company
Loyal Way	British Virgin Island	49%	Property development
Xuzhou Western Co-generation Power Co., Ltd. ("Xuzhou Power")	PRC	36.75%	Provision of electricity and gas
東方聯合音像發展有限公司 United East Audio & Video Co., Ltd.	PRC	31.7%	Manufacturing and wholesaling of compact disc, video compact disc and digital video disc
重慶綠地	PRC	30%	Property development
Flying Eagle Aviation Ltd	HK	30%	Inactive

Amounts due from associates

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Amounts due from associates	**24,393**	13,711

Amounts due from associates are unsecured, interest-free and repayable on demand.

23. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Cost of unlisted investment in a jointly controlled entity	–	6,392
Share of post-acquisition profits and reserves, net of dividends received	–	(6,392)
	–	–

The Group's jointly controlled entity was an indirect 25% equity interest in天津華盛房地產發展有限公司Tianjin Winson Real Estate Development Company Limited ("Tianjin Winson"), a company established in the PRC and was engaged in property development in Tianjin, the PRC. During the year ended 31st December, 2006, Tianjin Winson was liquidated. The Group has discontinued recognition of its share of loss of the jointly controlled entity. The amounts of unrecognised share of losses of the jointly controlled entity up to date of liquidation, both for the year and cumulatively, are as follows:

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Unrecognised share of losses of jointly controlled entity	**231**	89
Accumulated unrecognised share of losses of jointly controlled entity	**28,185**	27,954

24. DEPOSIT PAID FOR ACQUISITION OF A LAND USE RIGHT

The deposit was paid by the Group to a PRC government authority in connection with the bidding of a piece of land in the PRC for property development purpose.

25. DEPOSIT PAID FOR ACQUISITION OF A PROPERTY DEVELOPMENT PROJECT

The deposit was paid by the Group in connection with the acquisition of a property development project in the PRC. The property development project was at a preliminary stage whereas certain preliminary construction work started. The related capital commitments are set out in note 47.

26. DEPOSITS PAID ON ACQUISITION OF SUBSIDIARIES AND ASSOCIATES

At 31st December, 2005, the balances represented deposits paid by the Group in connection with the acquisition of a subsidiary of HK$798,000 and an associate of HK$132,860,000 which were mainly engaged in the provision of electricity and gas and property development, respectively.

The acquisition was completed during the year ended 31st December, 2006.

27. PROPERTIES UNDER DEVELOPMENT

Included in properties under development of the Group is HK$62,653,000 which represents the cost incurred on a property development project jointly operated with an independent third party, which is a company established in the PRC (the "PRC Company"). In accordance with the cooperation agreement dated 25th March, 2006, the PRC Company agreed to provide a piece of land for property development while the Group agreed to perform the construction work. The operation period is four years. The Group and the PRC Company will share 63% and 37% of the total constructed area, respectively.

Included in properties under development is capitalised interest of approximately HK$19,475,000 (2005: nil) in the current year.

Properties under development under current assets are expected to realise after twelve months from the balance sheet date.

28. OTHER INVENTORIES

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Raw materials	**26,676**	41,417
Work in progress	**157**	146
Finished goods	**2,175**	1,827
	29,008	43,390

29. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing credit periods ranging from 30 days to 90 days to its trade customers. The following is an aged analysis of trade receivables at the balance sheet date:

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
0 to 30 days	**84,344**	58,763
31 to 90 days	**23,737**	16,699
More than 90 days	**4,276**	3,469
Total trade receivables	**112,357**	78,931
Receivables on partial disposal of subsidiaries	**32,869**	33,654
Other receivables	**88,269**	7,708
	233,495	120,293

30. SHORT-TERM LOAN RECEIVABLES

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Loan to New City (Beijing) Development Limited ("New City") *(note a)*	**15,703**	45,000
Loan to Tong Sun *(note a)*	**165,000**	165,000
Loan to Loyal Way *(note b)*	**268,610**	–
	449,313	210,000
Less: imputed interest adjustment	**(7,520)**	(4,737)
	441,793	205,263
Other loans *(note c)*	**40,941**	57,528
	482,734	262,791

Notes:

(a) The Group owns a 49% equity interest in Tong Sun of US$49 (approximately HK$382) as set out in note 22. The short-term loan receivables represent shareholders' loan to Tong Sun of HK$165,000,000 (2005: HK$165,000,000) and a loan of HK$15,703,000 (2005: HK$45,000,000) to New City. New City and its subsidiaries are collectively referred to as the "New City Group", which held 51% equity interest in Tong Sun. In previous years, the Group has invested in a property development project, China Securities Plaza in Beijing, the PRC (the "Project"). Tong Sun is a company incorporated in Samoa which holds 66% of the registered capital of Beijing Zhong Zheng Real Estate Development Co. Ltd. 北京中証房地產開發有限公司, a sino-foreign co-operative joint venture established in the PRC for the development of the Project.

30. SHORT-TERM LOAN RECEIVABLES *(Continued)*

Notes: (Continued)

(a) *(Continued)*

In accordance with an agreement dated 8th May, 2004 (the "Agreement"), the Group subscribed for 49 new ordinary shares (which were subsequently reclassified as "Class A Ordinary Shares" for which the Group is entitled to receive a preferred dividend distribution) in Tong Sun at a subscription price of US$49 and would advanced an interest-free shareholders loan of HK$165,000,000 to Tong Sun to finance exclusively the working capital of the Project.

In addition, the Group advanced a loan to New City ("New City loan"), which, bears interest at 6% per annum in accordance with the Agreement. The shareholders loan and New City loan are secured by shares in New City.

In accordance with the terms of the shareholders' agreement of Tong Sun, the dividend policy of Tong Sun is to distribute at the end of each financial year a cash dividend equivalent to the total amount of surplus/profits of that financial year available for distribution to its shareholders in accordance with the applicable laws of Samoa. Out of such distributable dividends, the Group will be entitled to receive a preferred dividend distribution of up to HK$94,600,000 (together with the repayment of the shareholders loan and the New City loan (and interest accrued thereon)) in priority to the dividend payment to the New City Group of up to HK$136,000,000. In addition, the loan advanced by the New City Group in the sum of approximately HK$184,000,000 ("New City Group loan") will only be repaid to the New City Group after the full repayment and payment of the shareholders loan and the New City loan (and all interest accrued thereon) and the payment of the said distribution of HK$94,600,000 to the Group.

After the payment in full of the said preferred dividend payments and the repayment of the shareholder's loan, the New City loan (and all interest accrued thereon) to the Group and the repayment of the New City Group loan to the New City Group, any further distribution by Tong Sun will be distributed and paid to the Group and the New City Group in the proportion of 25% and 75%, respectively.

In accordance with the relevant transitional provision in HKAS 39, the Group measured the interest-free non-current loan to Tong Sun of HK$165,000,000 initially at fair value and discounted at an effective interest rate of 6% for the year ended 31st December, 2005. For the year ended 31st December, 2006, the loan to Tung Sun was discounted at an effective interest rate of 6% up to 30th June, 2006. In the opinion of the directors of the Company, Tong Sun and New City will repay the loans in 2007.

(b) The loan to Loyal Way is unsecured, interest-free and repayment on demand. It is discounted at an effective interest rate of 6%. In the opinion of the directors of the Company, the loan will be repaid in 2007. The directors assessed that there is no impairment loss for these loans.

(c) The other loans carry interest from 6% to 12%. All of them are repayable on demand. Except an amount of HK$11,988,000 which is secured by a company's shares listed in Australian Securities Exchange, the remaining are unsecured. The directors assessed that there is no impairment loss for these loans.

31. AVAILABLE-FOR-SALE INVESTMENTS AND HELD-FOR-TRADING INVESTMENTS

Available-for-sale investments

Amounts of the Group represents investments in unlisted equity securities in the PRC and 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.

Held-for-trading investments

Amounts of the Group and the Company represent investments in equity securities listed in Hong Kong. The fair values of these securities are based on bid market prices quoted on the Stock Exchange.

32. AMOUNT(S) DUE FROM (TO) FELLOW SUBSIDIARIES/MINORITY SHAREHOLDERS OF SUBSIDIARIES/ULTIMATE HOLDING COMPANY/ INTERMEDIATE HOLDING COMPANY/SUBSIDIARIES/RELATED COMPANIES

(i) Amount(s) due from (to) fellow subsidiaries/minority shareholders of subsidiaries/ultimate holding company/intermediate holding company/ subsidiaries

THE GROUP AND THE COMPANY

The amount(s) due from (to) fellow subsidiaries/minority shareholders of subsidiaries/ ultimate holding company/intermediate holding company/subsidiaries are unsecured, non-interest bearing and repayable on demand.

(ii) Amounts due from (to) related companies

THE GROUP

The amounts due from (to) related companies representing balances with companies controlling by Mr. Zhu Gong Shan ("Mr. Zhu"). Mr. Zhu is the substantial shareholder of minority shareholders of Taicang Poly Xiexin Thermal Power Co., Ltd. ("Taicang Poly"), Dongtai Suzhon Environment Protection Co-generation Company Limited ("Dongtai Power"), Jia Xing Golden Concord Environmental Protection Cogeneration Power Co., Ltd. ("Jia Xing") and Peixian Mine-Site Environment Power Co. Ltd. ("Peixian Power") and controlling shareholders of Funing Power and Xuzhou Power.

33. PLEDGED BANK DEPOSITS, AND BANK BALANCES, DEPOSITS AND CASH

THE GROUP

Pledged bank deposits represents deposits pledged to banks to secure general banking facilities granted to the Group. Deposits amounting to HK$98,413,000 (2005: HK$21,749,000) have been pledged to secure general banking facilities and are therefore classified as current assets.

Bank balances carry interest at market rates which range from 2% to 5%. The pledged deposits carry fixed interest rate of an average of 4.5%.

34. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
0 to 30 days	**94,182**	24,464
31 to 90 days	**5,650**	4,037
More than 90 days	**205,674**	18,536
Total trade payables	**305,506**	47,037
Bills payable, aged within 90 days	**119,522**	35,000
Other payables	**259,578**	189,648
	684,606	271,685

35. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank loans				
– secured	**1,297,078**	842,885	**454,000**	460,000
– unsecured	**74,861**	356,707	**40,000**	80,000
	1,371,939	1,199,592	**494,000**	540,000
The bank loans are repayable as follows:				
On demand or within one year	**751,869**	624,317	**344,000**	246,000
In more than one year, but not more than two years	**337,999**	406,952	**100,000**	294,000
In more than two years, but not more than three years	**104,781**	168,323	**50,000**	–
In more than three years, but not more than four years	**24,900**	–	**–**	–
In more than four years, but not more than five years	**24,900**	–	**–**	–
In more than five years	**127,490**	–	**–**	–
	1,371,939	1,199,592	**494,000**	540,000
Less: Amounts due within one year shown under current liabilities	**(751,869)**	(624,317)	**(344,000)**	(246,000)
Amounts due after one year	**620,070**	575,275	**150,000**	294,000

The Group's bank loans include HK$877,939,000 (2005: HK$506,654,000) fixed-rate borrowings which carry interest at 5% to 7% per annum (2005: 5% per annum) and HK$494,000,000 (2005: HK$692,938,000) variable-rate borrowings which carry interest at HIBOR plus 0.76% to HIBOR plus 1.2% (2005: ranging from HIBOR plus 0.76% to HIBOR plus 1.5%).

The Company's variable rate borrowings carry interest at HIBOR plus 0.76% to HIBOR plus 1.2% (2005: ranging from HIBOR plus 0.76% to HIBOR plus 1.5%).

35. BANK BORROWINGS *(Continued)*

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

	HK$'000
As at 31st December, 2006	–
As at 31st December, 2005	152,939

The Company did not hold any bank borrowings denominated in the currencies other than its functional currencies for both years.

During the year, the Group obtained new loans in the amount of HK$1,272,277,000 (2005: HK$300,000,000). The loans bear interest at market rates and will be repayable varying from 2007 to 2013. The proceeds were used to finance the property development.

36. SHARE CAPITAL

	Number of ordinary shares	**Amount** *HK$'000*
Ordinary share of HK$0.50 each		
Authorised:		
At 1st January, 2005 and 31st December, 2005	1,200,000,000	600,000
Increase on 28th July, 2006 *(note i)*	800,000,000	400,000
At 31st December, 2006	2,000,000,000	1,000,000
Issued and fully paid:		
At 1st January, 2005	895,398,200	447,699
Exercise of share options *(note ii)*	350,000	175
Shares repurchased and cancelled *(note iii)*	(1,159,000)	(579)
At 31st December, 2005	894,589,200	447,295
Exercise of share options *(note ii)*	2,790,000	1,395
Rights issue *(note iv)*	448,464,600	224,232
At 31st December, 2006	1,345,843,800	672,922

36. SHARE CAPITAL *(Continued)*

During the two years ended 31st December, 2006, the following changes in the share capital of the Company took place:

(i) On 28th July, 2006, the authorised share capital of the Company was increased from HK$600,000,000 divided into 1,200,000,000 ordinary shares of HK$0.5 each of the Company to HK$1,000,000,000 by the creation of 800,000,000 new shares of HK$0.5 each. The new shares rank pari pasu in all respects with the then existing shares.

(ii) 2,790,000 (2005: 350,000) share options were exercised by the eligible option holders, resulting in the issue of 2,790,000 (2005: 350,000) ordinary shares of HK$0.5 each in the Company at a total consideration of approximately HK$3,480,000 (2005: HK$258,000).

(iii) The Company repurchased certain of its own shares through the Stock Exchange for the year ended 31st December, 2005 as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	*HK$*	*HK$'000*
July 2005	651,000	1.28	1.23	806
August 2005	123,000	1.28	1.26	156
October 2005	385,000	1.17	1.13	443
	1,159,000			1,405

The repurchased shares were subsequently cancelled upon repurchase and accordingly, the issued share capital of the Company was diminished by the nominal value thereof. The premium payable on repurchase was charged against the accumulated profits.

(iv) The Company issued 448,464,600 shares at a subscription price of HK$1.35 each in the capital of the Company, by way of rights issue in the proportion of one rights share for every two existing shares to the shareholders whose names on the Company's register at the close of business on 15th August, 2006. The transaction was completed on 23rd August, 2006. The net proceeds of approximately HK$598 million, was used to as to HK$400 million for financing the final settlement of the consideration for the acquisition of Poly Shanghai as set out in note 43 and as to the balance of approximately HK$198 million as general working capital of the Group.

The shares issued during the year rank pari passu in all respects with the then existing shares.

37. SHARE-BASED PAYMENT TRANSACTIONS

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

(i) Poly HK Old Scheme

The Poly HK Old Scheme was adopted on 16th June, 1993 for the primary purpose of providing incentives to directors and eligible employees and terminated on 28th May, 2003. Under the Poly HK Old Scheme, the Company could grant options to the 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. Options proposed to be granted had to be accepted within 30 days from the date of offer. The granted options are exercisable during the period commencing on the date one year after the date of grant and expiring on the date ten years after the date of grant.

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

Upon termination of the Poly HK Old Scheme, no further options may be offered thereunder. However, in respect of the outstanding options, the provisions of the Poly HK Old Scheme shall remain in force. The outstanding options granted under the Poly HK Old Scheme shall continue to be subject to the provisions of the Poly HK Old Scheme.

At 31st December, 2006, the number of shares in respect of which options had been granted under the Poly HK Old Scheme and remained outstanding was approximately 3.8% (2005: 5.8%) of the shares of the Company in issue at that date.

37. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(i) Poly HK Old Scheme *(Continued)*

The following table discloses details of the Company's options under the Poly HK Old-scheme held by employees (including directors) and movement in such holdings during each of the two years ended 31st December, 2006:

	Date of grant	Exercise price per share HK$	Exercisable period	Outstanding at 1.1.2005	Exercised during the year	Lapsed during the year	Outstanding at 1.1.2006	Exercised during the year	Outstanding at 31.12.2006
Category 1: Directors									
Wang Jun	3.9.1997	5.175	3.9.1998 – 2.9.2007	6,000,000	–	–	6,000,000	–	6,000,000
	5.6.1998	1.370	5.6.1999 – 4.6.2008	4,500,000	–	–	4,500,000	–	4,500,000
	30.11.2000	0.740	30.11.2001 – 29.11.2010	5,000,000	–	–	5,000,000	–	5,000,000
He Ping	3.9.1997	5.175	3.9.1998 – 2.9.2007	6,000,000	–	–	6,000,000	–	6,000,000
	5.6.1998	1.370	5.6.1999 – 4.6.2008	4,500,000	–	–	4,500,000	–	4,500,000
	30.11.2000	0.740	30.11.2001 – 29.11.2010	5,000,000	–	–	5,000,000	–	5,000,000
Li Shi Liang *(note i)*	30.11.2000	0.740	30.11.2001 – 29.11.2010	5,000,000	–	–	5,000,000	–	5,000,000
Zhang Zhen Gao *(note ii)*	3.9.1997	5.175	3.9.1998 – 2.9.2007	3,600,000	–	–	3,600,000	–	3,600,000
	5.6.1998	1.370	5.6.1999 – 4.6.2008	2,000,000	–	–	2,000,000	–	2,000,000
				41,600,000	–	–	41,600,000	–	41,600,000
Category 2: Employees	3.9.1997	5.175	3.9.1998 – 2.9.2007	5,040,000	–	(360,000)	4,680,000	–	4,680,000
	5.6.1998	1.370	5.6.1999 – 4.6.2008	2,000,000	–	–	2,000,000	–	2,000,000
	30.11.2000	0.740	30.11.2001 – 29.11.2010	3,535,000	(350,000)	–	3,185,000	(120,000)	3,065,000
				10,575,000	(350,000)	(360,000)	9,865,000	(120,000)	9,745,000
Total all categories				52,175,000	(350,000)	(360,000)	51,465,000	(120,000)	51,345,000

Notes:

(i) Mr. Li Shi Liang deceased on 5th July, 2006.

(ii) Mr. Zhang Zhen Gao was appointed as a director of the Company with effect from 20th April, 2006.

37. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(i) Poly HK Old Scheme *(Continued)*

The share options under the Poly HK Old Scheme were vested at the grant date.

The closing prices of the Company's shares immediately before the dates in which the options were exercised ranged from HK$1.28 to HK$1.30 for the year ended 31st December, 2005.

The closing price of the Company's shares immediately before the dates in which the options were exercised ranged from HK$1.48 to HK$2.33 for the year ended 31st December, 2006.

Total consideration received for shares issued upon exercise of share options under the Poly HK Old Scheme during the year was HK$Nil (2005: HK$258,000).

(ii) Poly HK New Scheme

As approved by the shareholders of the Company at the annual general meeting held on 28th May, 2003, the Company has terminated the Poly HK Old Scheme and adopted the Poly HK New Scheme, which is in accordance with the revised Chapter 17 of the Listing Rules effective on 1st September, 2001.

The purpose of the Poly HK New Scheme is to provide incentives to eligible participants, and will expire on 27th May, 2013. According to the Poly HK New Scheme, the Board of Directors of the Company may grant options to (i) any director and employee of the Company or subsidiaries, or an entity in which the Group holds an interest ("Affiliate"); (ii) any customer, supplier, agent, partner, consultant, adviser or shareholder of or contractor to the Group or an Affiliate; (iii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, customer, supplier, agent, partner, consultant, adviser or shareholder of or contractor to the Group or an Affiliate; or (iv) a company beneficially owned by any director, employee, consultant, customer, supplier, agent, partner, shareholder, adviser of or contractor to the Group or an Affiliate to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted.

Share option granted should be accepted within 28 days from the date of grant. The Board of Directors may at its absolute discretion determine the period during which a share option may be exercised, such period should expire no later than 10 years from the date of grant of the relevant option. The Board of Directors may also provide restrictions on the exercise of a share option during the period a share option may be exercised.

The exercise price is determined by the Board of Directors of the Company, and shall not be less than the highest of: (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.

37. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(ii) Poly HK New Scheme *(Continued)*

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Poly HK New Scheme and any other share option schemes of the Company shall not, in aggregate, exceed 30% of the total number of shares in issue.

The total number of shares issued and to be issued upon exercise of the options granted to each individual under the Poly HK New Scheme and any other share option schemes of the Company (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

The following table discloses details of the Company's options under the Poly HK New Scheme held by employees (including directors) and movement in such holdings during each of the two years ended 31st December, 2006:

	Date of grant	Exercise price per share	Exercisable period	Granted during the year and outstanding at 31.12.2005 and at 1.1.2006	Exercised during the year	Outstanding at 31.12.2006
		HK$				
Category 1: Directors						
Wang Jun	14.7.2005	1.270	14.7.2005 – 13.7.2015	8,900,000	–	8,900,000
He Ping	14.7.2005	1.270	14.7.2005 – 13.7.2015	8,900,000	–	8,900,000
Li Shi Liang *(note i)*	14.7.2005	1.270	14.7.2005 – 13.7.2015	8,000,000	–	8,000,000
Chen Hong Sheng	14.7.2005	1.270	14.7.2005 – 13.7.2015	8,000,000	–	8,000,000
Ye Li Wen *(note ii)*	14.7.2005	1.270	14.7.2005 – 13.7.2015	900,000	–	900,000
Chan Tak Chi, William	14.7.2005	1.270	14.7.2005 – 13.7.2015	300,000	–	300,000
Ip Chun Chung, Robert	14.7.2005	1.270	14.7.2005 – 13.7.2015	300,000	–	300,000
Yao Kang, J.P.	14.7.2005	1.270	14.7.2005 – 13.7.2015	500,000	–	500,000
Choy Shu Kwan, Wilson	14.7.2005	1.270	14.7.2005 – 13.7.2015	300,000	–	300,000
Lam Tak Shing	14.7.2005	1.270	14.7.2005 – 13.7.2015	300,000	–	300,000
				36,400,000	–	36,400,000
Category 2: Employees	14.7.2005	1.270	14.7.2005 - 13.7.2015	7,100,000	(2,670,000)	4,430,000
Total all categories				43,500,000	(2,670,000)	40,830,000

Notes:

(i) Mr. Li Shi Liang deceased on 5th July, 2006.

(ii) Mr. Ye Li Wen was appointed as a director of the Company with effect from 13th November, 2006.

37. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(ii) Poly HK New Scheme *(Continued)*

The closing prices of the Company's shares immediately before the dates on which the share options were exercised ranged from HK$1.48 to HK$2.33 for the year ended 31st December, 2006.

The share options under the Poly HK New Scheme vested at the grant date.

During the year ended 31st December, 2005, options were granted on 14th July, 2005. The estimated fair values of the options granted on the date of grant was HK$0.1765.

These fair values were calculated using the Binomial model. The inputs into the model were as follows:

	2005
Closing share price at date of grant	HK$1.270
Exercise price	HK$1.270
Expected volatility *(note a)*	27%
Expected life *(note b)*	3 years
Risk-free rate *(note c)*	3.462%
Expected dividend yield *(note d)*	4%

Notes:

a. Expected volatility was determined by using the historical volatility of closing prices of the Company's share in the past one year immediately before the date of grant.

b. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

c. The risk-free rate was based on the yield of Exchange Fund Notes.

d. The expected dividend yield was assumed to be 4% per annum.

The Group recognised the total expense of HK$7,757,000 in relation to share options granted by the Company for the year ended 31st December, 2005. Total consideration received for share options granted by the Company for the year ended 31st December, 2005 was HK$34.

Total consideration received for shares issued upon exercise of share options under the Poly HK New Scheme during the year was HK$3,390,900 (2005: Nil).

38. RESERVES

	Share premium HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
THE COMPANY					
At 1st January, 2005	1,571,672	–	23,338	63,372	1,658,382
Recognition of equity-settled share-based payment expense	–	7,757	–	–	7,757
Shares repurchased and cancelled:					
– Premium on shares repurchases	–	–	–	(826)	(826)
– Transfer	–	–	579	(579)	–
Premium arising on issue of shares	83	–	–	–	83
Share issue expenses	(15)	–	–	–	(15)
Profit for the year	–	–	–	47,717	47,717
Dividends paid *(note 14)*	–	–	–	(44,772)	(44,772)
At 31st December, 2005	1,571,740	7,757	23,917	64,912	1,668,326
Premium arising on rights issue	381,195	–	–	–	381,195
Share issue expenses	(7,729)	–	–	–	(7,729)
Exercise of share options	2,319	(234)	–	–	2,085
Profit for the year	–	–	–	49,247	49,247
Dividends paid *(note 14)*	–	–	–	(26,908)	(26,908)
At 31st December, 2006	**1,947,525**	**7,523**	**23,917**	**87,251**	**2,066,216**

39. OTHER BORROWINGS

The Group and the Company

At 31st December, 2005, the amount was secured by 41.666% of the Company's interest in Winterthur, interest-bearing at 6% simple rate per annum and repayable on 21st November, 2010.

Upon the disposal of the interest in Winterthur during the year ended 31st December, 2006 as set out in note 22, the amount was fully settled.

40. LOAN FROM A FELLOW SUBSIDIARY

THE GROUP

The amount represents loan from a subsidiary of the ultimate holding company. The amount is unsecured, interest-free and repayable upon expiration of the joint venture term of Poly Plaza Limited ("PPL"), a subsidiary of the Company.

The fair value of the loan at initial recognition has been determined based on the present value of the estimated future cash flows discounted using the prevailing market rate of 6% on the date the loan was granted. The loan is then carried at amortised cost in subsequent periods of effective interest rate of 6%.

41. LOANS FROM MINORITY SHAREHOLDERS OF SUBSIDIARIES

THE GROUP

The loans were borrowed from minority shareholders of Red Empire, which were unsecured, interest-free and repayable in 2020.

In September 2006 and March 2007, the Group entered into a letter of intent and a sale agreement to dispose of Red Empire, together with its subsidiaries as set out in note 13. The loans were transferred to "liabilities associated with assets classified as held for sale" as set out in note 13(iii).

The fair value of the loans at initial recognition has been determined based on the present value of the estimated future cash flows discounted using the prevailing market rate of 6% on the date the loans were granted. The loans are then carried at amortised cost in subsequent periods at effective interest rate of 6%.

42. DEFERRED LICENCING INCOME

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Unamortised deferred licencing income brought forward	**30,770**	44,858
Exchange adjustments	**520**	1,297
Less:		
– Licencing income recognised during the year	**(10,457)**	(15,385)
– Eliminated on acquisition of subsidiaries *(note 43)*	**(20,833)**	–
Unamortised deferred licencing income carried forward	**–**	30,770

The licencing income was received from a subsidiary of Poly Shanghai, an affiliated company of China Poly. Pursuant to an agreement, the subsidiary of Poly Shanghai paid an amount of RMB160 million to the Group in January 1998 for the exclusive right to manage the Group's property interest in Poly Plaza, Beijing, the PRC for a period of 10 years.

During the year ended 31st December, 2006, the Group acquired the entire interest in Poly Shanghai and its subsidiaries ("Poly Shanghai Group") as set out in note 43. After the acquisition, Poly Shanghai Group becomes subsidiary of the Company. The licensing income was therefore eliminated on acquisition of subsidiaries.

43. PURCHASE OF SUBSIDIARIES

During the years ended 31st December, 2006 and 2005, the Group completed the acquisition of certain subsidiaries, details of which are as follows:

(a) On 21st October, 2005, the Group entered into a conditional agreement with China Poly Group to acquire the entire interest in Poly Shanghai at a consideration of HK$578,033,000. Further details of the acquisition were set out in a circular of the Company dated 30th November, 2005. The acquisition was approved by the shareholders in an extraordinary general meeting held on 30th December, 2005. The acquisition was completed in August 2006 and has been accounted for using the purchase method. The amount of deemed capital contribution arising as a result of the acquisition was HK$27,702,000.

43. PURCHASE OF SUBSIDIARIES *(Continued)*

(b) On 24th October, 2005, the Group entered into two separate sale and purchase agreements. One was the acquisition of a 25% indirect interest in Jia Xing which is engaged in the provision of electricity and gas and the other was the acquisition of a further 26% direct interest in Jia Xing. The acquisition was completed in January 2006 and the aggregate consideration was HK$35,694,000. The amount of goodwill arising as a result of the acquisition was HK$1,017,000.

(c) In January 2005, the Group acquired the remaining 60% equity interest of Shanghai Puly Real Estate from China Poly Group at a consideration of RMB258,000,000 (equivalent to HK$240,448,000).

(d) Also, on the same date, the Group acquired 100% equity interest of Hubei White Rose Hotel Company Limited ("Hubei White Rose") and the related shareholder's loan from China Poly Group at a consideration of RMB55,000,000 (equivalent to HK$52,854,000) and the assumption of shareholders' loans of RMB99,949,000 (equivalent to HK$93,849,000).

(e) In January 2005, the Group exercised its option to acquire respectively from GCH 1.1% equity interest in Peixian Power and Dongtai Power at a consideration of HK$1 each in accordance with an agreement dated 29th November, 2002 and a supplementary agreement dated 3rd January, 2005. Peixian Power and Dongtai Power were 49% owned associates of the Group before the exercise of option.

(f) On 31st August, 2005, the Group acquired 100% equity interest of Yaubond Limited ("Yaubond") from an independent third party at a consideration of HK$158,013,000.

43. PURCHASE OF SUBSIDIARIES *(Continued)*

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

	Poly Shanghai's carrying amount before combination HK$'000	Jia Xing's carrying amount before combination HK$'000	Acquirees' carrying amount before combination HK$'000	Fair value adjustments HK$'000	2006 HK$'000	2005 HK$'000
Net assets acquired:						
Investment properties	88,213	–	88,213	–	**88,213**	546,000
Property, plant and equipment	73,590	219,705	293,295	–	**293,295**	512,397
Deferred licensing expenses/ intangible assets	20,833	–	20,833	–	**20,833**	65,012
Prepaid lease payments	18,554	8,644	27,198	15,320	**42,518**	361,131
Loan receivables	23,434	–	23,434	–	**23,434**	27,114
Interest in an associate	10,742	–	10,742	18,467	**29,209**	–
Club membership	970	–	970	–	**970**	–
Properties under development	1,413,338	–	1,413,338	166,293	**1,579,631**	–
Properties held for sale	11,459	–	11,459	–	**11,459**	–
Inventories	732	7,346	8,078	–	**8,078**	15,166
Trade and other receivables	80,151	21,940	102,091	–	**102,091**	53,580
Available-for-sale investments	4,883	–	4,883	–	**4,883**	–
Amounts due from associates	19,043	–	19,043	–	**19,043**	–
Amounts due from minority shareholders of subsidiaries	21,899	–	21,899	–	**21,899**	–
Amounts due from related parties	44,478	13,599	58,077	–	**58,077**	–
Taxation recoverable	6,001	–	6,001	–	**6,001**	732
Pledged bank deposits	2,156	–	2,156	–	**2,156**	–
Bank balances, deposits and cash	145,198	877	146,075	–	**146,075**	62,424
Trade and other payables	(259,276)	(27,005)	(286,281)	–	**(286,281)**	(194,526)
Pre-sale deposits	(97,037)	–	(97,037)	–	**(97,037)**	–
Amount due to ultimate holding company	(531,706)	–	(531,706)	–	**(531,706)**	–
Amount due to intermediate holding company	(22,439)	–	(22,439)	–	**(22,439)**	–
Amounts due to minority shareholders of subsidiaries	(211,019)	–	(211,019)	–	**(211,019)**	–
Amounts due to related parties	–	(48,200)	(48,200)	–	**(48,200)**	–
Taxation payable	(1,945)	–	(1,945)	–	**(1,945)**	(1,705)
Bank borrowings	(175,781)	(144,231)	(320,012)	–	**(320,012)**	(181,616)
Other borrowings	–	–	–	–	**–**	(185,836)
Deferred tax liabilities	(17,346)	–	(17,346)	(54,876)	**(72,222)**	(118,153)
Net assets	669,125	52,675	721,800	145,204	**867,004**	961,720
Minority interests	(181,140)	(25,810)	(206,950)	(19,642)	**(226,592)**	(130,652)
Attributable to the Group	487,985	26,865	514,850	125,562	**640,412**	831,068
Deemed capital contribution					**(27,702)**	(52,968)
Discount on acquisition of subsidiaries					**–**	(2,880)
Goodwill arising on acquisition					**1,017**	–
					613,727	775,220
Total consideration satisfied by:						
Cash consideration paid					**613,727**	451,315
Interests in associates					**–**	323,905
					613,727	775,220

43. PURCHASE OF SUBSIDIARIES *(Continued)*

The fair value of the identifiable assets and liabilities of the subsidiaries acquired during the year ended 31st December, 2005 were not significantly different from their respective carrying amounts, except for the recognition of other intangible assets amounted to HK$65,012,000, being the difference between the fair value of the prepaid lease payments and the carrying amount.

	Shanghai Poly	**Jia Xing**	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Net outflow arising on acquisition:				
Cash consideration paid	(578,033)	(35,694)	**(613,727)**	(451,315)
Deposit paid on acquisition of a subsidiary in 2005	–	798	**798**	–
Pledged bank deposits	2,156	–	**2,156**	–
Bank balances, deposits and cash acquired	145,198	877	**146,075**	62,424
	(430,679)	(34,019)	**(464,698)**	(388,891)

The newly acquired subsidiaries contributed approximately HK$102.7 million and HK$9.4 million to the Group's turnover and profit for the year, respectively, for the period between the date of acquisition and the balance sheet date.

Had the acquisitions been completed on 1st January, 2006, total group revenue for the year would be approximately HK$1,042 million and profit for the year would have been approximately HK$147 million, respectively. This proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of the Group that would actually have been impacted had the acquisitions been completed on 1st January, 2006, nor is it intended to be a projection of future results.

44. DISPOSAL OF SUBSIDIARIES

On 26th August, 2006, the Group disposed of its entire interest in the paid-up capital of 北京光格網絡發展有限公司（「北京光格」）which is engaged in media business. The disposal was completed on 30th August, 2006.

On 25th October, 2006, the Group disposed of its entire interest in the paid-in capital of 蘇州保利蘇景置業有限公司（「蘇景」）which is engaged in property development business. The disposal was completed on 8th December, 2006.

On 1st December, 2006, the Group disposed of its entire interest in the issued share capital of Prime Harvest. The principal asset of which is its interests in associates, 陽江市保豐碼頭有限公司 and 陽江市豐源糧油工業有限公司. The disposal was completed on 30th December, 2006.

The net assets of 北京光格, 蘇景 and Prime Harvest at the date of disposal were as follows:

	北京光格	蘇景	Prime Harvest	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NET ASSETS DISPOSED OF				
Property, plant and equipment	11,162	255	–	11,417
Properties under development	–	120,430	–	120,430
Interests in associates	–	–	45,826	45,826
Trade and other receivables	47	–	–	47
Bank balances and cash	5	10	–	15
Trade and other payables	–	(10)	(79,328)	(79,338)
Deferred tax liabilities	–	(5,870)	–	(5,870)
Net assets (liabilities) disposed of	11,214	114,815	(33,502)	92,527
(Loss) gain on disposal	(8,906)	8,690	56,591	56,375
Total consideration satisfied by cash	2,308	123,505	23,089	148,902
Net cash inflow arising on disposal:				
Cash consideration	2,308	123,505	23,089	148,902
Bank balances and cash disposed of	(5)	(10)	–	(15)
	2,303	123,495	23,089	148,887

The disposed subsidiaries contributed a loss of HK$4,221,000 and HK$3,377,000 to the Group's profit and cash flows for the year ended 31st December, 2006.

45. DEFERRED TAX LIABILITIES

The deferred tax liabilities recognised by the Group and the movements thereon during the current and prior years are as follows:

	Revaluation of properties			
	Investment properties	Hotel properties	Property under development	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2005	23,166	24,058	–	47,224
Acquired on acquisition of subsidiaries	46,565	6,562	65,026	118,153
Charge to equity for the year	–	3,852	–	3,852
Charge to income statement for the year	13,777	–	–	13,777
Reversed on disposal of investment properties	(2,859)	–	–	(2,859)
At 31st December, 2005 and 1st January, 2006	80,649	34,472	65,026	180,147
Acquired on acquisition of subsidiaries	21,620	–	50,602	72,222
Charge to equity for the year	–	5,901	–	5,901
Charge to income statement for the year	10,035	–	–	10,035
Eliminated on disposal of subsidiaries	(5,963)	–	–	(5,963)
Exchange adjustments	3,448	1,206	1,008	5,662
At 31st December, 2006	**109,789**	**41,579**	**116,636**	**268,004**

At 31st December, 2006, the Group other than its subsidiaries in the PRC had unused tax losses of approximately HK$131.9 million (2005: HK$81.0 million) for offset against future assessable profits. Such unused tax losses may be carried forward indefinitely.

In addition, at 31st December, 2006, the Group's PRC subsidiaries had unused tax losses of approximately HK$102.6 million (2005: HK$196.3 million) for offset against future assessable profits. The maximum benefit from unutilised tax losses can be carried forward up to five years from the year in which the loss was originated to offset future taxable profits.

The deferred tax assets arising from the above unused tax losses have not been recognised in the consolidated financial statements due to the unpredictability of future profit streams.

The Company had no significant unprovided deferred taxation for the year or at the balance sheet date.

46. OPERATING LEASE ARRANGEMENTS

The Group as lessee:

	2006 HK$'000	2005 HK$'000
Operating lease rentals in respect of:		
– office and factory premises	506	2,441
– satellite television channel	–	4,680

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

	THE GROUP			
	Satellite television channel		Office and factory premises	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Within one year	–	4,680	372	2,352
In the second to fifth year inclusive	–	18,720	201	12,833
Over five years	–	9,360	211	16,455
	–	32,760	784	31,640

Upon the disposal of 北京光格 as set out in note 44, there was no more outstanding commitments arising from the lease of satellite television channel. Leases are negotiated for a term of two years (2005: twelve years) for office and factory premises.

The Group as lessor:

	2006 HK$'000	2005 HK$'000
Operating lease arrangements in respect of office and management service	132,671	106,013

46. OPERATING LEASE ARRANGEMENTS *(Continued)*

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

	THE GROUP			
	Office		Management fee income	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**55,147**	48,984	**4,525**	–
In the second to fifth year inclusive	**49,201**	54,896	**1,665**	–
Over five years	**64,144**	10,090	**–**	–
	168,492	113,970	**6,190**	–

Significant leases are negotiated for a lease term of 1 to 10 years (2005: 1 to 10 years).

47. CAPITAL COMMITMENTS

	2006	2005
	HK$'000	*HK$'000*
THE GROUP		
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
– acquisition of a property development project	**728,574**	–
– property development expenditures	**464,042**	–
– addition of construction-in-progress	**388,623**	121,277
– acquisition of property, plant and equipment	**42,463**	10,958
– acquisition of interests in subsidiaries	**–**	597,351
– acquisition of interests in associates	**–**	36,679
	1,623,702	766,265
Capital expenditure authorised but not contracted for in the consolidated financial statements in respect of acquisition of a land use right	**110,246**	–

48. CONTINGENT LIABILITIES

At 31st December, 2006, the Company had given guarantees to certain banks in respect of credit facilities granted to certain subsidiaries of the Company. The amount utilised and unutilised were approximately HK$40 million (2005: HK$80 million) and approximately HK$40 million (2005: HK$30 million), respectively.

49. PLEDGE OF ASSETS

At the balance sheet date, the carrying value of the Group's assets which were pledged to secure credit facilities granted to the Group are as follows:

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Investment properties	**431,606**	411,400
Hotel properties	**262,792**	127,793
Plant and machinery	**109,265**	277,701
Buildings	**174,019**	233,325
Prepaid lease payments	**370,122**	362,342
Properties under development	**316,460**	–
Bank deposits	**98,413**	21,749
Assets classified as held for sale	**1,140,943**	–
	2,903,620	1,434,310

At the balance sheet date, shares in certain subsidiaries were also pledged to secure credit facilities granted to the Group.

50. GOVERNMENT GRANTS

For the year ended 31st December, 2006, the Group received government subsidies of HK$15,579,000 in which HK$11,979,000 (2005: nil) towards the cost of construction of its plant and machineries and HK$3,600,000 (2005: HK$6,658,000) towards the operation of electricity and gas.

The amount of HK$11,979,000 (2005: nil) has been deducted from the carrying amount of the relevant assets. The amount is transferred to income in the form of reduced depreciation charges over the useful lives of the relevant asset. This policy has resulted in a credit to income in the current year of HK$589,000 (2005: nil). As at 31st December, 2006, an amount of HK$11,202,000 (2005: nil) remains to be amortised.

The amount of HK$3,600,000 (2005: HK$6,658,000) had been included in other income.

51. RETIREMENT BENEFITS SCHEMES

The Company and its subsidiaries in Hong Kong operate a defined contribution retirement benefits scheme for their qualified employees pursuant to the Occupational Retirement Schemes Ordinance. The assets of the scheme are held separately in a fund which is under the control of an independent trustee. The retirement benefits scheme contributions charged to the income statement represent the contributions payable by the Group to the fund at rates specified in the rules of the scheme. When there are employees who leave the scheme prior to becoming fully vested in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Group.

To comply with the Mandatory Provident Fund Schemes Ordinance (the "MPFO"), the Group also participates in a Mandatory Provident Fund scheme ("MPF Scheme") for its qualified employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the MPFO. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

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

At the balance sheet date, there was no significant forfeited contributions, which arose upon employees leaving the retirement benefits scheme, available to reduce the contribution payable in the future years.

The total cost charged to income statement of approximately HK$7,194,000 (2005: HK$6,044,000) represents contributions payable to the schemes by the Group during the year.

52. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

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

(I) Connected Persons

(A) Transactions and balances with China Poly Group

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Transactions:		
Property rental income *(note i)*	**24,829**	25,559
Manager remuneration paid	**14,130**	13,869
Imputed interest expenses *(note 40)*	**7,041**	6,515
Property leasing commission and management fees paid	**1,510**	1,981
Disposal of investment properties *(note ii)*	**–**	46,294
Acquisition of subsidiaries *(note iii)*	**–**	562,500

	2006	2005
	HK$'000	*HK$'000*
Balances:		
Amounts due from fellow subsidiaries *(note iv)*	**27,884**	13,157
Amounts due to ultimate holding company *(note iv)*	**488,798**	3,742
Amounts due to an intermediate holding company *(note iv)*	**17,926**	–
Amounts due to fellow subsidiaries *(note iv)*	**72,215**	35,003
Loan from a fellow subsidiary *(note 40)*	**126,387**	80,518

Notes:

(i) Of this rental income, an amount of HK$21,288,000 (2005: HK$16,904,000) is related to tenancy agreement which were previously approved by independent shareholders of the Company in extraordinary general meetings; and an amount of HK$3,541,000 (2005: HK$8,655,000) is related to tenancy agreements which were disclosed in the Company's press announcements in 2006.

(ii) On 8th July, 2005, the Group entered into a sale and purchase agreement with Poly Shanghai to dispose of the entire 26th Floor of the North Tower of Shanghai Stock Exchange Building to Poly Shanghai at a consideration of RMB48,156,000 (equivalent to approximately HK$46,294,000). Details of the disposal were set out in a circular of the Company dated 29th October, 2004.

52. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(I) Connected Persons *(Continued)*

(A) Transactions and balances with China Poly Group (Continued)

Notes: (Continued)

(iii) On 21st October, 2005, the Group entered into a conditional agreement with China Poly Group to acquire the entire interest in Poly Shanghai at a consideration of RMB585,000,000 (equivalent to approximately HK$562,500,000). Further details of the acquisition were set out in a circular of the Company dated 30th November, 2005. The acquisition was approved by shareholders in an extraordinary general meeting held on 30th December, 2005. The acquisition was completed on 31st August, 2006 and the final consideration was RMB585,000,000 (equivalent to HK$578,000,000).

(iv) The balances are unsecured, interest-free and repayable on demand.

In addition, on 26th January, 2000, the Group and China Poly Group entered into an agreement (the "2000 Supplemental Agreement") supplemental to the management agreement dated 11th June, 1997 (the "Management Agreement") between the same parties. Pursuant to the Supplemental Agreement, the profit guarantee for the operation of Poly Plaza provided by China Poly Group under the Management Agreement would be suspended for the two years ended 31st December, 2001, but would be extended to cover the two years following its expiry on 31st December, 2007 such that it will end on 31st December, 2009, based on the mechanism provided in the Management Agreement. The 2000 Supplemental Agreement was approved by shareholders in an extraordinary general meeting on 17th March, 2000.

Furthermore, on 31st December, 2002, the Group and China Poly Group entered into an agreement (the "2002 Supplemental Agreement") supplemental to the Management Agreement and the 2000 Supplemental Agreement (hereafter collectively "Agreements") between the same parties. Pursuant to the 2002 Supplemental Agreement, the profit guarantee for the operation of Poly Plaza provided by China Poly Group under the Agreements would be suspended for the year ended 31st December, 2003, but would be extended to cover the next year following its expiry on 31st December, 2009 such that it will end on 31st December, 2010, based on the mechanism provided in the Agreements. The 2002 Supplement Agreement was approved by shareholders in an extraordinary general meeting on 30th December, 2002.

As at 31st December, 2006, China Poly Group and a subsidiary of the Company had given a guarantee to a bank in respect of credit facilities utilised by the Group of HK$3,012,000 (2005: HK$30,938,000) which was counter-guaranteed by a subsidiary of the Company of HK$1,988,000 (2005: HK$20,419,000).

52. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(I) Connected Persons *(Continued)*

(B) Proportional financing to a jointly controlled entity

The Group has made unsecured, interest-free advances to Tianjin Winson in proportion to its equity interest in Tianjin Winson. The balance of advances (before impairment loss recognised of HK$15.3 million in prior periods) at 31st December, 2005 amounted to approximately HK$15.3 million. During the year ended 31st December, 2006, Tianjin Winson was liquidated.

(C) Transactions and balances with minority shareholders of non-wholly owned subsidiaries

		THE GROUP	
Connected persons	**Nature of transactions/balances**	**2006**	2005
		HK$'000	*HK$'000*
Mr. Zhu Gong Shan ("Mr. Zhu") and his associates *(note i)*	Purchase of coals	**194,098**	–
	Technical and management service fee paid	**22,061**	–
	Compensation for guarantee profit received/ receivable *(note ii)*	**10,161**	13,051
	Amounts due from related companies *(note iii)*	**63,968**	–
	Amounts due to related companies *(note iii)*	**43,175**	64,030
	Amounts due to minority shareholders of subsidiaries *(note iii)*	**49,750**	66,955
	Amounts due from minority shareholders of subsidiaries *(note iii)*	**–**	303
	Acquisition of additional interests in associates *(note iv)*	**–**	–
	Acquisition of a subsidiary *(note v)*	**–**	35,694
Minority shareholders of a subsidiary of the Company	Disposal of a subsidiary *(note vi)*	**452,148**	–
Minority shareholders of Yue Tian and their affiliates	Imputed interest expenses *(note 13 (iii) and note 41)*	**7,138**	3,043
	Disposal of a subsidiary and shareholders loans *(note vii)*	**–**	164,819
	Shareholder's loan *(note viii)*	**133,239**	159,341
Minority shareholders of Poly Shanghai and its subsidiaries	Amounts due from minority shareholders of subsidiaries *(note iii)*	**27,266**	–
	Amounts due to minority shareholders of subsidiaries *(note iii)*	**215,202**	–

52. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(I) Connected Persons *(Continued)*

(C) *Transactions and balances with minority shareholders of non-wholly owned subsidiaries (Continued)*

Notes:

(i) Mr. Zhu is a substantial shareholder of minority shareholders of Taicang Poly, Dongtai Power, Jia Xing and Peixian Power and controlling shareholders of Funing Power and Xuzhou Power (collectively referred to "Power Plants"). Mr. Zhu and his associates including GCH and minority shareholders and controlling shareholders of Power Plants are therefore connected persons of the Company and accordingly, the aforesaid transactions and guarantees are deemed to be connected transactions for the Company which require approval from the shareholders of the Company.

(ii) Pursuant to the sales and purchase agreements entered into between the Group and GCH, certain subsidiaries and associates of the Group engaged in electricity and gas are guaranteed by GCH for a pre-agreed level of income.

(iii) The balances are unsecured, non-interest bearing and repayable on demand.

(iv) On 1st January, 2005, the Group exercised its option to acquire from GCH a 1.1% equity interest in Peixian Power at a consideration of HK$1 in accordance with an agreement dated 29th November, 2002 and a supplementary agreement dated 3rd January, 2005.

Also on 1st January, 2005, the Group exercised its option to acquire from GCH a 1.1% equity interest in Dongtai Power at a consideration of HK$1 in accordance with an agreement dated 29th November, 2002 and a supplementary agreement dated 3rd January, 2005.

Following the above acquisitions, Peixian Power and Dongtai Power have become subsidiaries of the Company on 1st January, 2005.

(v) On 24th October, 2005, the Group entered into agreements with companies beneficially owned by Mr. Zhu to acquire 51% of the registered capital of Jia Xing for a total consideration of US$4,488,000 (equivalent to HK$35,694,000). Further details of the acquisition are set out in a circular of the Company dated 14th November, 2005. The acquisition was completed on 1st January, 2006.

(vi) On 12th September, 2006 and 2nd March, 2007, the Group entered a letter of intent and a sale agreement with Great Elegant Investment Limited, which is a wholly owned subsidiary of Skyfame Realty (Holdings) Limited, ("Skyfame") to dispose of a wholly owned subsidiary, Red Empire, together with its subsidiaries for a consideration of HK$452,148,000. Skyfame is a substantial shareholder of Yaubond Limited ("Yaubond"), a 51% owned subsidiary of the Company. Red Empire owns 51% of the total issued share capital of Yue Tian.

52. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(I) Connected Persons *(Continued)*

(C) Transactions and balances with minority shareholders of non-wholly owned subsidiaries (Continued)

Notes: (Continued)

(vii) On 5th October, 2005, the Group disposed of 49% interest in a subsidiary together with a shareholder's loan to a company controlled by a minority shareholder of Yue Tian for an aggregate consideration of approximately HK$164.8 million.

(viii) Details of terms are set out in note 13(ii) and note 41. The loans are stated at their amortised costs.

Furthermore, on 5th October, 2005, the Group entered into a deed of appointment with the minority shareholder of Yaubond in relation to the project management of a property development project in Guangzhou, the PRC for a basic project management fee of RMB30 million, subject to adjustment. Details of the deed of appointment are set out in a circular of the Company dated 16th November, 2005. No management fees paid/payable during the years ended 31st December, 2006 and 2005.

52. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

(Continued)

(II) Related party, other than Connected Persons

		THE GROUP	
Related party	**Nature of transactions/balances**	**2006**	2005
		HK$'000	*HK$'000*
Winterthur	Interest expense *(note i)*	**1,216**	1,817
	Other loan *(note i)*	**–**	30,290
	Disposal of an associate *(note ii)*	**100,000**	–
Tong Sun	Short-term loan receivables *(note iii)*	**165,000**	165,000
	Imputed interest income *(note iii)*	**4,739**	9,071
Loyal Way	Short-term loan receivables *(note iii)*	**268,610**	–
	Imputed interest income *(note iii)*	**13,134**	–
Xuzhou Power	Amount due from an associate *(note iv)*	**4,970**	935
重慶綠地	Amount due from an associate *(note iv)*	**19,423**	–
Flying Eagle Aviation Limited	Amount due from an associate *(note iv)*	**–**	12,776

Notes:

(i) Details of terms are set out in note 39.

(ii) On 18th May, 2006, the Group entered into a share sale and purchase agreement with the controlling shareholder of Winterthur to dispose of the 48% interest in Winterthur for a consideration of approximately HK$100 million.

(iii) Details of terms are set out in note 30.

(iv) Details of terms are set out in note 22.

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

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

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

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

	2006	2005
	HK$'000	*HK$'000*
Transactions		
Trade sales	**305,834**	289,589
Trade purchases	**108,893**	–
Balances		
Amounts due from other state-controlled entities	**15,444**	39,679
Amounts due to other state-controlled entities	**17,119**	–

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

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

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

54. POST BALANCE SHEET EVENTS

On 2nd March, 2007, the Group entered into a sale agreement to dispose of a wholly-owned subsidiary, Red Empire, together with its subsidiaries, for a consideration of HK$452,148,000 as set out in note 13.

On 15th March, 2007, the Company has entered into a subscription agreement with Rich Champ Investments Limited, a company beneficially owned by Mr. Larry Yung Chi Kin, in relation to the subscription for 269,000,000 shares of HK$0.5 each of the Company at subscription price of HK$1.7 per share.

55. PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ establishment	Issued and paid up share capital/ registered capital	Attributable portion of nominal value of issued share capital/ registered capital held by the Company Directly	Indirectly	Principal activity
Bassington Investments Limited	Hong Kong	HK$2	–	100%	Property investment
Bright Able Developments Limited	British Virgin Islands	US$1	–	100%	Investment holding
California Hero Property Limited	British Virgin Islands	US$1	–	100%	Securities investment
CMIC Finance Limited	Hong Kong	HK$2	100%	–	Financial services
CMIC Management Services Limited	Hong Kong	HK$100	100%	–	Management services
CMIC-NCHK Energy Holdings Limited	British Virgin Islands	US$100	–	100%	Investment holding
Dongtai Power *(note i)*	PRC	US$4,008,000	–	50.1%	Provision of electricity and gas
Fainland Limited	Hong Kong	HK$2	–	100%	Property investment
First Great Investments Limited	Hong Kong	HK$2	–	100%	Investment holding
Geldy Limited	Hong Kong	HK$10,000	–	100%	Property holding
Grandful International Limited	Hong Kong	HK$2	–	100%	Investment holding
Green Island Developments Limited	British Virgin Islands	US$1	–	100%	Investment holding
Guangzhou Cheng Jian Tian Yu Real Estate Development Company Limited ("CJTY") *(note ii)*	PRC	US$22,500,000	–	51%	Property development
Guangzhou Huan Cheng Real Estate Development Company Limited ("HC") *(note iii)*	PRC	RMB10,000,000	–	51%	Property development
High Praise Developments Limited	British Virgin Islands	US$1	–	100%	Investment holding

55. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and paid up share capital/ registered capital	Attributable portion of nominal value of issued share capital/ registered capital held by the Company Directly	Indirectly	Principal activity
High Wealth International Limited	Hong Kong	HK$2	–	100%	Property investment
Honorlink Investments Limited	Hong Kong	HK$2	–	100%	Property investment
Hubei White Rose *(note iv)*	PRC	RMB9,600,000	–	100%	Hotel operations
Jia Xing	PRC	RMB66,400,000	–	51%	Provision of electricity and gas
Johnsbury Limited	British Virgin Islands	US$9,600,000	100%	–	Investment holding
Overseas Mariner Investment Company Limited	Bermuda	US$12,000	100%	–	Investment holding
PPL *(note v)*	PRC	US$10,000,000	–	75%	Investment, management and operation of a hotel complex
Peixian Power *(note vi)*	PRC	US$3,920,000	–	50.1%	Provision of electricity and gas
Polystar Digidisc Co., Ltd. ("Polystar") *(note vii)*	PRC	RMB9,000,000	–	66%	Manufacturing and wholesaling of compact discs, video compact discs and digital video discs
Prime Brilliant Limited	Hong Kong	HK$2	–	100%	Property investment
Poly (Hong Kong) Property Developments Limited	Hong Kong	HK$1	–	100%	Investment holding
Poly Shanghai	PRC	RMB100,000,000	–	100%	Investment holding
Propwood Limited	Hong Kong	HK$2	–	100%	Property investment
Red Empire	British Virgin Islands	US$1	–	100%	Investment holding
Regal Step Investments Limited	Hong Kong	HK$2	–	100%	Property investment
Saneble Limited	Hong Kong	HK$2	–	100%	Property investment

55. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and paid up share capital/ registered capital	Attributable portion of nominal value of issued share capital/ registered capital held by the Company		Principal activity
			Directly	Indirectly	
Shanghai Puly Real Estate Development Co. , Ltd. *(note viii)*	PRC	US$24,000,000	–	100%	Property investment
Smart Best Investments Limited	Hong Kong	HK$1	–	100%	Investment holding
Starry Joy Properties Investment Ltd.	British Virgin Islands	US$1	–	100%	Investment holding
Taicang Poly *(note ix)*	PRC	RMB84,150,000	–	51%	Provision of electricity and gas
Topower Assets Limited	British Virgin Islands	US$1	100%	–	Securities investment
Upperace Developments Ltd.	British Virgin Islands	US$1	100%	–	Securities investment
Volgala International Ltd.	British Virgin Islands	US$1	–	100%	Securities investment
Yaubond	British Virgin Islands	US$18,813,500	–	51%	Investment holding
Yue Tian	Hong Kong	HK$72,000	–	51%	Investment holding
上海忻利房地產發展有限公司	PRC	RMB15,000,000	–	100%	Property development
上海夢苑房地產有限公司	PRC	RMB5,000,000	–	100%	Property development
上海華寶房地產發展有限公司	PRC	RMB20,000,000	–	100%	Property development
上海保利欣房地產有限公司	PRC	RMB150,000,000	–	90%	Property development
上海保利金鵬置業有限公司	PRC	RMB20,000,000	–	50.1%	Property development
上海保利佳房產有限公司	PRC	RMB30,000,000	–	90%	Property development
上海保利花木有限公司	PRC	RMB1,000,000	–	100%	Property development
上海保利物業酒店管理有限公司	PRC	RMB5,000,000	–	100%	Property management
蘇州保利櫻花置業有限公司	PRC	RMB15,000,000	–	80%	Property development
湖北保利置業有限公司	PRC	RMB20,000,000	–	100%	Property development
湖北保利建設有限公司	PRC	RMB20,740,000	–	100%	Building contractor
重慶保利小泉實業有限公司	PRC	RMB80,000,000	–	51%	Property development
北京花園別墅有限公司	PRC	RMB91,656,147	–	51%	Property development
湖北保利投資有限公司	PRC	RMB10,000,000	–	100%	Property development

55. PRINCIPAL SUBSIDIARIES *(Continued)*

Notes:

(i) Dongtai Power is a sino-foreign joint venture company established in the PRC for a term of 50 years commencing 15th May, 2001.

(ii) CJTY is a sino-foreign joint venture company established in the PRC for a term of 16 years commencing 26th September, 2002.

(iii) HC is a sino-foreign joint venture company established in PRC for a term of 15 years commencing 21st July, 2006.

(iv) Hubei White Rose is a wholly foreign owned enterprise.

(v) PPL is a sino-foreign joint venture company established in the PRC for a renewal term of 50 years commencing 9th July, 2003.

(vi) Peixian Power is a sino-foreign joint venture company established in the PRC for a term of 50 years commencing 16th August, 2000.

(vii) Polystar is a sino-foreign joint venture company established in the PRC for a term of 20 years commencing 18th December, 2000.

(viii) Shanghai Puly Real Estate Development Co., Limited is a wholly foreign owned enterprise.

(ix) Taicang Poly is a sino-foreign joint venture company established in the PRC for a term of 17 years commencing 17th March, 1999.

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

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

56. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group's operations are organised into six (2005: five) operating divisions. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Supply of electricity and gas	– supply of electricity and gas
Property investment and management	– property investment and management
Manufacturing and others	– manufacturing and sales of digital discs and others
Financial services	– trading of securities and loan financing services
Hotel and restaurant operations	– hotel and restaurant business and its related services
Property development business	– Property development

During the year ended 31st December, 2006, the Group acquired Poly Shanghai and its subsidiaries which are engaged in property development.

Segment information about these business is presented below:

For the year ended 31st December, 2006

	Continuing operations							
	Supply of electricity and gas HK$'000	Property investment and management HK$'000	Property development business HK$'000	Manufacturing and others HK$'000	Financial services HK$'000	Hotel and restaurant operations HK$'000	Eliminations HK$'000	Total HK$'000
By principal activity								
REVENUE								
External revenue	472,085	132,671	80,933	87,260	36,181	137,606	–	946,736
Inter-segment revenue*	–	10,120	–	–	–	–	(10,120)	–
Total revenue	472,085	142,791	80,933	87,260	36,181	137,606	(10,120)	946,736
SEGMENT RESULT	56,612	145,896	(15,377)	(763)	71,841	24,521	–	282,730
Unallocated income								10,499
Unallocated expenses								(67,747)
Finance costs								(92,738)
Gain on disposal of interests in subsidiaries	–	–	8,690	47,685	–	–	–	56,375
Gain on disposal of interests in associates	–	–	–	–	24,684	–	–	24,684
Discount on acquisition of an associate	–	–	5,591	–	–	–	–	5,591
Share of results of associates	(405)	–	–	(3,646)	(1,624)	–	–	(5,675)
Profit before taxation								213,719
Income tax expense								(38,016)
Profit for the year								175,703

* Inter-segment revenue were charged at terms determined and agreed between group companies.

56. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

ASSETS AND LIABILITIES

AT 31ST DECEMBER, 2006

	Continuing operations						
	Supply of electricity and gas	Property investment and management	Property development business	Manufacturing and others	Financial services	Hotel and restaurant operations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS							
Segment assets	1,202,737	1,639,923	3,519,708	134,445	544,451	833,440	7,874,704
Interests in associates	67,310	–	56,388	–	20,655	–	144,353
Unallocated corporate assets							723,122
Total assets							8,742,179
LIABILITIES							
Segment liabilities	(357,473)	(150,086)	(1,842,082)	(59,206)	(6,188)	(132,669)	(2,547,704)
Unallocated corporate liabilities							(1,661,843)
Total liabilities							(4,209,547)
OTHER INFORMATION							
Capital expenditure	73,772	4,341	869,424	4,288	–	899	952,724
Depreciation	61,469	5,671	2,266	15,093	–	17,146	101,645
Amortisation of deferred licensing income	–	–	–	–	–	10,457	10,457
Amortisation of other intangible costs	–	–	1,626	–	–	–	1,626
Amortisation of prepaid lease payments	2,389	2,305	246	117	–	5,244	10,301

56. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

An analysis of the Group's turnover by geographical location of its customers is presented below:

	Hong Kong *HK$'000*	The PRC *HK$'000*	Others *HK$'000*	Total *HK$'000*
REVENUE	28,869	917,867	–	946,736

The following is an analysis of the carrying amount of segment assets, and capital expenditure analysed by the geographical area in which the assets are located.

	Hong Kong *HK$'000*	The PRC *HK$'000*	Total *HK$'000*
ASSETS			
Carrying amount of total segment assets	489,398	8,108,428	8,597,826
Capital expenditure	1,963	950,761	952,724

For the year ended 31st December, 2005

	Continuing operations								
	Supply of electricity and gas *HK$'000*	Property investment and management *HK$'000*	Manufacturing and others *HK$'000*	Financial services *HK$'000*	Hotel and restaurant operations *HK$'000*	Eliminations *HK$'000*	Sub-total *HK$'000*	Discontinued operations shipping *HK$'000*	Total *HK$'000*
By principal activity									
REVENUE									
External revenue	365,124	106,013	87,335	18,286	132,897	–	709,655	25,304	734,959
Inter-segment revenue*	–	7,460	–	6,151	–	(13,611)	–	–	–
Total revenue	365,124	113,473	87,335	24,437	132,897	(13,611)	709,655	25,304	734,959
SEGMENT RESULT	62,526	166,645	(8,138)	16,147	25,404	–	262,584	15,544	278,128
Unallocated income							11,910	770	12,680
Unallocated expenses							(22,069)	–	(22,069)
Finance costs							(58,589)	(46)	(58,635)
Gain on partial disposal of interests in subsidiaries	–	11,117	–	–	–	–	11,117	–	11,117
Allowances for short-term loan receivables	–	–	–	(31,937)	–	–	(31,937)	–	(31,937)
Impairment loss recognised in respect of goodwill	–	(6,474)	–	–	–	–	(6,474)	–	(6,474)
Share of results of associates	6,677	–	(38,174)	994	–	–	(30,503)	–	(30,503)
Profit before taxation							136,039	16,268	152,307
Income tax expense							(29,884)	–	(29,884)
Gain on disposal of discontinued operation, net of tax							–	59,503	59,503
Profit for the year							106,155	75,771	181,926

* Inter-segment revenue were charged at terms determined and agreed between group companies.

56. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

ASSETS AND LIABILITIES
AT 31ST DECEMBER, 2005

	Continuing operations						
	Supply of electricity and gas	Property investment and management	Manufacturing and others	Financial services	Hotel and restaurant operations	Discontinued operations shipping	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS							
Segment assets	979,862	2,051,334	165,574	344,054	1,516,154	–	5,056,978
Interests in associates	73,858	–	96,346	74,093	–	–	244,297
Unallocated corporate assets							296,155
Total assets							5,597,430
LIABILITIES							
Segment liabilities	(231,549)	(154,226)	(48,722)	(11,770)	(299,783)	(1,122)	(747,172)
Unallocated corporate liabilities							(1,385,503)
Total liabilities							(2,132,675)
OTHER INFORMATION							
Capital expenditure	462,969	546,914	78,563	–	463,903	–	1,552,349
Depreciation	37,451	3,578	16,119	–	37,765	2,468	97,381
Amortisation of deferred licensing income	–	–	–	–	15,385	–	15,385
Impairment loss on available-for-sale investments	–	–	–	15,000	–	–	15,000
Impairment loss on goodwill	–	6,474	–	–	–	–	6,474
Amortisation of prepaid lease payments	1,088	2,305	113	–	5,298	–	8,804

56. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

An analysis of the Group's turnover by geographical location of its customers is presented below:

	Hong Kong *HK$'000*	The PRC *HK$'000*	Others *HK$'000*	Total *HK$'000*
REVENUE	16,118	693,537	25,304	734,959

For the year ended 31st December, 2005, revenue from the Group's discontinued shipping operations of HK$25,304,000 was derived principally from Others.

The following is an analysis of the carrying amount of segment assets, and capital expenditure analysed by the geographical area in which the assets are located.

	Hong Kong *HK$'000*	The PRC *HK$'000*	Total *HK$'000*
ASSETS			
Carrying amount of total segment assets	366,629	4,986,504	5,353,133
Capital expenditure	490	1,551,859	1,552,349