Annual Report 07

保利（香港）投資有限公司
Poly (Hong Kong) Investments Limited

Stock Code : 119

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

HE Ping *(Chairman)*
CHEN Hong Sheng *(Vice-Chairman)*
WANG Xu *(Managing Director)*
XUE Ming
HAN Qing Tao
YE Li Wen
CHAN Tak Chi, William

Non-Executive Director

IP Chun Chung, Robert*

Independent Non-Executive Directors

YAO Kang, *J.P.**
LAM Tak Shing, Harry*
CHOY Shu Kwan*

* *members of the Audit Committee*

COMPANY SECRETARY

TAI Kar Lei

REGISTERED OFFICE

Room 2503, Admiralty Centre, Tower 1
18 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
CITIC Ka Wah Bank Limited

AUDITOR

Deloitte Touche Tohmatsu

INVESTOR RELATIONS CONSULTANT

Strategic Financial Relations (China) Limited
Unit A, 29/F
Tower 1, Admiralty Centre
18 Harcourt Road
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Poly (Hong Kong) Investments Limited (the "Company") will be held at Aberdeen Room, Level 3, JW Marriott Hotel, Pacific Place, 88 Queensway, Hong Kong on 29th May, 2008 at 11:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditor for the year ended 31st December, 2007.

2. To declare a final dividend.

3. To elect directors and to authorise the board of directors to fix their remuneration.

4. To appoint auditor and to authorise the board of directors to fix their remuneration.

5. To consider as special business and, if thought fit, pass with or without amendments the following resolutions as Ordinary Resolutions:

   (A) "**THAT**:

   (a) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;

   (b) the approval in paragraph (a) above shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

   (c) the aggregate nominal amount of the share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to a Rights Issue (as hereinafter defined) or the exercise of any option under the Share Option Scheme of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or by any applicable laws to be held; and

(iii) the revocation or variation of this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong)."

(B) "**THAT**:

(a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to purchase its own shares of HK$0.50 each (the "Shares"), subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of the Shares to be purchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution and the said approval shall be limited accordingly; and

(c) for the purposes of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or by any applicable laws to be held; and

(iii) the revocation or variation of this Resolution by an ordinary resolution of the shareholders of the Company in general meeting."

(C) "**THAT** conditional upon the Resolutions numbered 5(A) and 5(B) respectively set out in the notice convening this meeting being passed, the general mandate granted to the directors of the Company to allot, issue and deal with additional shares pursuant to the Resolution numbered 5(A) be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company purchased by the Company under the authority granted pursuant to the Resolution numbered 5(B), provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution."

6. "**THAT** subject to and conditional upon The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in the shares of the Company (representing a maximum of 10% of the shares of the Company in issue as at the date of passing of this resolution) to be issued pursuant to the exercise of the options granted under the share option scheme adopted by the Company on 28th May, 2003 (the "Share Option Scheme") and any other share option schemes, the refreshment of the mandate limit up to 10% of the shares of the Company in issue as at the date of passing of this resolution (the "Refreshed Mandate Limit") be and is hereby approved and THAT the Directors of the Company be and are hereby authorized to grant options under the Share Option Scheme and any other share option schemes up to the Refreshed Mandate Limit and to exercise all the powers of the Company to allot, issue and deal with the shares pursuant to the exercise of such options."

By Order of the Board
TAI Kar Lei
Company Secretary

Hong Kong, 29th April, 2008

Notes:

(1) A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.

(2) In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be deposited at the office of the Company's share registrars, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

(3) A circular containing information concerning resolutions nos. 3, 5 and 6 was sent to the shareholders together with 2007 Annual Report.

RESULTS OF 2007

I hereby announce that the revenue of the Group for the financial year ended 2007 amounted to HK$973,860,000, representing an increase of 114.8% compared to 2006. The profit attributable to shareholders amounted to HK$401,196,000, representing an increase of 111.8% compared to the year 2006.

PAYMENT OF DIVIDENDS

A final dividend of 5 HK cents per share has been proposed by the Board of Directors.

CORPORATE BACKGROUND

The Group is the sole overseas-listed PRC real estate flagship of China Poly Group, a large-scale central enterprise under the supervision of the State-owned Assets Supervision and Management Commission of the State Council of PRC. The China Poly Group has been engaging in the development of mainland property business for almost 20 years and currently possessing projects-in-progress and land reserves of a total planned gross floor area of more than 30 million square meters, with business operations in over 20 major cities across China.

In 2005, the Group was renamed Poly (Hong Kong) Investments Limited, with a clear objective to focus its future development efforts on real estate development and investment in China. In 2006, the Group acquired Poly Realty Company Limited（保利置業有限公司）from our parent company, and thereby quickly obtained an operational platform for engaging in real estate development in mainland China as well as a team of management professionals.

BUSINESS REVIEW

In August 2007, the Group entered into a Sales & Purchase Agreement with Poly Southern Group Limited under our parent company to acquire from Poly Southern the entire equity interests in Shenzhen Poly Investments Co., Ltd. at a total consideration of RMB1.39 billion which shall be paid by way of an issue of new shares at HK$6.1 each by the Group to Poly Southern Group Limited. The transaction is expected to be completed shortly. For the acquisition, our parent company injected real estate projects-in-progress and land reserves of a total constructible gross floor area (GFA) of more than 4,000,000 square meters, which promptly expanded the scale of real estate development of the Group while strengthening the core competitiveness of the Company. More importantly, this signifies our parent company's recognition of and full confidence in the Group's engagement in real estate development as its principal business.

During the period, the Group successively procured through bidding in public auctions and through acquisitions totally seven real estate projects in prime cities such as Shanghai, Wuhan, Guiyang, namely Shanghai Poly Garden in the core region of Jiading New City, Shanghai; two land parcels in the Shuang Dan Road residential project; two land parcels for Jinjue Apartments and Tang Dynasty Garden in Tang Town, Shanghai; a land parcel for Shanghai Xin Jiang Wan Town residential project; a land parcel for Wuhan Poly Royal Palace residential project, and a land parcel for Poly Yunshan International(保利雲山國際)in Yunyan District, Guiyang. In January 2008, the Group obtained a land parcel for residential use at Tangdong Road, Tang Town, Shanghai. The total constructible gross floor area of the eight land parcels is more than 2,300,000 square meters, which, together with that held by Shenzhen Poly Investments Co., Ltd., means that the total constructible gross floor area of the projects-in-progress and of the land reserve projects of the Group is approximately 9,000,000 square meters, paving the way for us to develop real estate business in 12 major first- and second-tier cities throughout China.

Besides, to build up a strong mega enterprise specializing in real estate development, the Group duly adjusted the original distribution structure of its investments in line with the established business development strategies. The Group disposed of the equity interests in six cogeneration plants to GCL-Poly Energy Holdings Limited (Stock Code: 3800) so as to create ideal returns for our Shareholders while accelerating a comprehensive transformation to real estate operation as its principal business.

Through a series of substantial acquisitions and business restructuring, through the professional and regulated investment management and capital operation by a quality operation and management team, and thanks to the goodwill and business resources of our parent company in the real estate sector of China, the Group has already formed a business framework with real estate development, property investment and property management as its core

Chart I

Growth in GFA for different types of real estate projects under construction and land reserve from 2005 to the present

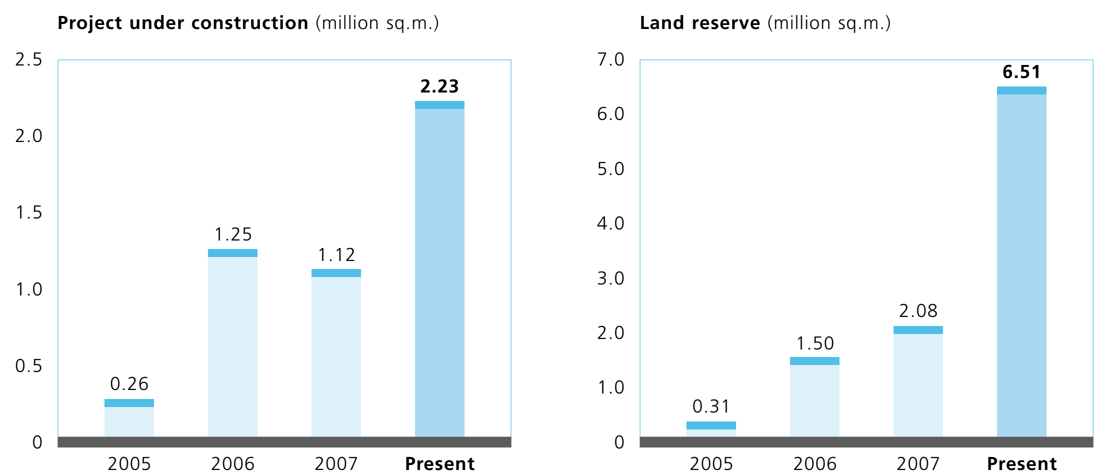


Chart II

Distribution of Business Zones

- **First-Tier Cities:**
  Beijing, Shanghai, Guangzhou, Shenzhen

- **Central and South-Western Regions:**
  Wuhan, Chongqing, Guiyang, Nanning, Kunming

- **Other Major Second-Tier Cities:**
  Harbin, Jinan, Huizhou

THE STRATEGY OF DEVELOPMENT

In recent years, the PRC government has launched a series of austerity measures to check the overheating of the real estate industry of China, including a requirement for full settlement of land appreciation tax, a requirement that small apartments no bigger than 90 square meters must now account for 70 per cent of all new homes being built, and a restriction on the provision of second housing mortgage credit. The launch of these measures significantly increases the difficulty of real estate investment and development. Following the policy of the State proactively, the Group carried out a comprehensive, forward-looking and strategic consideration and researches on its development strategy, and made a series of significant adjustments to its investment strategy.

Regarding the areas of development, the Group continued expanding its excellent quality development projects in first-tier cities such as Shanghai, Shenzhen and Guangzhou, while increasing the scales of its investments and development efforts in the provincial capitals in central and south-western region, with a view to becoming a leading property enterprise in the central and western region. We opine that, given the ample support under the various policies of the State, the second-tier provincial capital in central and south-western China will have unprecedented development opportunities for their urban and economic development and a huge potential for real estate development, and the impact of the austerity policy of the State is relatively limited. Through the capital injection of China Poly Group Corporation, the Group took the lead in making investments in the second-tier provincial capitals in the south-west region, hence obtaining land parcels at obviously competitive prices and land reserves with huge potential for value appreciation. At present, the works-in-progress and land reserves of the Group are strategically located in cities in the central and south-west regions, including Guiyang, Nanning, Wuhan, and Kunming.

Regarding the products to be developed, the Group will build up its core competitiveness in real estate development based on a concept of "cultural property", and will continually enhance the culture connotation and inherent commercial value of its projects by making use of the "Poly" brand and the resource advantage accumulated by the Poly Group in culture industry, and by providing rich sets of pertinent culture features and quality product mix, with a view to promoting business through culture and fostering culture through business, hence a continuous promotion of the economic and cultural causes of the relevant localities and a win-win situation. The Poly Cultural Plaza of the Group, situated at a bridge head position in a passage in the west part of Shenzhen, comprises the Poly Theatre which is of internationally advanced level and domestic first-class standard. With its high-end, comfortable and convenient cultural industry, the project has become a landmark cultural, leisure and shopping centre in Shenzhen, and also activated the economic and commercial development of the Nanshan District of Shenzhen. The successful operation of this type of projects has laid a firm foundation for the Group to establish a concept of developing "cultural properties" and to build its brand of "cultural properties" systematically.

Regarding the progress of project development, the Group will continue to step up its professionalism and regulated management in various segments of its development, including the acquisition, design, construction and sale of land, while placing emphasis on highly effective and orderly development, shortening the investment cycle, and reducing the cost of funds. In 2007, impressive achievements were made for Guiyang Poly New Island, Wuhan Poly Royal Palace and Nanning Poly Phoenixia Garden, as land acquisition, construction work commencement, offer for sale and funds recoupment were smoothly fulfilled in the same year, thus creating good returns through an effective prevention, avoiding and reducing the risks posed by the austerity policy of the State.

Regarding investment properties, the Group will continue retaining and investing in rental properties which generate stable income, so as to raise its risk-withstanding capability, ensure a stable cash flow, and take the benefits of long term capital increase as a result of Renminbi appreciation. The works-in-progress which the Group intends to hold on a long-term basis include Shanghai Poly Square Project, which is situated on the side of the Huangpu River, and Wuhan Poly Cultural Plaza.

Thanks to continuous adjustments to its investment policy, the major works of the Group are proceeding smoothly and its principal real estate business is developing speedily. It is believed that the impact of the austerity measures on the future development of the Group will not be significant.

CORPORATE GOVERNANCE

The Group has strictly compiled with all the requirements on the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 of the Listing rules in the accounting year ended 31st December, 2007.

None of the Directors (excluding Non-executive Directors) have a specific term of appointment. The Articles of Association of the Group require that one-third of the Directors each year are subject to retirement and re-election.

Accordingly, the Group considers that it has adopted sufficient measures to ensure that the corporate governance level of the Group is no less exacting than the requirements of the Code on Corporate Governance Practices.

COMPANY PROSPECTS

As the sole overseas-listed PRC real estate flagship of the China Poly Group, the Group will continue seeking injection of quality assets by the parent company in due course to quick the pace of development.

Looking ahead, I am truly confident of the Group's development prospects. The Group aims to develop within a short term into a distinguished comprehensive real estate development enterprise commanding high awareness among the listed companies of Hong Kong. In future, the Group will continue capturing market opportunities and consolidate its market position, while striving for higher returns for our Shareholders.

APPRECIATION

In the past year, with our employees' devoted efforts, the Group was successful in its work on integrating its various businesses. On behalf of the Board and the Shareholders, I would like to express my deepest gratitude to all of our dedicated employees.

He Ping
Chairman

OVERALL OPERATING CONDITIONS

As at 31st December, 2007, the Group recorded a turnover of HK$973,860,000 (corresponding period in 2006: HK$453,443,000), representing an increase of 114.8% as compared with the corresponding period last year. Profit attributable to shareholders amounted to HK$401,196,000 (corresponding period in 2006: HK$189,387,000), representing an increase of HK$211,809,000 as compared with the corresponding period last year. Basic earnings per share from continuing and discontinued operations was HK25.9 cents (corresponding period in 2006: HK17.88 cents), while diluted earnings per share was HK25.19 cents (corresponding period in 2006: HK17.54 cents).

As at 31st December, 2007, total shareholders' equity of the Group amounted to HK$4,669,181,000 (31st December, 2006: HK$3,664,592,000) and net book asset value per share was HK$2.83 (31st December, 2006: HK$2.72).

BUSINESS REVIEW FOR REAL ESTATE DEVELOPMENT

Injection of lands and properties by the parent company

On 30th August, 2007, the Group entered into a purchase and sale agreement with Poly Southern Group Limited, a wholly-owned subsidiary of China Poly Group Corporation to acquire the entire equity in Shenzhen Poly Investments Co., Limited. Pursuant to the sale and purchase agreement, the consideration for 100% equity in Shenzhen Poly is RMB1.390 billion, which will be paid by the Group by way of an issue of shares to Poly Southern Group Limited at HK$6.10 per consideration share.

Through this acquisition, the Company has enhanced the scale and resources of its real estate investment and development. The acquisition will be completed shortly. Upon the completion of the acquisition, Shenzhen Poly will become an indirectly wholly-owned subsidiary of the Company, and the Group thus holds a number of real estate projects and properties located in major cities of China, namely Shenzhen, Guangzhou, Guiyang, Nanning, Harbin and Jinan.

Sales

In 2007, the projects on sales were Shanghai Jinli Apartments, Suzhou Elegance Garden, Wuhan Bay View, Wuhan Poly Royal Palace (Phase 1), Chongqing Poly Spring Villas (Phase 1), Chongqing Emerald Valley (Phases 1 and 2). The pre-sale and sale areas of the six projects totaled 435,000 square meters, and the pre-sale and sale amount totaled RMB2.25 billion. Besides, by way of equity transfer, we sold The Guangzhou Westin Hotel, the land parcels in Zhoutouzui and North Tianhe in Guangzhou.

Table for Projects under Construction

Project		Site Area (square meter)	Aggregate Gross Floor Area (square meter)	Group's Interest
First-tier cities				
1.	Shanghai Poly Square Project	27,000	102,000	90%
2.	Shanghai Poly Garden Project (Phase 1)	49,000	112,000	100%
3.	Shanghai Jinli Apartments Project	140,000	181,000	50.1%
4.	Shanghai Jinjue Apartments Project	75,000	144,000	50.1%
5.	Shanghai Tang Dynasty Garden Project	21,000	33,000	50.1%
6.	Guangzhou Sunshine New City Project (Phase 1)#	81,000	176,000	51%
7.	Shenzhen Hai Yu Western Bay Project#	35,000	91,000	51%
Central and south-west regions				
8.	Wuhan Poly Cultural Plaza Project	12,000	139,000	100%
9.	Wuhan Poly Royal Palace (Phase 1)	74,000	208,000	100%
10.	Chongqing Poly Spring Villas Project (Phase 1)	67,000	20,000	51%
11.	Chongqing Emerald Valley Project (Phases 1 & 2)	194,000	179,000	30%
12.	Guiyang Poly New Island (Phase 1)#	74,000	156,000	66.5%
13.	Nanning Poly Upper House#	75,000	91,000	75%
14.	Nanning Poly 21st Century Home#	47,000	182,000	75%
Other cities				
15.	Harbin Yi He Homeland (Southern District)#	73,000	168,000	51%
16.	Harbin Shui Yun Chang Tan (Phase 1)#	79,000	98,000	58%
17.	Jinan Poly Garden (Phase 1)#	48,000	150,000	100%
Total:		1,171,000	2,230,000	

Projects held by Shenzhen Poly Investments Co., Limited

SUMMARY FOR PROJECTS UNDER CONSTRUCTION

1. Shanghai Poly Square

Shanghai Poly Square is situated in the central business district in Lujiazui, Shanghai, the rarely beautiful view of the Huangpu River and district resources in the financial centre. The project, which has a site area of 27,000 square meters and a gross floor area of approximately 102,000 square meters, will involve the construction of four separate blocks of low-rise riverview office buildings, a block of high-rise Grade A office building and shopping malls. The Group holds 90% of the interests in the project.

The project is undergoing basement work and is expected to be completed in 2009.

2. Shanghai Poly Garden

Shanghai Poly Garden is situated in the central area of Jiading New City, Jiading District, Shanghai, occupying a site area of approximately 154,000 square meters. The project, which has a gross floor area of approximately 353,000 square meters, involves an apartment area integrating both commercial and residential premises, with ample services and facilities. The project was awarded pilot qualification of "Homely Residential Area in China（中國親情式住宅小區）". The Group holds the entire interests in the project.

Phase 1 of the Project, with its construction duly commenced in the middle of 2007, has a gross floor area of 112,000 square meters. It is intended that its sales will be ready for commencement in the second quarter of 2008, and its construction will be partially completed by the end of 2008 and fully completed by the end of 2009.

3. Shanghai Jinli Apartments

Shanghai Jinli Apartments are situated in the core zone of "new town", which is the focus of construction under "the Eleventh Five-Year Plan", in the Tang Town of the Pudong New Area. The zone is adjacent to Zhangjiang Hi-Tech Park（張江高科技園）, and is easy to reach since it is near the extension lot of the Tang Town station of Metro Line No. 2. The project has a site area of approximately 140,000 square meters and an aggregate gross floor area of approximately 181,000 square meters. The Group holds 50.1% of interests in the project.

The project duly commenced its construction in the first half of 2007 and is planned to be completed in 2008. An overall sales agreement was signed with the government in February 2007.

4. Shanghai Jinjue Apartments

Shanghai Jinjue Apartments are situated in the core zone of "new town", which is the focus of reconstruction under "the Eleventh Five-Year Plan", in the Tang Town of the Pudong New Area. The zone is situated near the extension lot of the Tang Town station of Metro Line No. 2. The project, which has a site area of approximately 75,000 square meters and an aggregate gross floor area of approximately 144,000 square meters, will be constructed into a high-end residential area. The Group holds 50.1% of interests in the project.

The construction of the project was commenced in September 2007. It is expected that the sales will be ready for commencement in the third quarter of 2008, and the construction of the project is expected to be completed by the end of 2009.

5. Shanghai Tang Dynasty Garden

Shanghai Tang Dynasty Garden is situated in the core zone of "new town", which is the focus of construction under "the Eleventh Five-Year Plan", in the Tang Town of the Pudong New Area. The zone is adjacent to Zhangjiang Hi-Tech Park（張江高科技園）, and is near the extension lot of the Tang Town station of Metro Line No. 2. The project, which has a site area of approximately 21,000 square meters and an aggregate gross floor area of approximately 33,000 square meters, will be constructed into a medium-and high-end residential area. The Group holds 50.1% of interests in the project.

The construction of the project was commenced in the first half of 2007. The sales of the project commenced in April 2008 and the construction of the project will be completed at 2008 year-end.

6. Guangzhou Sunshine New City

Guangzhou Sunshine New City is situated in the automobile industry base of Huadou District, Guangzhou and is adjacent to the commercial and administration centre of the district. The project has a site area of approximately 248,000 square meters and an aggregate gross floor area of approximately 538,000 square meters. It will be developed into a residential complex comprising villas, condominiums and high-rise apartments. The Group holds 51% of interests in the project.

Phase 1 of the Project has an aggregate gross floor area of approximately 176,000 square meters. It is expected that sales of the project will be ready for commencement at the end of 2008 and the construction of the project will be completed in 2009.

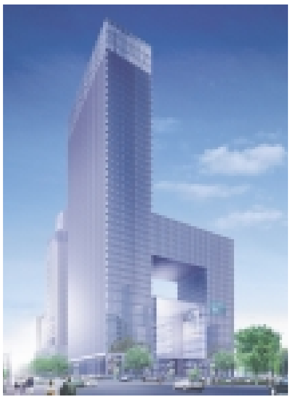
7. Shenzhen Hai Yu Western Bay

Situated in Haibin Avenue (海濱大道), Xixiang Town, Bao'an District, Shenzhen, Shenzhen Hai Yu Western Bay is adjacent to Bao'an New District with excellent seaview. The project has a site area of approximately 35,000 square meters and an aggregate gross floor area of approximately 91,000 square meters, which will be constructed into 10 blocks of 18-storey high-rise residential towers. The Group holds 51% of interests in the project.

The construction of the project was officially commenced in 2007. The sales of the project commenced in April 2008, and the construction of the project will be completed in 2009.

8. Wuhan Poly Cultural Plaza

Wuhan Poly Cultural Plaza is located in an interchange of Zhongnan Road and Mingzhu Road in Wuchang, Wuhan, which is opposite to the Hubei Provincial Government and closely adjacent to inner ring road (內環線) of the city and Metro Line No. 2 and 4. The land parcel has a site area of approximately 12,000 square meters and an aggregate floor area amounting to approximately 139,000 square meters, and the project will be constructed as a landmark commercial and office complex in Wuchang region. The Group holds 100% of interests in the project.



The construction of the project was officially commenced in 2007 and is expected to be completed in 2010.

9. Wuhan Poly Royal Palace (Phase 1)

Situated in Dongwu New Technology Development Zone (東湖新技術開發區), Wuhan, Wuhan Poly Royal Palace is adjacent to the city metro and commands a panorama view of the renowned Dongwu scenic area on its north and the immense South Lake on its south. A fine residential area with developed residential and leisure areas around it, the project has a site area of approximately 200,000 square meters and an aggregate gross floor area of approximately 562,000 square meters, and will be constructed into a medium-and high-end scenic residential area. The Group holds 100% of interests in the project.

The aggregate gross floor area of Phase 1 of the project has an aggregate gross floor area of 208,000 square meters. The construction work was officially commenced in the first half of 2007 and is planned to be completed in 2009. On 28th December, 2007, 3 blocks of building comprising 408 units were sold out in one single day. The remaining units in Phase 1 will be marketed in 2008.

10. Chongqing Poly Spring Villas (Phase 1)

Chongqing Poly Spring Villas is located in one of the top ten tourist sites in Chongqing. The project followed the philosophy of "harmonisation of architecture and nature", and situated in a magnificent environment with a natural landscape and historical buildings nearby. It is an important project of Chongqing City and Ba Nan District. The project has a site area of 210,000 square meters, with aggregate gross floor area of 63,000 square meters. The property is positioned as a high-end separate community of hot spring villa. The Group holds 51% interest in the project.

Phase I of the project has an gross floor area of 20,000 square meters. The construction work commenced in 2006, and is planned to be completed in 2008. As at 31st December, 2007, 36 villas of Phase 1 in total were sold or pre-sold. The sales of the 13 remaining units will for commence in 2008.

11. Chongqing Emerald Valley (Phases 1 and 2)

Chongqing Emerald Valley is situated in the North New District of Chongqing, which is a rare area having beautiful view with surrounding hills in the northern part of Chongqing. The project has a site area of 523,000 square meters, with aggregate gross floor area of 483,000 square meters. The project comprised mid to high end residential development of town houses, villas and homes with gardens, and will become a small residential district in French style. The Group holds 30% interest in the project.

The construction of Phase 1 of the project, which has an aggregate gross floor area of 110,000 square meters, was completed at the end of 2007. Construction of Phase 2 of the project, which has an aggregate gross floor area of approximately 69,000 square meters, commenced in December 2006 and is expected to be completed in 2008. As at 31st December, 2007, 480 residential units of Phases 1 and 2 in total were sold or pre-sold.

12. Guiyang Poly New Island (Phase 1)

Located in Wudang District, Guizhou Province, Guiyang Poly New Island is the first ecological and cultural property project carried out by the Group in its effort to enter the Guizhou market. The project has a site area of 461,000 square meters and gross floor area of approximately 969,000 square meters. It will be constructed into a large-scale hot spring residential project featuring original ecology and urban culture. The Group holds 66.5% of interests in the project.

The gross floor area of the Phase 1 of the project is approximately 156,000 square meters and its construction is underway. As at December 2007, the area of residential units pre-sold amounted to approximately 106,000 square meters, and the construction will be completed in 2008.

13. Nanning Poly Upper House

Nanning Poly Upper House is situated in the base of the ASEAN countries liaison section of the China – ASEAN International Business Area（中國－東盟商務區東盟各國聯絡部基地）, Fengling New District, Nanning. It has a site area of 75,000 square meters and an aggregate gross floor area of 91,000 square meters. Situated approximately one kilometer from the venue of Nanning International Convention and Exhibition Centre, the project is the first townhouses and commercial apartments introduced to Nanning. The Group holds 75% of interests in the project.

As at December 2007, the residential area sold amounted to 49,000 square meters, it is expected that the sales of remaining residential will commence in 2008, and the construction of the project will be completed by year-end of 2008.

14. Nanning Poly 21st Century Home

Nanning Poly 21st Century Home is situated on the south side of Nanning Minzu Avenue in the Nanning China-ASEAN International Business Area. It has a site area of 47,000 square meters and an aggregate gross floor area of approximately 182,000 square meters. It is positioned as a high-end ecological and energy-saving residential apartment area. The Group holds 75% of interests in the project.

With its construction under way, it is planned that sales of the project will commence in 2008, and the construction of the project will be completed in 2009.

15. Harbin Yi He Homeland Southern District

Harbin Yi He Homeland is situated in Haxi Gongdian Road（哈西工電路）at the junction of Youjia Street and Zixing Street in Nanggang District, Harbin. The whole Yi He Homeland project has a site area of 151,000 square meters and an aggregate gross floor area of approximately 511,000 square meters. It is divided into the south and the north zones. The Group holds 51% of interests in the project.

The south zone which is under construction has a site area of approximately 73,000 square meters and an aggregate gross floor area of 168,000 square meters. As at December 2007, the area of residential and commercial premises pre-sold amounted to 146,000 square meters in total, and under the current plan, the sales of the remaining residential area will be ready for commencement in 2008, and the construction of the project will be completed in 2008.

16. Harbin Shui Yun Chang Tan (Phase 1)

Harbin Shui Yun Chang Tan is situated on the west of the National Highway 202 (Songhua River Highway Bridge) and north of Third Ring Road, adjacent to the municipal government offices, with a financial and business service centre, Dragon Culture Theme Park（龍文化主題公園）and Songbei University Town（松北大學城）. The whole project has a site area of 567,000 square meters and an aggregate gross floor area of 704,000 square meters. It is planned to be developed into a residential apartment area. The Group holds 58% of interests in the project.

Phase 1 of the project has a site area of 79,000 square meters and an aggregate gross floor area of approximately 98,000 square meters. As at December 2007, the construction of the scenic riverway and clubhouse was completed. Under the current plan, its sales will be ready for commencement in the second half of 2008, and its construction will be completed in 2009.

17. Jinan Poly Garden (Phase 1)

Jinan Poly Garden is situated in Xibeijiao, Xingcun Cross-over, Jingshi East Road, Jinan. The project, with a site area of approximately 83,000 square meters and an aggregate gross floor area of approximately 260,000 square meters, will be developed into a premium high-end residential area. The project will be developed in two phases. The Group holds 100% of interests in the project.

Phase 1 of the project, which is under construction, has a site area of 48,000 square meters and an aggregate gross floor area of approximately 150,000 square meters. Under the current plan, its sales will be ready for commence in 2008 and its construction will be completed in 2009.

Land Reserves

In 2007, the Group acquired seven new land parcels, which were located in Shanghai City, Wuhan City, and Guiyang City, and construction work was officially launched on four of the land parcels in the same year. In January 2008, the Group acquired a new parcel located in Shanghai. The eight land parcels gave an addition of 870,000 square meters site area and 2.33 million square meters of aggregate gross floor area to the land reserves. At present, the Group possesses land reserves of site area 3.72 million square meters and approximately 6.51 million square meters of aggregate gross floor area in 12 cities, which are sufficient for planned development in the coming two to three years.

List of Land Reserves

Land Parcel		Site Area (square meter)	Planed Aggregate Gross Floor Area (square meter)	Group's Interest	Expected Work Commencement Date
First-tier city					
1	Shanghai Poly Garden (Phases 2 & 3)	105,000	241,000	100%	2nd half of 2008
2	Shanghai Jiading	119,000	305,000	100%	2009 or later
3	Shanghai Tang Zhen Tang Dong Lu	120,000	182,000	50.1%	1st half of 2009
4	Shanghai Jiangwang Xin Cheng	12,000	14,000	100%	2nd half of 2008
5	Guangzhou Sunshine New City (Phase 2)#	167,000	362,000	51%	2nd half of 2008
Central and south-west region					
6	Wuhan Poly Royal Palace (Phase 2)	126,000	354,000	100%	2nd half of 2008
7	Wuhan Yang Garden	30,000	84,000	51%	2009 or later
8	Chongqing Poly Spring Villas (Phases 2 & 3)	143,000	43,000	51%	2nd half of 2008
9	Chongqing Emerald Valley (Phases 3 & 4)	329,000	304,000	30%	1st half of 2008
10	Nanning Long Hu Lan Wan#	568,000	485,000	75%	1st half of 2009
11	Nanning Poly Shan Shui Yi Cheng#	67,000	200,000	75%	1st half of 2009
12	Guiyang Yun Shan International Project	167,000	737,000	60%	1st half of 2008
13	Guiyang Poly New Island (Phase 2)#	387,000	813,000	66.5%	1st half of 2008
14	Guiyang Poly International Plaza#	21,000	220,000	66.5%	2nd half of 2008
15	Kunming Anning Project#	160,000	288,000	80%	2nd half of 2008
Other cities					
16	Harbin Shui Yun Chang Tan (Phase 2)#	488,000	606,000	58%	2nd half of 2008
17	Harbin Yi He Homeland Northern District#	78,000	343,000	51%	2nd half of 2008
18	Harbin Song Bei Lot 9A & 9B Project#	172,000	271,000	51%	1st half of 2008
19	Jinan Poly Garden (Phase 2)#	35,000	110,000`	100%	1st half of 2008
20	Jinan Poly Furong Project#	26,000	83,000	100%	2nd half of 2008
21	Huizhou Bouluo Yanjiang Lu Project#	400,000	464,000	80%	2nd half of 2008
Total:		3,720,000	6,509,000		

\# *Project held by Shenzhen Poly Investments Co., Limited*

REVIEW OF PROPERTY INVESTMENT BUSINESS

With the consistently steady economic growth in China, quality commercial properties are highly demanded in the market. The Group owns a number of investment properties in Beijing, Shanghai, Wuhan, Shenzhen, and Hong Kong. The Group held a gross floor area of approximately 300,000 square meters, with the accumulated operating revenue for 2007 at RMB259,140,000. Such properties have continually recorded a high occupancy rate as well as satisfactory returns and have become a stable, long term source of income for the Group.

Location	**Project**	**Gross Floor Area** (square meters)	**Category**
Shanghai	Shanghai Stock Exchange Building[#1]	48,000	Office building, stock exchange
Beijing	Poly Plaza[#2]	71,000	Office building, hotel and theatre
Beijing	Beijing Legend Garden Villas[#1]	11,000	Apartment, villa, commercial
Wuhan	Hubei Poly White Rose Hotel	33,000	Hotel
Hong Kong	25th Floor, Tower 1, Admiralty Centre	2,000	Office building
Shenzhen	Shenzhen Poly Cultural Plaza[#3]	133,000	Mall, cinema, theatre

#1 *The calculation is based on the gross floor area of the project held by the Group.*

#2 *The calculation is based on the 75% equity interest of the building held by the Group.*

#3 *A project held by Shenzhen Poly Investments Co., Limited.*

1. Shanghai Stock Exchange Building

Shanghai Stock Exchange Building is situated in the financial district in Lujiazui, Pudong New District, Shanghai. Apart from being a prestigious Grade A office building, it also houses the Shanghai Stock Exchange and its tenants include such financial institutions as Banque Nationale de Paris, Credit Suisse, China Everbright Holdings Company Limited and Hong Kong Hang Seng Bank, etc.

The Group holds a gross floor area of approximately 48,000 square meters of the building, approximately 2,000 square meters of which is for its own use and approximately 46,000 square meters for leasing.

In 2007, the rental income for the whole year amounted to RMB72.47 million, an increase of 7.8% as compared to RMB67.23 million in 2006. The annual occupancy rate remained at 98% and the average rental rate was RMB5.49/square meter/day, representing an increase of 22.5% as compared with the 2006 rental rate of RMB4.48/square meter/day. At the end of 2007, the rental rate for new leases exceeded RMB7/square meter/day as a result of the robust economic development in Shanghai. Its investment returns are expected to continually increase in the future.

2. Poly Plaza

Poly Plaza is located in a prime site adjacent to embassies of various countries in China and CBD commercial areas. Poly Plaza is a composite architecture comprised of a four-star hotel with 292 standard rooms and deluxe rooms, offices with an area of 12,000 square meters and a theatre with 1,300 seats. The Plaza signed the "Service Agreement of Accommodation and Reception" with the Olympic Games, and has become the "the official hotel reception of guests in Beijing 2008 Olympic Games"（北京2008奧林匹克運動會官方接待飯店）.

In 2007, the turnover of Poly Plaza amounted to RMB125 million, with guest room occupancy rate of 76%. The annual average room rate amounted to RMB659/day/room, representing an increase of RMB18 or 2.8% as compared with 2006. In terms of guest rooms, the area available for operation amounted to 12,136 square meters, and the average revenue capability of guest rooms per annum in 2007 was RMB12.1 per square meter per day, representing a 1.7% increase over the RMB11.9 per square meter per day of 2006.

3. Beijing Legend Garden Villas

Beijing Legend Garden Villas is situated in the Tianzhu（天竺）high-end villa district next to the capital airport. Surrounded by an exquisite natural environment, the villa is the first high-end foreigner-oriented apartment and villa district in Beijing. As at 31st December, 2007, the residential units held by the Group for rental purpose occupied an area of 5,450 square meters and commercial properties 5,550 square meters. The letting rate of the commercial properties was 100%.

The operating revenue for 2007 amounted to RMB7.5 million, representing an increase of 53% over the same period last year.

4. Hubei Poly White Rose Hotel

White Rose Hotel, a 4-star hotel with 249 standard and presidential suites, is situated in Wuhan, Hubei Province and is in close proximity to Hong Shan Plaza in town centre. White Rose Hotel was closed temporarily in October 2007 for suites renovation, and the renovation works is expected to be completed by the fourth quarter of 2008.

The operating revenue for 2007 was RMB50.97 million. The average letting rate of the hotel was 75.8%. The average daily room rate was RMB428/day/room, representing an increase of 1.7% as compared with RMB421/day/room in 2006. The operable area for suites is 13,000 square meters. Profitability for suites in 2007 was RMB7.7/square meter/day, remaining at the same level as last year.

5. 25th Floor, Tower 1, Admiralty Centre

Admiralty Centre situates above the MTR station in the financial hub in Hong Kong and is easily accessible. The Group owned the whole 25/F (representing an area of approximately 2,000 square meters) of tower 1, with half of which for self-use and the remaining half for lease. The letting rate in 2007 almost reached 100%.

6. Shenzhen Poly Cultural Plaza

Shenzhen Poly Cultural Plaza is situated in the core area of Nanshan Commercial and Cultural Centre. The Plaza, with an aggregate gross floor area of 145,000 square meters, is the first theme shopping and leisure centre to commence operation in the district and a large-scale commercial project with multiple functions such as shopping, audio-visual entertainment, catering, leisure, entertainment, and arts. The theatre of Shenzhen Poly Cultural Plaza was opened for use in December 2007 and the mall was opened for business in March 2008. Besides a mall area of approximately 12,000 square meters which was sold, the Group holds 100% of interests in the project.

BUSINESS REVIEW FOR PROPERTY MANAGEMENT

Shanghai Poly Property Hotel Management Company Limited is a professional company held by the Group and principally engaged in the management in high-end properties and hotels. The company has won numerous awards and honors over the years, including the titles of the model unit of quality management, of services, and of integrity.

The property company realised an income of RMB46.7 million in 2007 and managed over 30 property projects involving a floor area of 2.52 million square meters, which encompass offices premises, hotels, shopping malls, villas and residentials. The properties managed included Beijing CBD International Mansion, Beijing New Poly Plaza, Beijing Poly Plaza, Shanghai General Motor Business Building, Shanghai Stock Exchange Building, Zhejiang Yang Cheng Hotel, Harbin Poly Technologies Tower, the Control and Communication Building (the South Electric Network), Guangdong Broadcasting Centre, Guangzhou CITIC Plaza and International Fortune Apartments, Hubei Poly White Rose Hotel, Palm Beach Villa, and Distingue Ecotypic Block.

DISPOSAL OF COGENERATION PLANT

In 2007, capturing the dynamic opportunity arising from the preparation of GCL-Poly (Stock code: 3800) for listing, the Group disposed of its equity interests in six cogeneration plants and received a total of 134,791,045 shares in GCL-Poly and HK$50 million in cash. GCL-Poly was successfully listed on the Stock Exchange of Hong Kong on 13th November 2007.

DEVELOPMENT STRATEGY AND PROSPECTS

In recent years, the PRC government has launched a series of macroeconomic adjustment measures to check the overheating of the real estate industry of China, including a requirement for full settlement of land appreciation tax, a requirement that small apartments no bigger than 90 square meters must now account for 70 per cent of all new homes being built, and a restriction on the provision of second housing mortgage credit. The launch of these measures significantly increases the difficulty of real estate investment and development. Following the policy of the State proactively, the Group considered and conducted researches a comprehensive, forward-looking and strategic manner on its development strategy, and made a series of significant adjustments to its investment strategy.

Regarding the areas of development, the Group continued expanding its premium development projects in first-tier cities such as Shanghai, Shenzhen and Guangzhou, while expanding the scales of its investments and development efforts in the provincial capitals in central and south-western region, with a view to becoming a leading property enterprise in the central and western region. We opine that, given the ample support under the various policies of the State, the second-tier provincial capital in central and south-western China will have unprecedented development opportunities for their urban and economic development and a huge potential for real estate development, and the impact of the macroeconomic adjustment policy of the State is relatively limited. Through the capital injection of China Poly Group Corporation, the Group took the lead in making investments in the second-tier provincial capitals in the south-west region, hence obtaining land parcels at obviously competitive prices and land reserves with huge potential for value appreciation. At present, the works-in-progress and land reserves of the Group are strategically located in major cities in the central and south-west regions, including Guiyang, Nanning, Wuhan, and Kunming.

Regarding the products to be developed, the Group will build up its core competitiveness in real estate development based on a concept of "cultural properties", and will continually enhance the cultural contents and inherent commercial value of its projects by making use of the "Poly" brand and the resource advantages accumulated by the Poly Group in culture industry, and by providing rich sets of pertinent culture features and quality product mix, with a view to promoting business through culture and fostering culture through business. Hence a continuous promotion of the economic and cultural causes of the relevant localities and a win-win situation will be achieved. The Poly Cultural Plaza of the Group, situated at a bridge head position in a passage in the western part of Shenzhen, comprises the Poly Theatre which is of internationally advanced level and domestic first-class standard. With its high-end, comfortable and convenient cultural contents, the project has become a landmark cultural, leisure and shopping centre in Shenzhen, and also activated the economic and commercial development of the Nanshan District of Shenzhen. The successful operation of this type of projects has laid a firm foundation for the Group to establish a concept of developing "cultural properties" and to build its brand of "cultural properties" systematically.

Regarding the progress of project development, the Group will continue to step up its professionalism and regulated management in various segments of its development, including the acquisition of land, design, construction and sale, while placing emphasis on highly effective and orderly development, shortening the investment cycle, and reducing the capital cost. In 2007, impressive achievements were made for Guiyang Poly New Island Project, Wuhan Poly Royal Palace and Nanning Poly Phoenixia Garden Project, as land acquisition, construction work commencement, offer for sale and funds recoupment were smoothly fulfilled in the same year, thus creating good returns through an effective prevention, avoiding and reducing the risks posed by the adjustment policy of the State.

Regarding investment properties, the Group will continue retaining and investing in rental properties which generate stable income so as to raise its risk-withstanding capability, ensure a stable cash flow, and take the benefits of long term capital increase as a result of Renminbi appreciation. The works-in-progress which the Group intends to hold on a long-term basis include Shanghai Poly Square Project, situated on the banks of the Huangpu River, and Wuhan Poly Cultural Plaza.

Thanks to continuous adjustments to its investment policy, the major works of the Group are proceeding smoothly and its principal real estate business is developing speedily. It is believed that the impact of the macroeconomic adjustment measures on the future development of the Group will not be significant.

As the sole overseas-listed PRC real estate flagship of the China Poly Group, the Group will continue seeking injection of quality assets by the parent company in due course to quicken the pace of development.

This corporate governance report ("CG Report") presents the corporate governance matters during the period covering the financial period ended 31st December 2007 and up to the date of the Annual Report to which this CG Report is inscribed ("CG Period") required to be disclosed under the Rules Governing the Listing of the Securities of The Stock Exchange of Hong Kong Limited ("Listing Rules").

ADOPTION OF CORPORATE GOVERNANCE PRINCIPLES

The Board has adopted a set of corporate governance principles ("Principles") which aligns with the requirements set out in the Code on Corporate Governance Practices ("CG Code") (Appendix 14 of the Listing Rules) and the Model Code for Securities Transactions by Directors of Listed Issuers ("Securities Code") (Appendix 10 of the Listing Rules). During the CG Period, the Principles had been duly complied with.

SECURITIES CODE

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Securities Code. Having made specific enquiry, all of the Directors have complied with the Company's code of conduct during the CG Period.

BOARD OF DIRECTORS

For the year ended 31st December, 2007, the Board had held 4 physical meetings of the full Board of Directors. Out of the 4 full Board meetings, 2 of them were held to discuss and/or approve the annual and interim results of the Group, 1 meeting for considering guaranteed profits in respect of power plants operation while the remaining 1 meeting for considering the acquisition of Shenzhen Poly Investments Co., Limited.

For the year ended 31st December, 2007, the composition of the Board, and the respective attendances of the Directors at the above Directors' meetings are presented as follows:

Director	**Board capacity**	**Attendance** Full Board meetings
Mr. Wang Jun (Resigned on 16th October, 2007)	Executive Director ("ED") & Chairman	4/4
Mr. He Ping (Appointed as Chairman on 16th October, 2007)	ED & Chairman	4/4
Mr. Chen Hong Sheng (Appointed as Vice-Chairman on 16th October, 2007)	ED & Vice-Chairman	4/4
Mr. Zhang Zhen Gao (Resigned on 16th October, 2007)	ED & Managing Director	4/4
Mr. Wang Xu (Appointed on 16th October, 2007)	ED & Managing Director	–
Mr. Xue Ming	ED	4/4
Mr. Han Qing Tao (Appointed on 16th October, 2007)	ED	–
Mr. Ye Li Wen	ED	4/4
Mr. Chan Tak Chi, William	ED	4/4
Mr. Ip Chun Chung, Robert	Non-Executive Director ("NED")	4/4
Mr. Yao Kang, *J.P.*	Independent Non-Executive Director ("INED")	4/4
Mr. Lam Tak Shing, Harry	INED	4/4
Mr. Choy Shu Kwan	INED	4/4

The Company has received from each of the independent non-executive directors a written confirmation of his independence pursuant to the requirements of the Listing Rules and considered that all of the independent non-executive directors are independent in accordance with the independence guidelines set out in the Listing Rules.

During the CG Period, none of the Directors above has or maintained any financial, business, family or other material/relevant relationship with any of the other Directors.

The appointment of the directorship were subject to, as to EDs, retirement, rotation and re-election at least once every 3 financial years and, as to NEDs and INEDs, their specific term of office or their retirement by rotation at annual general meeting of the Company, at which they being eligible can offer themselves for re-election.

The Board of Directors of the Company takes responsibility for all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, financial information, appointment of directors and other significant financial and operational matters. The day-to-day management, administration and operation of the Company are delegated to the Managing Director and the senior management. Approval has to be obtained from the Board prior to any significant transactions entered into by the officers.

REMUNERATION COMMITTEE

Since the Adoption Date, the Company had maintained a Remuneration Committee. The role and function of the Remuneration Committee includes:

- formulate remuneration policy;
- recommendation to the Board on the remuneration policy for the Directors;
- review of, approval of and recommendation for (if any) the remuneration package of each Director including benefits in kind, pension right, performance bonus payment and compensation payable;
- review and approval of the compensation payment to any Director upon his/her cessation of directorship in or employment with the Company; and
- engagement of external professional advisors to assist and/or advise the Remuneration Committee on its duties when necessary and reasonable.

Terms of reference of the Remuneration Committee had been compiled since the establishment of the Remuneration Committee and were endorsed and adopted by the Board of Directors of the Company.

During the CG Period, the Remuneration Committee held one committee meeting.

The composition of the Remuneration Committee is as follows:

Member	**Board capacity**
Mr. Yao Kang, *J.P.*	INED
Mr. Lam Tak Shing, Harry	INED
Mr. Choy Shu Kwan	INED
Mr. He Ping	Chairman of the Board
Mr. Wang Xu	Managing Director

The chairman of the Remuneration Committee since its establishment has been Mr. Yao Kang, *J.P.*.

The summary of the work performed by the Remuneration Committee for the financial period under review included:

- endorsement to the remuneration policy for the Directors;
- review and approval of the remuneration package of each Director including benefits in kind, pension right, bonus payment and compensation payable.

DIRECTORS' EMOLUMENTS

The remuneration paid to and/or entitled by each of the Directors for the financial period under review is set out in note 11 to the financial statements in the Annual Report.

The share options granted to and/or entitled by the Directors during the financial period under review are set out in the section headed "Directors' Interests in Securities" in the Directors' Report of the Annual Report.

NOMINATION OF DIRECTORS

The Board shall be composed of members with mixed skills and experience with appropriate weights necessary to accomplish the Group's business development, strategies, operation, challenges and opportunities. Each member of the Board shall possess, be recognised for and be able to exhibit high and professional standard of a set of core criteria of competence.

The Company had adopted a nomination policy for the criteria, procedures, and process of the appointment and removal of Directors.

Under the nomination policy, the board of EDs has been delegated the full power to the administration of the nomination policy and the appointment and the termination of Directors, where the full Board remains to have the full and overriding power and absolute right thereover.

During the CG Period, the EDs held one meeting for the appointment and resignation of directors of the Company.

AUDIT COMMITTEE

Throughout the CG Period, the Company had maintained an Audit Committee. The major role and function of the Audit Committee includes:

- monitoring the integrity of the financial statements of the Group;
- providing independent review and supervision of the effectiveness of the internal control of the Group;
- review of the adequacy of the external audits;
- review on the compliance issues with the Listing Rules and other compliance requirements;
- providing independent views on connected transactions and transactions involving materially conflicted interest;
- considering and reviewing the appointment of the Auditor and the audit fee.

Terms of reference of the Audit Committee had been compiled since the establishment of the Audit Committee and revised by the Board of Directors of the Company on the Adoption Date.

During the CG Period, the Audit Committee had held 5 physical meetings for discussing and/or approving the final / interim results of the Group and for discussing the internal control of the Group.

The composition of the Audit Committee, and the respective attendances of the committee members are presented as follows:

Member	Board capacity	Attendance
Mr. Yao Kang, *J.P.*	INED	5/5
Mr. Lam Tak Shing, Harry	INED	5/5
Mr. Choy Shu Kwan	INED	5/5
Mr. Ip Chun Chung, Robert	NED	3/5

The chairman of the Audit Committee is Mr. Yao Kang, *J.P.*.

The report of the work performed by the Audit Committee for the financial period under review is set out in the section headed "Audit Committee Report" of this Annual Report.

AUDITOR'S REMUNERATION

The analysis of the Auditor's remuneration for the financial period under review is presented as follows:

	Fee amount
	HK$'000
Audit services	5,057
Non-audit services	9,550
Total	14,607

ACKNOWLEDGEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for preparing the financial statements of the Group. In preparing the accounts for the financial period under review, the Directors have:

- based on a going concern basis;
- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that were prudent, fair and reasonable.

REVIEW OF INTERNAL CONTROL

During the financial period under review, the Directors had arranged to conduct a review over the effectiveness of the internal control system of the Group including functions of financial, operation, compliance and risk management. The review showed a satisfactory control system. The review had been reported to the Audit Committee. The Directors had also, where necessary, initiated necessary improvement and reinforcement to the internal control system.

On behalf of the Board

Wang Xu
Managing Director

11th April, 2008

AUDIT COMMITTEE REPORT

The Audit Committee of the Company was established on 19th March, 1999. Its composition shall be a minimum of 3 members of NEDs with a NED majority being INEDs. For the financial period under review, the Audit Committee comprised all the NED and INEDs of the Company at all times.

For the financial period under review, the Audit Committee had performed the following duties:

- reviewed and commented on the audited full year financial statements and the unaudited interim financial results of the Group of the financial period under review before submission to the Board for adoption and publication;
- endorsed the policy on the engagement of external auditor for non-audit services;
- met with the Auditor to discuss the financial matters of the Group that arose during the course of the audit process, and reviewed the findings, recommendations and representations of the Auditor;
- reviewed and approved the remuneration and the terms of engagement of the Auditor for both audit services and non-audit services for the financial period under review;
- reviewed the internal audit reports and the Company's statement on internal control.

After the due and careful consideration of the reports from the management of the Group and the Auditor, the Audit Committee was of the view that no suspected irregularities, internal control deficiencies, or breach of regulations had been found, and concluded that the system of internal control was adequate and effective.

Based on the reviews and discussions performed by the Audit Committee, the Audit Committee had:

- recommended to the Board for the approval of the audited financial statements of the financial period under review together with the Auditor's Report there attached, before the announcement of the annual results;
- recommended to the Board for the approval of the unaudited financial statements of the financial period under review before the announcement of the interim results; and
- recommended to the Board for the proposal for the re-appointment of Deloitte Touche Tohmatsu as the Auditor of the Company for the ensuing year in the forthcoming annual general meeting of the Company.

Audit Committee Members:
YAO Kang, *J.P. (chairman of the Audit Committee)*
LAM Tak Shing, Harry
CHOY Shu Kwan
IP Chun Chung, Robert

Hong Kong, 11th April, 2008

EXECUTIVE DIRECTORS

HE Ping, aged 62, has joined the Board since February 1993. He was appointed as the Chairman of the Company in October 2007. He graduated from Harbin Engineering Institute in the People's Republic of China (the "PRC") and had previously worked for the Embassy of the PRC to the United States of America. Mr. He is currently the Chairman of China Poly Group Corporation ("China Poly") and Poly (Hong Kong) Holdings Limited ("Poly Holdings") (formerly known as Ringo Trading Limited), controlling shareholders of the Company.

CHEN Hong Sheng, aged 58, has joined the Board since January 2004. He was appointed as the Vice-Chairman of the Company in October 2007. He graduated from Beijing Aviation Institute in the PRC. Mr. Chen has been a Director of China Poly since 1993. He is also the General Manager of China Poly and the Deputy Chairman and Manager of Poly Holdings. He is very experienced in management and trading.

Wang Xu, aged 48, was appointed as the Managing Director of the Company in October 2007. He is a Director and the Deputy General Manager of China Poly and Poly Holdings, both are substantial shareholders of the Company. Mr. Wang had been the Chairman of Poly Southern Group Corporation ("Poly Southern", a wholly-owned subsidiary of China Poly) during the period from March 2003 to September 2007.

XUE Ming, aged 46, holds a master's degree in Economics from Renmin University of China in the PRC. He is a senior economist with over 27 years' experience in management. He had worked with China Poly as a senior officer for the period from 1992 to 2002. He was the Deputy General Manager, the General Manager of Poly Shanghai Group (now known as Poly Realty Company Limited ("Poly Shanghai")) for the period from 2003 to 2005 and was the General Manager of Poly Shanghai in 2006. Mr. Xue is the Chairman of Poly Shanghai. He is also a Director and Deputy General Manager of Poly Holdings.

Han Qing Tao, aged 47, was appointed as a Director of the Company in October 2007. He is a holder of Executive Master Degree of Business Administration. He has over 13 years' experience in finance and management. Mr. Han had been a Managing Director of Poly Southern during the period from December 2005 to September 2007.

YE Li Wen, aged 37, holds a bachelor degree from Dongbei University of Finance & Economics and a Master of Business Administration degree from Beijing University in the PRC. He had worked with China Poly as a senior officer for the period from 1994 to 2001. Mr. Ye has joined the Company as Manager in the Investments Department of the Company since 2001 and is the Deputy General Manager of the Company.

CHAN Tak Chi, William, aged 59, has joined the Board since March 2003. He holds a Bachelor of Business Administration from Asia International Open University, Macau. He is the Deputy General Manager and a Director of CITIC United Asia Investments Ltd., a wholly-owned subsidiary of China International Trust and Investment Corporation. Mr. Chan has over 17 years' experience in investment management.

NON-EXECUTIVE DIRECTOR

IP Chun Chung, Robert, aged 51, has joined the Board since January 2001 and is a member of the Audit Committee of the Company. Mr. Ip is a practising solicitor.

INDEPENDENT NON-EXECUTIVE DIRECTORS

YAO Kang, *J.P.*, aged 83, has joined the Board since March 1999 and is the Chairman of the Audit Committee of the Company. Mr. Yao was a Director of John Swire & Sons (Hong Kong) Limited and Cathy Pacific Airways Limited. He was also Chairman of Paofoong Insurance Co., (HK) Ltd. and Taikoo Royal Insurance Co., Ltd.

LAM Tak Shing, Harry, aged 47, has joined the Board since January 2001 and is a member of the Audit Committee of the Company. Mr. Lam holds a Bachelor's Degree and a Master's Degree in Business Administration. Mr. Lam has over 27 years' experience in accounting and finance field with wide exposure in different nature of business. Mr. Lam is also an Independent Non-Executive Director of SMI Corporation Limited and Datronix Holdings Limited.

CHOY Shu Kwan, aged 53, holds a Master degree in Business Administration and has over 29 years' extensive experience in financial business and investment management. Mr. Choy is also an Independent Non-Executive Director of Skyfame Realty (Holdings) Limited.

The directors present their annual report and the audited consolidated financial statements of Poly (Hong Kong) Investments Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December, 2007.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 55 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2007 are set out in the consolidated income statement on page 46-47 of the annual report.

No interim dividend was paid during the year. The directors recommend the payment of a final dividend of HK$0.05 per share to the shareholders on the register of members on 24th June, 2008.

SHARE CAPITAL

During the year, the Company issued 269,000,000 shares of HK$0.5 each of the Company at a subscription price of HK$1.7 each to Rich Champ Investments Ltd., a company beneficially owned by Mr. Yung Chi Kin, an independent third party.

Details of the above and other movements during the year in the share capital of the Company are set out in note 38 to the consolidated financial statements.

INVESTMENT PROPERTIES

At 31st December, 2007, the investment properties of the Group were revalued by an independent firm of professional surveyor and property valuer on an open market value basis at HK$1,959,968,000.

Details of these and other movements during the year in the investment properties of the Group are set out in note 18 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 19 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserve available for distribution to shareholders as at 31st December, 2007 represented the accumulated profits of HK$207,924,000.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

He Ping *(Chairman)*	
Chen Hong Sheng *(Vice-Chairman)*	
Wang Xu *(Managing Director)*	(appointed on 16th October, 2007)
Xue Ming	
Han Qing Tao	(appointed on 16th October, 2007)
Ye Li Wen	
Chan Tak Chi, William	
Wang Jun	(resigned on 16th October, 2007)
Zhang Zhen Gao	(resigned on 16th October, 2007)

Non-executive director:

Ip Chun Chung, Robert

Independent non-executive directors:

Yao Kang, *J.P.*
Lam Tak Shing, Harry
Choy Shu Kwan

In accordance with Article 99 of the Company's Articles of Association, Messrs. Wang Xu and Han Qing Tao, who were appointed as directors during the year will retire and being eligible, offer themselves for re-election.

In accordance with Article 116 of the Company's Articles of Association, Messrs. Chan Tak Chi, William, Yao Kang, *J.P.* and Choy Shu Kwan will retire and being eligible, offer themselves for re-election.

The term of office of the non-executive director and each independent non-executive director is three years from 6th October, 2005, subject to retirement by rotation as required by the Company's Articles of Association.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The Company has received an annual written confirmation from each of the independent non-executive directors concerning their independence and considered that the independent non-executive directors to be independent in accordance with the independence guidelines set out in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

DIRECTORS' INTERESTS IN SECURITIES

At 31st December, 2007, the interest and short positions of the directors and their associates in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long position

Ordinary shares of HK$0.5 each of the Company

Mr. Ye Li Wen and Mr. Chan Tak Chi, William are holding 200,000 shares (0.012%) and 300,000 shares (0.018%) respectively in the issued share capital of the Company.

Share options of the Company

Name of director	Capacity	Number of options held	Number of underlying shares
He Ping	Beneficial owner	18,400,000	18,400,000
Chen Hong Sheng	Beneficial owner	8,000,000	8,000,000
Choy Shu Kwan	Beneficial owner	300,000	300,000
		26,700,000	26,700,000

Save as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31st December, 2007.

SHARE OPTIONS

Particulars of the Company's share option schemes are set out in note 39 to the consolidated financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the option holdings set out in note 39, at no time during the year was the Company or any of its holding companies, fellow subsidiaries or subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2007, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long position

Ordinary shares of HK$0.5 each of the Company

Name of shareholder	Number of shares Beneficial owner	Held by controlled corporation(s)	Total number of shares	Percentage of the issued share capital of the Company
Congratulations Company Ltd.	416,485,080	–	416,485,080	25.26%
Source Holdings Limited	228,398,760	100,086,800 *(Note 1)*	328,485,560	19.92%
Ting Shing Holdings Limited	–	744,970,640 *(Note 2)*	744,970,640	45.18%
Poly (Hong Kong) Holdings Limited (formerly known as Ringo Trading Limited)	96,230,476	744,970,640 *(Note 3)*	841,201,116	51.02%
China Poly Group Corporation	–	841,201,116 *(Note 4)*	841,201,116	51.02%
Rich Champ Investments Ltd.	269,000,000	–	269,000,000	16.32%
Yung Chi Kin	–	269,000,000 *(Note 5)*	269,000,000	16.32%

Notes:

1. Source Holdings Limited is deemed by the SFO to be interested in 328,485,560 shares of the Company as a result of its direct holding of 228,398,760 shares and indirect holding of 100,086,800 shares through its wholly-owned subsidiaries, Musical Insight Holdings Limited and Wincall Holding Limited of 44,658,800 shares and 55,428,000 shares, respectively.

2. Ting Shing Holdings Limited is deemed by the SFO to be interested in 744,970,640 shares as a result of its indirect holdings of 744,970,640 shares through its subsidiaries, Source Holdings Limited and Congratulations Company Ltd. of 328,485,560 shares and 416,485,080 shares, respectively.

3. Poly (Hong Kong) Holdings Limited (formerly known as Ringo Trading Limited) is deemed by the SFO to be interested in 841,201,116 shares as a result of its direct holding of 96,230,476 shares and indirect holding of 744,970,640 shares through its wholly-owned subsidiary, Ting Shing Holdings Limited.

4. China Poly Group Corporation owns 100% of Poly (Hong Kong) Holdings Limited and is accordingly deemed by the SFO to be interested in the shares directly and indirectly owned by Poly (Hong Kong) Holdings Limited.

5. Mr. Yung Chi Kin is deemed by the SFO to be interested in the shares held by his wholly-owned company, Rich Champ Investments Ltd..

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued shares or underlying shares of the Company as at 31st December, 2007.

CONNECTED TRANSACTIONS

Details of the discloseable connected transactions for the year are set out in note 53 to the consolidated financial statements. In the opinion of the directors who do not have any interest in these transactions, the transactions were carried out on normal commercial terms and in the ordinary and usual course of business of the Group.

The independent non-executive directors of the Company had reviewed the on-going connected transactions set out in note 53 to the consolidated financial statements and in their opinion:

1. the on-going connected transactions were entered into in the ordinary and usual course of business of the Group;

2. the on-going connected transactions were conducted on normal commercial terms; and

3. the on-going connected transactions were entered into in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

DIRECTORS' INTERESTS IN CONTRACTS

There were no contracts of significance to which the Company or any of its holding companies, fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, both the aggregate sales attributable to the Group's five largest customers and the aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the Group's sales and purchases, respectively.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 39 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2007.

AUDITOR

A resolution will be submitted at the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Wang Xu
MANAGING DIRECTOR

Hong Kong, 11th April, 2008

Deloitte.
德勤

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香港金鐘道88號
太古廣場一座35樓

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35/F One Pacific Place
88 Queensway
Hong Kong

TO THE MEMBERS OF POLY (HONG KONG) INVESTMENTS LIMITED
保利（香港）投資有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Poly (Hong Kong) Investments Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 164, which comprise the consolidated and Company balance sheets as at 31st December, 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
11th April, 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2007

	NOTES	2007 HK$'000	2006 HK$'000
Continuing operations			
Revenue	8	**973,860**	453,443
Cost of sales		**(653,523)**	(214,267)
Gross profit		**320,337**	239,176
Amortisation of deferred licensing income		**–**	10,457
Net increase (decrease) in fair value of held-for-trading investments	3	**24,344**	(8,807)
Other income	9	**80,105**	54,205
Administrative expenses		**(283,452)**	(221,236)
Net increase in fair value of investment properties	18	**269,956**	98,731
Finance costs	10	**(41,825)**	(60,961)
Gain on disposal of interests in subsidiaries	45	**229,832**	56,375
Gain on disposal of interest in an associate	24	**–**	24,684
Discount on acquisition of an associate	24	**–**	5,591
Impairment loss on short-term loan receivables		**(180,703)**	–
Impairment loss on trade and other receivables		**(36,974)**	–
Share of results of associates		**2,204**	(5,270)
Profit before taxation	13	**383,824**	192,945
Income tax expense	14	**(165,134)**	(35,191)
Profit for the year from continuing operations		**218,690**	157,754
Discontinued operations			
Profit for the year from discontinued operations	15	**207,864**	17,949
Profit for the year		**426,554**	175,703
Attributable to:			
Equity holders of the Company		**401,196**	189,387
Minority interests		**25,358**	(13,684)
		426,554	175,703
Dividends	16	**32,473**	26,908

	NOTES	**2007** **HK$'000**	2006 HK$'000
Earnings per share	*17*		
From continuing and discontinued operations			
– basic		**25.90 cents**	17.88 cents
– diluted		**25.19 cents**	17.54 cents
From continuing operations			
– basic		**13.93 cents**	16.53 cents
– diluted		**13.55 cents**	16.22 cents

CONSOLIDATED BALANCE SHEET

At 31st December, 2007

	NOTES	2007 HK$'000	2006 HK$'000
Non-Current Assets			
Investment properties	18	**1,959,968**	1,566,695
Property, plant and equipment	19	**874,777**	1,718,844
Prepaid lease payments – non-current portion	20	**339,966**	401,549
Goodwill	21	**–**	1,017
Other intangible asset	22	**–**	63,386
Interests in associates	24	**61,635**	144,353
Interest in a jointly controlled entity	25	**–**	–
Available-for-sale investments	33	**430,252**	1,156
Club membership		**1,061**	989
Deposits paid for acquisition of land use rights	26	**263,494**	40,837
Deposit paid for investment in an available-for-sale investment	27	**32,482**	–
Deposit paid for acquisition of a property development project	28	**–**	79,681
Deferred tax assets	46	**2,064**	–
		3,965,699	4,018,507
Current Assets			
Properties under development	29	**3,972,770**	1,896,259
Properties held for sale		**113,608**	10,897
Other inventories	30	**14,798**	29,008
Trade and other receivables	31	**186,850**	231,551
Prepaid lease payments – current portion	20	**8,952**	10,769
Short-term loan receivables	32	**8,181**	482,734
Held-for-trading investments	33	**62,198**	42,380
Amounts due from fellow subsidiaries	34(i)	**35,591**	27,884
Amounts due from associates	24	**–**	24,393
Amounts due from minority shareholders of subsidiaries	34(i)	**9,320**	27,266
Amounts due from related companies	34(ii)	**–**	63,968
Taxation recoverable		**1,202**	3,297
Pledged bank deposits	35	**6,679**	98,413
Bank balances, deposits and cash	35	**1,823,199**	624,709
		6,243,348	3,573,528
Assets classified as held for sale	15	**–**	1,148,200
		6,243,348	4,721,728

CONSOLIDATED BALANCE SHEET

At 31st December, 2007

	NOTES	2007 HK$'000	2006 HK$'000
Current Liabilities			
Trade and other payables	36	**1,027,519**	664,085
Pre-sale deposits		**508,598**	189,607
Property rental deposits		**24,069**	16,132
Amount due to ultimate holding company	34(i)	**775,048**	488,798
Amount due to an intermediate holding company	34(i)	**332,262**	17,926
Amounts due to fellow subsidiaries	34(i)	**195,081**	72,215
Amounts due to minority shareholders of subsidiaries	34(i)	**369,861**	264,952
Amounts due to related companies	34(ii)	**–**	43,175
Taxation payable		**38,637**	36,117
Bank borrowings – due within one year	37	**307,260**	751,869
		3,578,335	2,544,876
Liabilities associated with assets classified as held for sale	15	**–**	643,906
		3,578,335	3,188,782
Net Current Assets		**2,665,013**	1,532,946
Total Assets Less Current Liabilities		**6,630,712**	5,551,453
Capital and Reserves			
Share capital	38	**824,379**	672,922
Reserves		**3,844,802**	2,991,670
Equity attributable to equity holders of the Company		**4,669,181**	3,664,592
Minority interests		**317,565**	868,040
Total Equity		**4,986,746**	4,532,632
Non-Current Liabilities			
Bank borrowings – due after one year	37	**1,180,979**	620,070
Loan from a fellow subsidiary	41	**143,703**	126,387
Deferred tax liabilities	46	**319,284**	272,364
		1,643,966	1,018,821
		6,630,712	5,551,453

The financial statements on pages 46 to 164 were approved and authorised for issue by the Board of Directors on 11th April, 2008 and are signed on its behalf by:

He Ping
Chairman

Wang Xu
Managing Director

BALANCE SHEET

At 31st December, 2007

	NOTES	2007 HK$'000	2006 HK$'000
Non-Current Assets			
Interests in subsidiaries	23	**160,056**	160,056
Deposit paid for investment in an available-for-sale investment	27	**32,482**	–
Amounts due from subsidiaries	34(iii)	**3,392,684**	3,565,974
		3,585,222	3,726,030
Current Assets			
Other receivables		**10,438**	2,165
Bank balances, deposits and cash	35	**697,336**	213,359
		707,774	215,524
Current Liabilities			
Other payables		**14,055**	5,778
Amounts due to subsidiaries	34(i)	**775,180**	702,638
Bank borrowings – due within one year	37	**100,000**	344,000
		889,235	1,052,416
Net Current Liabilities		**(181,461)**	(836,892)
Total Assets Less Current Liabilities		**3,403,761**	2,889,138
Capital and Reserves			
Share capital	38	**824,379**	672,922
Reserves	40	**2,529,382**	2,066,216
		3,353,761	2,739,138
Non-Current Liability			
Bank borrowings – due after one year	37	**50,000**	150,000
		3,403,761	2,889,138

He Ping
Chairman

Wang Xu
Managing Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2007

	Attributable to equity holders of the Company												
	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Hotel properties revaluation reserve HK$'000	Translation reserve HK$'000	Capital redemption reserve HK$'000	PRC statutory reserves HK$'000	Investment revaluation reserve HK$'000	Other capital reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
THE GROUP													
At 1st January, 2006	447,295	1,571,740	7,757	46,531	29,024	23,917	6,632	–	279,783	363,818	2,776,497	688,258	3,464,755
Exchange differences arising on translation of foreign operations	–	–	–	–	85,253	–	–	–	–	–	85,253	40,937	126,190
Surplus arising on revaluation	–	–	–	16,887	–	–	–	–	–	–	16,887	994	17,881
Deferred tax liability arising on revaluation of hotel properties	–	–	–	(5,404)	–	–	–	–	–	–	(5,404)	(497)	(5,901)
Net income recognised directly in equity	–	–	–	11,483	85,253	–	–	–	–	–	96,736	41,434	138,170
Profit for the year	–	–	–	–	–	–	–	–	–	189,387	189,387	(13,684)	175,703
Total recognised income and expense for the year	–	–	–	11,483	85,253	–	–	–	–	189,387	286,123	27,750	313,873
Exercise of share options	1,395	2,319	(234)	–	–	–	–	–	–	–	3,480	–	3,480
Rights issue	224,232	381,195	–	–	–	–	–	–	–	–	605,427	–	605,427
Share issue expenses	–	(7,729)	–	–	–	–	–	–	–	–	(7,729)	–	(7,729)
Transfer	–	–	–	–	–	–	9,353	–	–	(9,353)	–	–	–
Repayment to minority shareholders	–	–	–	–	–	–	–	–	–	–	–	(10,987)	(10,987)
Dividends paid to minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(17,942)	(17,942)
Dividends paid *(note 16)*	–	–	–	–	–	–	–	–	–	(26,908)	(26,908)	–	(26,908)
Deemed capital contribution on acquisition of subsidiaries	–	–	–	–	–	–	–	–	27,702	–	27,702	–	27,702
Acquired on acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	226,592	226,592
Capital contribution by minority shareholders	–	–	–	–	–	–	–	–	–	–	–	19,110	19,110
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(64,741)	(64,741)
At 31st December, 2006	672,922	1,947,525	7,523	58,014	114,277	23,917	15,985	–	307,485	516,944	3,664,592	868,040	4,532,632
Exchange differences arising on translation of net investment in foreign operations	–	–	–	–	207,740	–	–	–	–	–	207,740	35,565	243,305
Surplus arising on revaluation	–	–	–	10,740	–	–	–	–	–	–	10,740	2,817	13,557
Deferred tax liability arising on revaluation of hotel properties	–	–	–	5,949	–	–	–	–	–	–	5,949	1,258	7,207
Net income recognised directly in equity	–	–	–	16,689	207,740	–	–	–	–	–	224,429	39,640	264,069
Profit for the year	–	–	–	–	–	–	–	–	–	401,196	401,196	25,358	426,554
Release upon disposal of subsidiaries	–	–	–	–	(59,262)	–	(5,563)	–	–	5,563	(59,262)	(591,511)	(650,773)
Total recognised income and expense for the year	–	–	–	16,689	148,478	–	(5,563)	–	–	406,759	566,363	(526,513)	39,850

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2007

	Attributable to equity holders of the Company												
	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Hotel properties revaluation reserve HK$'000	Translation reserve HK$'000	Capital redemption reserve HK$'000	PRC statutory reserves HK$'000	Investment revaluation reserve HK$'000	Other capital reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
Change in fair value of available-for-sale investments	–	–	–	–	–	–	–	(23,251)	–	–	(23,251)	–	(23,251)
Exercise of share options	16,957	30,875	(4,183)	–	–	–	–	–	–	–	43,649	–	43,649
Issue of shares	134,500	322,800	–	–	–	–	–	–	–	–	457,300	–	457,300
Share issue expenses	–	(6,999)	–	–	–	–	–	–	–	–	(6,999)	–	(6,999)
Transfer	–	–	–	–	–	–	13,270	–	–	(13,270)	–	–	–
Dividends paid to minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(20,887)	(20,887)
Dividends paid *(note 16)*	–	–	–	–	–	–	–	–	–	(32,473)	(32,473)	–	(32,473)
Capital contribution by minority shareholders	–	–	–	–	–	–	–	–	–	–	–	5,021	5,021
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(8,096)	(8,096)
At 31st December, 2007	**824,379**	**2,294,201**	**3,340**	**74,703**	**262,755**	**23,917**	**23,692**	**(23,251)**	**307,485**	**877,960**	**4,669,181**	**317,565**	**4,986,746**

Included in other capital reserve at 31st December, 2007 is deemed capital contribution arising on acquisition of subsidiaries of HK$244,221,000 (2006: HK$244,221,000) and deemed capital contribution arising from interest-free loans provided by a fellow subsidiary of HK$62,678,000 (2006: HK$62,678,000).

The People's Republic of China, other than Hong Kong, (the "PRC") statutory reserves are reserves required by the relevant PRC laws applicable to the Group's PRC subsidiaries and associates.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 2007

	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES		
Profit before taxation		
– continuing operations	**383,824**	192,945
– discontinued operations	**214,273**	24,239
Adjustments for:		
Reversal of impairment loss previously recognised in respect of short-term loan receivables	**–**	(5,857)
Impairment loss on short-term loan receivables	**180,703**	–
Impairment loss on trade and other receivables	**36,974**	–
Discount on acquisition of additional interest in a subsidiary	**(1,869)**	–
Impairment loss on goodwill arising from acquisition of additional interest in a subsidiary	**183**	–
Amortisation of deferred licensing income	**–**	(10,457)
Amortisation of other intangible asset	**926**	1,626
Amortisation of prepaid lease payments	**10,739**	10,301
Bank interest income	**(32,434)**	(8,226)
Depreciation of property, plant and equipment	**94,696**	101,645
Discount on acquisition of an associate	**–**	(5,591)
Finance costs	**63,277**	78,559
Loss (gain) on disposal of property, plant and equipment	**1,392**	(562)
Gain on disposal of interest in an associate	**–**	(24,684)
Gain on disposal of interests in subsidiaries	**(229,832)**	(56,375)
Gain on disposal of subsidiaries included in profit for the year from discontinued operations	**(173,632)**	–
Imputed interest expense	**10,514**	14,179
Gain on disposal of available-for-sale investments	**–**	(6,471)
Imputed interest income	**(7,521)**	(17,873)
Net (increase) decrease in fair value of held-for-trading investments	**(24,344)**	8,807
Net increase in fair value of investment properties	**(269,956)**	(98,731)
Reversal of impairment loss previously recognised in respect of trade and other receivables	**–**	(2,163)
Share of results of associates	**(5,727)**	5,675
Operating cash flows before movements in working capital	**252,186**	200,986
Increase in properties under development	**(2,336,261)**	(41,585)
Decrease in properties held for sale	**227,926**	790
(Increase) decrease in other inventories	**(14,316)**	22,460
Increase in trade and other receivables	**(85,128)**	(1,942)
Decrease (increase) in short-term loan receivables	**34,993**	(52,530)
Decrease in held-for-trading investments	**4,526**	12,982
Increase in trade and other payables	**442,766**	324,843
Increase in pre-sale deposits	**305,217**	92,570
Increase in property rental deposits	**6,765**	11,292
Net cash (used in) generated from operations	**(1,161,326)**	569,866
PRC income tax paid	**(59,053)**	(14,851)
Interest paid	**(63,277)**	(78,124)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(1,283,656)**	476,891

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 2007

	NOTES	2007 HK$'000	2006 HK$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(375,283)**	(338,997)
Deposits paid for acquisition of land use rights		**(263,494)**	(40,837)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	44	**(78,962)**	(464,698)
Purchase of available-for-sale investments		**(32,482)**	–
Acquisition of other intangible asset		**(17,567)**	–
Purchase of additional interests in subsidiaries	43	**(6,410)**	(64,741)
Advance to fellow subsidiaries		**(5,681)**	(14,291)
Purchase of investment properties		**(998)**	–
Deposit paid for acquisition of property, plant and equipment		**(394)**	–
Deposit paid for acquisition of a property development project		**–**	(79,681)
Acquisition of additional interest in an associate		**–**	(10,940)
Purchase of associates		**–**	(382)
Net proceeds from disposal of subsidiaries	45	**919,477**	148,887
Decrease (increase) in pledged bank deposits		**91,734**	(76,664)
Repayment from (advance to) related companies		**50,786**	(5,891)
Bank interest income received		**32,434**	8,226
Proceeds from disposal of investment properties		**24,203**	14,310
Repayment from an associate		**23,666**	26,790
Repayment from (advance to) minority shareholders of subsidiaries		**19,926**	(4,628)
Dividends received from an associate		**7,679**	6,103
Proceeds from disposal of property, plant and equipment		**3,273**	13,003
Proceeds from disposal of associates		**–**	99,475
Proceeds from disposal of available-for-sale investments		**–**	11,353
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**391,907**	(773,603)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 2007

	NOTES	2007 HK$'000	2006 HK$'000
FINANCING ACTIVITIES			
Borrowings raised		**1,958,919**	952,265
Proceeds from issue of shares		**457,300**	–
Advance from (repayment to) intermediate holding company		**313,034**	(4,513)
Advance from (repayment to) ultimate holding company		**250,740**	(46,650)
Advance from fellow subsidiaries		**117,620**	36,268
Advance from (repayment to) minority shareholders of subsidiaries		**106,614**	(27,311)
Proceeds from exercise of share options		**43,649**	3,480
Capital contribution by minority shareholders		**5,021**	19,110
Proceeds from rights issue		**–**	605,427
Repayment from associates		**–**	8,742
Repayment of borrowings		**(1,010,053)**	(790,762)
Repayment to related companies		**(145,664)**	(69,055)
Dividends paid		**(32,473)**	(26,908)
Dividends paid to a minority shareholder of a subsidiary		**(20,887)**	(17,942)
Share issue expenses		**(6,999)**	(7,729)
NET CASH FROM FINANCING ACTIVITIES		**2,036,821**	634,422
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,145,072**	337,710
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**631,967**	274,406
EFFECT OF FOREIGN EXCHANGE RATE CHANGE		**46,160**	19,851
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**1,823,199**	631,967
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS, represented by:			
– bank balances, deposits and cash		**1,823,199**	624,709
– bank balances and cash classified as held for sale	15	**–**	7,258
		1,823,199	631,967

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 Poly (Hong Kong) Holdings Limited (formerly known as Ringo Trading Limited), a company incorporated in Hong Kong. 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 property development, property investment and management, hotel operations and its related services, securities investment and financial services. In prior years, the Group was also engaged in the supply of electricity and gas. That operation was discontinued in current year (see note 15).

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(S)")

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1st January, 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(S)") *(Continued)*

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions[3]
HK(IFRIC)-Int 12	Service Concession Arranagements[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[5]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

[1] *Effective for annual periods beginning on or after 1st January, 2009*
[2] *Effective for annual periods beginning on or after 1st July, 2009*
[3] *Effective for annual periods beginning on or after 1st March, 2007*
[4] *Effective for annual periods beginning on or after 1st January, 2008*
[5] *Effective for annual periods beginning on or after 1st July, 2008*

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. CHANGE IN PRESENTATION OF FINANCIAL STATEMENTS

In the current year, the presentation of turnover, cost of sales, net increase in fair value of held-for-trading investments, net increase in fair value of investment properties, other income, income tax expense, trade and other payables and deferred tax liabilities adopted in the consolidated financial statements has been changed to reflect the nature of sales of held-for-trading investments, sales of investment properties and land appreciation tax ("LAT") in a more appropriate manner.

		2007	2006
		HK$'000	HK$'000
(i)	Net increase (decrease) in fair value of held-for-trading investments Proceeds from sales of held-for-trading investments (previously included in turnover)	**11,497**	10,523
	Cost of sales of held-for-trading investments (previously included in cost of sales)	**(8,161)**	(8,762)
	Dividend income from held-for-trading investments (previously included in turnover)	**–**	2,459
	Unrealised fair value adjustment of held-for-trading investments	**21,008**	(13,027)
		24,344	(8,807)
(ii)	Net increase in fair value of investment properties		
	Increase in fair value of investment properties	**272,883**	94,359
	(Loss) gain on disposal of investment properties (previously included in other income)	**(2,927)**	4,372
		269,956	98,731
(iii)	Income tax expense		
	LAT expense (previously included in cost of sales)	**7,925**	3,465
	Income tax expense	**157,209**	31,726
		165,134	35,191
(iv)	Taxation payable		
	LAT payable (previously included in trade and other payables)	**(18,181)**	(18,577)
	Deferred tax impact on LAT (previously included in deferred tax liabilities)	**5,430**	4,360
	Taxation payable	**(25,886)**	(21,900)
		(38,637)	(36,117)

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

The acquisition of businesses 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, and equity instrument issued 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, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

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.

Acquisition of additional interest of subsidiaries

On acquisition of additional interest in subsidiaries, goodwill was calculated as the difference between the consideration paid for the additional interest and the carrying amount of the net assets of the combining entities attributable to the additional interest acquired. If the additional interest in the net assets of the subsidiaries exceeds the consideration paid for the additional interest, the excess is recognised immediately in the profit and loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on acquisitions prior to 1st January, 2005

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

For previously capitalised goodwill arising on acquisitions of net assets and operations of another entity after 1st January, 2001, the Group has discontinued amortisation from 1st January, 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

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

Goodwill arising on an acquisition of a business 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 business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

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

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 the relevant cash generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 net assets 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.

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.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts 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) Income from sale of properties is recognised upon the execution of a binding sale agreement, the issue of an occupation permit and a completion certificate by the relevant government authorities and fulfilling the terms of the binding sale agreements. Payments received from the purchasers prior to this stage are recorded as pre-sale deposits and presented as current liabilities.

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

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

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

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

(f) 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.

(g) 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.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

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

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

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

Investment properties

Investment properties are properties held to earn rentals and/or capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values 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 consolidated income statement in the year in which the asset is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes, 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 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 accumulated 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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

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

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.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Construction contracts *(Continued)*

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.

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 at 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and account for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

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 the respective 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 Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Effective interest method *(Continued)*

Financial assets at fair value through profit or loss

Financial assets at FVTPL represents financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend earned on the financial assets.

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, short-term loan receivables, amounts due from subsidiaries, fellow subsidiaries, associates, minority shareholders of subsidiaries and related companies, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. (See accounting policy on impairment loss on financial assets below).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Effective interest method *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL and loans and receivables.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets *(Continued)*

For certain categories of financial asset, such as trade receivables and short-term loan receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments of trade receivables in the portfolio past the average credit period of 30 to 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount 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 loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and loan receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or a loan receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent 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.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

4. 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade payables, property rental deposits, amounts due to subsidiaries, ultimate holding company, intermediate holding company, fellow subsidiaries and minority shareholders of subsidiaries, bank borrowings and loan from a fellow subsidiary are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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 and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

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

Equity-settled share-based payment transactions

Share options granted to employees after 7th November, 2002 and vested on or after 1st January, 2005

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 equity (share option reserve).

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Share options granted to employees on or before 7th November, 2002

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

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 (see the accounting policy in respect of goodwill above)

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. In addition, intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

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

Estimated impairment on properties under development

Management reviews the recoverability of the Group's properties under development of HK$3,972,770,000 (2006: HK$1,896,259,000) 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. No impairment is made on properties under development for the years ended 31st December, 2007 and 31st December, 2006.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Estimated impairment of short-term loan receivables and other 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 asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2007, the carrying amounts of short-term loan receivables and other receivables are HK$8,181,000 (2006: HK$482,734,000) (net of allowance for doubtful debts of HK$210,489,000 (2006: HK$29,786,000) and HK$123,315,000 (2006: HK$86,505,000) (net of allowance for doubtful debts of HK$36,164,000 (2006: Nil)), respectively.

Fair value of available-for-sale investments

As described in note 33, the directors of the Company use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For listed available-for-sale investments with lock-up period, the estimated fair values were calculated using the Black-Scholes Option Pricing Method based on assumptions supported, where possible, by observable market prices or rates. As at 31st December, 2007, the carrying amount of the listed available-for-sale investments with lock-up period is HK$429,185,000 (2006: Nil). Details of the assumptions used are disclosed in note 33.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 37, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated profits.

6. CAPITAL RISK MANAGEMENT *(Continued)*

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

7. FINANCIAL INSTRUMENTS

7a. Categories of financial instruments

	2007	2006
	HK$'000	HK$'000
THE GROUP		
Financial assets		
Held-for-trading investments	**62,198**	42,380
Loans and receivables (including cash and cash equivalents)	**2,028,545**	1,568,317
Available-for-sale financial assets	**430,252**	1,156
Financial liabilities		
Amortised cost	**4,275,363**	3,619,645
THE COMPANY		
Financial assets		
Loans and receivables (including cash and cash equivalents)	**4,090,061**	3,779,334
Financial liabilities		
Amortised cost	**932,246**	1,197,042

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. 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, pledged bank deposits, 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 include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. 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

The Group's activities expose it primarily to the financial risks of changes in interest rates, foreign currency rates and equity security prices. Market risk exposures are further measured by sensitivity analysis. There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk. Details of each type of market risks are described as follows:

(i) Currency risk

The Group and the Company's currency risk in relation to the monetary assets/ liabilities is expected to be minimal.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to pledged bank deposits and fixed-rate bank borrowings (see Notes 35 and 37 for details of these deposits and borrowings). The Group aims at keeping borrowings at variable rates. Currently, the Group does not have hedging policy. However, the management monitors interest rate exposure and will consider hedging significant fixed rate bank borrowings should the need arise.

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk (Continued)

The Group is also exposed to cash flow interest rate risk in relation to bank balances and variable-rate bank borrowings (see Notes 35 and 37 for details of these bank balances and 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.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR and benchmark rate arising from the Group's Hong Kong dollar and RMB borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For bank balances and variable-rate bank borrowings, the analysis is prepared assuming the amount of asset and liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31st December, 2007 would decrease/increase by HK$1,070,000 (2006: decrease/increase by HK$2,685,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings and bank balances.

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(iii) Other price risk

The Group is exposed to equity price risk through its investments in held-for-trading investments and listed available-for-sale investments. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on listed equity instruments quoted in the Stock Exchange. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity instruments had been 5% higher/lower:

- Profit for the year ended 31st December, 2007 increase/decrease by HK$2,084,000 (2006: increase/decrease by HK$1,420,000) as a result of the changes in fair value of held-for-trading investments; and
- Investment valuation reserve would increase/decrease by HK$21,459,000 (2006: Nil) for the Group as a result of the changes in fair value of listed available-for-sale investments.

Credit risk

As at 31st December, 2007, 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 and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Credit risk (Continued)

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 credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk, except for the short-term loan receivables from Tong Sun Limited ("Tong Sun") and New City (Beijing) Development Limited ("New City") as set out in note 32. Impairment losses of HK$165,000,000 and HK$15,703,000 were provided for the short-term loan receivables from Tong Sun and New City during the year ended 31st December, 2007.

Liquidity risk

The Group has net current assets amounting to approximately HK$2,665,013,000 at 31st December, 2007.

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, 2007, the Group has available unutilised bank loan facilities of approximately HK$915,385,000 (2006: HK$54,980,000). Details of which are set out in Note 37.

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

THE GROUP

	Weighted average effective interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	5+ years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2007 HK$'000
2007								
Non-derivative financial liabilities								
Trade and other payables		713,053	34,670	119,554	72,792	7,031	947,100	947,100
Property rental deposits		–	–	15,392	8,677	–	24,069	24,069
Amount due to ultimate holding company								
– interest free		299	–	63,940	–	–	64,239	64,239
– variable rate	8.47	–	–	771,014	–	–	771,014	710,809
Amount due to an intermediate holding company								
– fixed rate	5.50	–	330,251	–	–	–	330,251	313,034
– variable rate	8.47	–	–	20,857	–	–	20,857	19,228
Amounts due to fellow subsidiaries		–	–	195,081	–	–	195,081	195,081
Amounts due to minority shareholders of subsidiaries		195,905	96,581	77,375	–	–	369,861	369,861
Bank loans								
– fixed rate	7.58	–	–	114,938	–	–	114,938	106,838
– variable rate	7.54	–	–	215,526	1,148,311	121,665	1,485,502	1,381,401
Loan from a fellow subsidiary	6.00	–	–	–	–	180,000	180,000	143,703
		909,257	461,502	1,593,677	1,229,780	308,696	4,502,912	4,275,363

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

	Weighted average effective interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	5+ years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2006 HK$'000
2006								
Non-derivative financial liabilities								
Trade and other payables		141,263	24,711	352,174	115,068	9,676	642,892	642,892
Property rental deposits		–	–	11,689	4,443	–	16,132	16,132
Amount due to ultimate holding company		383	53	488,362	–	–	488,798	488,798
Amount due to an intermediate holding company		–	–	17,926	–	–	17,926	17,926
Amounts due to fellow subsidiaries		–	–	72,215	–	–	72,215	72,215
Amounts due to minority shareholders of subsidiaries		–	146,006	118,946	–	–	264,952	264,952
Amounts due to related parties		–	–	118,865	–	–	118,865	118,865
Loan from minority shareholders of subsidiaries		–	133,239	–	–	–	133,239	133,239
Bank loans								
– fixed rate	5.70	–	31,583	–	58,955	–	90,538	85,657
– variable rate	5.86	116,660	60,099	607,562	851,210	113,872	1,749,403	1,652,582
Loan from a fellow subsidiary	6.00	–	–	–	–	180,000	180,000	126,387
		258,306	395,691	1,787,739	1,029,676	303,548	3,774,960	3,619,645

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity and interest risk tables (Continued)

THE COMPANY

	Weighted average effective interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	5+ years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2007 HK$'000
2007								
Non-derivative financial liabilities								
Trade and other payables		2,969	–	4,097	–	–	7,066	7,066
Amounts due to subsidiaries		–	–	775,180	–	–	775,180	775,180
Bank loans								
– variable rate	6.40	–	–	106,404	53,202	–	159,606	150,000
		2,969	–	885,681	53,202	–	941,852	932,246

	Weighted average effective interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	5+ years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2006 HK$'000
2006								
Non-derivative financial liabilities								
Trade and other payables		–	–	404	–	–	404	404
Amounts due to subsidiaries		–	–	702,638	–	–	702,638	702,638
Bank loans								
– variable rate	5.06	37,755	–	323,505	157,731	–	518,991	494,000
		37,755	–	1,026,547	157,731	–	1,222,033	1,197,042

7. FINANCIAL INSTRUMENTS *(Continued)*

7c. Fair values

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

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input; and
- the fair values of listed available-for-sale investment with lock-up period are determined in accordance with the Black-Scholes Pricing Method based on assumptions supported, where possible, by observable market prices or rates.

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

8. REVENUE

Revenue represents the aggregate of the net amounts received and receivable from third parties, net of business tax payable in the PRC. An analysis of the Group's revenue for the year, for both continuing and discontinued operations, is as follows:

	2007	2006
	HK$'000	HK$'000
Continuing operations		
Sales of properties	**481,139**	–
Rental income and building management service income	**158,805**	132,671
Income from hotel operations	**128,058**	137,606
Sales of goods	**114,341**	87,260
Construction revenue	**87,290**	75,050
Interest income from short-term loan receivables	**4,227**	14,973
Consultancy fees	**–**	5,883
	973,860	453,443
Discontinued operations		
Sales of electricity and gas *(note 15(i))*	**472,520**	472,085
	1,446,380	925,528

9. OTHER INCOME

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	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 51)*	**–**	–	**–**	3,600	**–**	3,600
Exchange gains	**15,230**	2,236	**–**	–	**15,230**	2,236
Compensation for guaranteed profit *(note i)*	**–**	–	**–**	10,161	**–**	10,161
Sale of scrap materials	**–**	82	**3,480**	9,749	**3,480**	9,831
Gain on disposal of available-for-sale investments	**–**	6,471	**–**	–	**–**	6,471
Bank interest income	**30,491**	7,603	**1,943**	623	**32,434**	8,226
Imputed interest income	**7,521**	17,873	**–**	–	**7,521**	17,873
Discount on acquisition of additional interest in a subsidiary	**1,869**	–	**–**	–	**1,869**	–
Others	**24,994**	11,920	**23,330**	622	**48,324**	12,542
	80,105	54,205	**28,753**	24,755	**108,858**	78,960

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 ended 31st December, 2006, compensation for guaranteed profit of HK$10,161,000 was recognised as income. The guarantee was released upon disposal of these subsidiaries and associates as set out in note 45 and all the outstanding compensation for guaranteed profit upon date of disposal of these subsidiaries and associates were waived.

10. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest on bank and other borrowings:						
– wholly repayable within five years	**161,656**	66,015	**31,966**	28,825	**193,622**	94,840
– not wholly repayable within five years	**2,736**	242	**–**	2,952	**2,736**	3,194
Imputed interest expense on non-current interest-free borrowings	**10,514**	14,179	**–**	–	**10,514**	14,179
Total borrowing costs	**174,906**	80,436	**31,966**	31,777	**206,872**	112,213
Less: amounts capitalised *(note 29)*	**(133,081)**	(19,475)	**–**	–	**(133,081)**	(19,475)
	41,825	60,961	**31,966**	31,777	**73,791**	92,738

Borrowing cost capitalised during the year arose from specific borrowings.

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the thirteen (2006: twelve) directors were as follows:

		Other emoluments				
2007	**Fees**	**Salaries and other benefits**	**Bonuses**	**Equity-settled share-based payment expense**	**Retirement benefit scheme contributions**	**Total emoluments**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Wang Jun	**20**	**–**	**–**	**–**	**–**	**20**
He Ping	**20**	**–**	**–**	**–**	**–**	**20**
Chen Hong Sheng	**20**	**–**	**–**	**–**	**–**	**20**
Wang Xu	**–**	**449**	**600**	**–**	**2**	**1,051**
Xue Ming	**–**	**572**	**390**	**–**	**2**	**964**
Hang Qing Tao	**–**	**246**	**330**	**–**	**2**	**578**
Ye Li Wen	**–**	**1,083**	**330**	**–**	**12**	**1,425**
Chan Tak Chi, William	**20**	**–**	**–**	**–**	**–**	**20**
Zhang Zhen Gao	**20**	**–**	**–**	**–**	**–**	**20**
Ip Chun Chung, Robert	**80**	**–**	**–**	**–**	**–**	**80**
Yao Kang, *J.P.*	**120**	**–**	**–**	**–**	**–**	**120**
Choy Shu Kwan	**80**	**–**	**–**	**–**	**–**	**80**
Lam Tak Shing, Harry	**80**	**–**	**–**	**–**	**–**	**80**
Total	**460**	**2,350**	**1,650**	**–**	**18**	**4,478**

11. DIRECTORS' EMOLUMENTS *(Continued)*

2006	Fees	Other emoluments: Salaries and other benefits	Bonuses	Equity-settled share-based payment expense	Retirement benefit 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
Chen Hong Sheng	20	–	–	–	–	20
Zhang Zhen Gao	20	–	–	–	–	20
Xue Ming	20	443	–	–	–	463
Ye Li Wen	–	743	120	–	12	875
Chan Tak Chi, William	20	–	–	–	–	20
Ip Chun Chung, Robert	50	–	–	–	–	50
Yao Kang, *J.P.*	80	–	–	–	–	80
Choy Shu Kwan	50	–	–	–	–	50
Lam Tak Shing, Harry	50	–	–	–	–	50
Total	350	1,814	120	–	43	2,327

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

In each of the two years ended 31st December, 2007, 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, 2007.

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

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2006: one) were directors of the Company whose emoluments are included in the disclosure in note 11 above. The emoluments of the remaining three (2006: four) highest paid individuals are as follows:

	2007	2006
	HK$'000	HK$'000
Salaries and other benefits	**3,076**	3,212
Bonuses	**650**	558
Retirement benefits scheme contributions	**73**	114
	3,799	3,884

The emoluments of the remaining three (2006: four) highest paid individuals were within the following bands:

	2007	2006
	Number of employees	Number of employees
Nil to HK$1,000,000	**–**	3
HK$1,000,001 to HK$1,500,000	**3**	1

13. PROFIT BEFORE TAXATION

	Continuing operations		Discontinued operations		Consolidated	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Profit before taxation has been arrived at after charging and (crediting):						
Staff costs						
– directors' emoluments *(note 11)*	**4,478**	2,327	**–**	–	**4,478**	2,327
– other staff costs	**60,867**	43,707	**19,528**	32,012	**80,395**	75,719
– other staff's retirement benefit scheme contributions	**4,007**	2,860	**3,243**	4,291	**7,250**	7,151
	69,352	48,894	**22,771**	36,303	**92,123**	85,197
Amortisation of other intangible asset (included in administrative expenses)	**926**	1,626	**–**	–	**926**	1,626
Amortisation of prepaid lease payments (included in administrative expenses)	**8,667**	7,912	**2,072**	2,389	**10,739**	10,301
Depreciation of property, plant and equipment	**42,550**	40,176	**52,146**	61,469	**94,696**	101,645
Total depreciation and amortisation	**52,143**	49,714	**54,218**	63,858	**106,361**	113,572
Auditor's remuneration						
– current year	**5,057**	3,512	**–**	–	**5,057**	3,512
– underprovision in prior year	**515**	305	**–**	–	**515**	305
Cost of inventory recognised as expenses	**488,084**	61,379	**315,001**	303,136	**803,085**	364,515
Operating lease rentals in respect of						
– rented premises	**2,128**	501	**–**	5	**2,128**	506
– equipment	**1,069**	–	**–**	–	**1,069**	–
Impairment loss on goodwill arising from acquisition of additional interest in a subsidiary (including in administrative expenses) *(note 43(ii))*	**183**	–	**–**	–	**183**	–
Share of tax of associates (included in share of results of associates)	**303**	502	**–**	131	**303**	633
Loss (gain) on disposal of investment properties	**2,927**	(4,372)	**–**	–	**2,927**	(4,372)
Loss (gain) on disposal of property, plant and equipment	**1,421**	1,074	**(29)**	(512)	**1,392**	562
Property rental income and building management service income, net of direct expenses of HK$4,876,000 (2006: HK$6,270,000)	**(153,929)**	(126,401)	**–**	–	**(153,929)**	(126,401)

14. INCOME TAX EXPENSE

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
The charge comprises:						
Hong Kong Profits Tax	**–**	–	**–**	–	**–**	–
PRC Enterprise Income Tax						
– current year	**47,583**	21,909	**6,409**	6,290	**53,992**	28,199
– overprovision in prior year	**–**	(218)	**–**	–	**–**	(218)
	47,583	21,691	**6,409**	6,290	**53,992**	27,981
Land appreciation tax ("LAT")	**7,925**	3,465	**–**	–	**7,925**	3,465
Deferred taxation *(note 46)*						
– current year	**55,660**	10,035	**–**	–	**55,660**	10,035
– attributable to a change in tax rate	**53,966**	–	**–**	–	**53,966**	–
	109,626	10,035	**–**	–	**109,626**	10,035
	165,134	35,191	**6,409**	6,290	**171,543**	41,481

Hong Kong Profits Tax is calculated at 17.5% (2006: 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%.

14. INCOME TAX EXPENSE *(Continued)*

On 16th March, 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6th December, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from a range of 12% to 33% to a range of 12% to 25% for certain subsidiaries from 1st January, 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

Details of deferred taxation are set out in note 46.

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

	2007 **HK$'000**	2006 HK$'000
Profit before taxation:		
Continuing operations	**383,824**	192,945
Discontinued operations	**214,273**	24,239
	598,097	217,184
Tax at PRC statutory tax rate of 33% (2006: 33%)	**197,372**	71,671
Tax effect of share of results of associates	**(1,891)**	1,873
Tax effect of expenses not deductible for tax purpose	**87,783**	17,557
Tax effect of income not taxable for tax purpose	**(136,768)**	(33,112)
Tax effect of tax losses not recognised	**3,226**	19,787
Tax effect of utilisation of tax losses previously not recognised	**(1,190)**	(17,398)
Effect of tax exemptions granted to a PRC subsidiary	**–**	(5,912)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(32,913)**	(16,232)
Effect of deferred tax assets/liabilities for current year resulting from change in applicable tax rate	**(5,967)**	–
Increase in opening deferred tax liabilities resulting from change in applicable tax rate	**53,966**	–
Land appreciation tax	**7,925**	3,465
Overprovision in prior year	**–**	(218)
Tax charge for the year	**171,543**	41,481

15. DISCONTINUED OPERATIONS/ASSETS CLASSIFIED AS HELD FOR SALE

On 5th July, 2007, the Group entered into a sale and purchase agreement (the "Agreement") to dispose its entire interest in seven wholly owned subsidiaries, namely The NCHK Power (Taicang) Limited ("NCHK Power"), Well United Investment Limited ("Well United"), Master Chief Holdings Limited ("Master Chief"), High Praise Developments Limited ("High Praise"), Green Island Developments Limited ("Green Island"), Golden Concord Energy (Jia Xing) Limited ("Golden Concord") and Giant Merit Development Limited ("Giant Merit"), together with their subsidiaries and associates (the "Energy Group"). The aggregate consideration comprised cash of HK$50,000,000 and shares equivalent to 21% of the total number of issued ordinary shares of the purchaser, GCL-Poly Energy Holdings Limited ("GCL-Poly").

On 24th October, 2007, the Group entered into a supplemental agreement with the purchaser to amend the terms of the Agreement. Ultimately, the Group would be received 19.69% of the issued ordinary shares of GCL-Poly before the initial public offering (the "IPO"), the interest in the GCL-Poly was diluted to 13.86% after the IPO. 91,919,487 shares of GCL-Poly with a lock-up period of six months which represented 9.45% of the issued ordinary shares of GCL-Poly, were received on 12th November, 2007, the date of completion, and the remaining 42,871,558 shares of GCL-Poly which represented 4.41% of the issued ordinary shares of GCL-Poly, would be received after the expiry of six months from the completion date.

NCHK Power, Well United and Master Chief are the legal and beneficial owners of 51%, 50.1% and 50.1% of the total paid-up capital of Taicang Poly Xiexin Thermal Power Co., Ltd ("Taicang Power"), Peixian Mine-site Environmental Cogen-power Co., Ltd ("Peixian Power") and Dongtai Suzhong Environmental Protection Co-generation Company Limited ("Dongtai Power"), respectively. High Priase and Green Island are the legal and beneficial owners of 29.4% and 36.75% of the total paid-up capital of Funing Golden Concord Environmental Protection Co-generation Company Limited ("Funing Power") and Western Xuzhou Environmental Protection Co-generation Co., Ltd ("Xuzhou Power"), respectively. Golden Concord and Giant Merit are the legal and beneficial owners of 25% and 26% of Jia Xing Golden Concord Environmental Protection Cogeneration Power Co., Ltd ("Jia Xing Power"), respectively. All subsidiaries and associates are engaged in the supply of electricity and gas operations.

15. 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:

	2007 HK$'000	2006 HK$'000
Profit of discontinued operations	**34,232**	17,949
Gain on disposal of discontinued operations	**173,632**	–
Presented in consolidated income statement	**207,864**	17,949
Attributable to:		
– Equity holders of the Company	**185,385**	14,252
– Minority interests	**22,479**	3,697
	207,864	17,949

The results of the discontinued operations for the period from 1st January, 2007 to 12th November, 2007, which have been included in the consolidated income statement, were as follows:

	1.1.2007 to 12.11.2007 HK$'000	1.1.2006 to 31.12.2006 HK$'000
Revenue	**472,520**	472,085
Cost of sales	**(383,765)**	(381,111)
Gross profit	**88,755**	90,974
Other income	**28,753**	24,755
Administrative expenses	**(48,424)**	(59,308)
Finance costs	**(31,966)**	(31,777)
Share of results of associates	**3,523**	(405)
Profit before taxation	**40,641**	24,239
Income tax expense	**(6,409)**	(6,290)
Profit for the period/year	**34,232**	17,949

15. DISCONTINUED OPERATIONS/ASSETS CLASSIFIED AS HELD FOR SALE *(Continued)*

(ii) Cash flow statement

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

	2007	2006
	HK$'000	HK$'000
Net cash (used in) from operating activities	**(42,889)**	231,236
Net cash used in investing activities	**(131,463)**	(132,322)
Net cash from (used in) financing activities	**139,071**	(34,426)

(iii) Balance sheet

The carrying amounts of the assets and liabilities of disposed subsidiaries at the date of disposal are disclosed in note 45.

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 was expected to be sold within twelve months from 31st December, 2006, have been classified as a disposal group held for sale in the consolidated balance sheet as at 31st December, 2006 and were presented separately in the consolidated balance sheet (see below). The PRC hotel development project was included in the Group's hotel and restaurant operation 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 was completed in May 2007.

15. DISCONTINUED OPERATIONS/ASSETS CLASSIFIED AS HELD FOR SALE *(Continued)*

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	133,239
Total liabilities associated with assets classified as held for sale	643,906

16. DIVIDENDS

	2007 **HK$'000**	2006 HK$'000
Dividends recognised as distribution during the year:		
2006 final dividend of HK$0.02 (2006: HK$0.03 for 2005) per share	**32,473**	26,908

No interim dividend was paid for both years.

A final dividend for the year ended 31st December, 2007 of HK$0.05 (2006: HK$0.02) per share has been proposed by the board of directors and is subject to approval by the shareholders in the forthcoming general meeting.

17. EARNINGS PER SHARE

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

	2007 **HK$'000**	2006 HK$'000
Earnings:		
Profit for the year attributable to equity holders of the Company:		
– Continuing operations	**215,811**	175,135
– Discontinued operations *(note 15(i))*	**185,385**	14,252
	401,196	189,387

	2007	2006
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,548,790,810**	1,059,478,182
Effect of dilutive potential ordinary shares on share options	**43,832,205**	20,188,046
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,592,623,015**	1,079,666,228

The weighted average number of shares has been adjusted for the effect of the rights issue and the share subscription as set out in note 38.

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

	2007	2006
From discontinued operations		
– Basic	**11.97 cents**	1.35 cents
– Diluted	**11.64 cents**	1.32 cents

18. INVESTMENT PROPERTIES

	HK$'000
THE GROUP	
FAIR VALUE	
At 1st January, 2006	1,357,774
Exchange adjustments	36,287
Acquired on acquisition of subsidiaries *(Note 44(ii))*	88,213
Increase in fair value recognised in the consolidated income statement	98,731
Disposals	(14,310)
At 31st December, 2006	1,566,695
Exchange adjustments	86,305
Additions	40,245
Transfer from properties under development *(Note 29)*	20,970
Increase in fair value recognised in the consolidated income statement	269,956
Disposals	(24,203)
At 31st December, 2007	**1,959,968**

The fair values of the Group's investment properties at 31st December, 2007 and 2006 have been 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 Hong Kong Institute of Surveyors, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived by reference to comparable sales transactions as available in the relevant market.

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 carrying value of investment properties comprises:

	THE GROUP	
	2007	2006
		HK$'000
Properties held under		
– long-term leases in Hong Kong	**110,000**	83,000
– medium-term land use rights in the PRC	**1,849,968**	1,483,695
	1,959,968	1,566,695

19. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties HK$'000	Buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Construction in progress HK$'000	Total HK$'000
THE GROUP							
COST OR VALUATION							
At 1st January, 2006	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 44(ii))*	–	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
Exchange adjustments	42,167	28,906	9,814	1,970	50,801	1,957	135,615
Additions	–	6,968	21,489	2,858	17,120	326,848	375,283
Transfer	–	2,459	–	–	89,177	(91,636)	–
Disposal of subsidiaries *(Note 45)*	–	(403,204)	(12,391)	(6,701)	(787,370)	(255,811)	(1,465,477)
Disposals	–	–	(38,893)	(2,389)	(2,088)	–	(43,370)
At 31st December, 2007	**622,585**	**209,330**	**92,396**	**26,726**	**207,978**	**4,317**	**1,163,332**
Comprising:							
At cost	–	209,330	92,396	26,726	207,978	4,317	540,747
At valuation – 2007	622,585	–	–	–	–	–	622,585
	622,585	209,330	92,396	26,726	207,978	4,317	1,163,332
DEPRECIATION							
At 1st January, 2006	–	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
Exchange adjustments	475	3,314	6,732	645	15,535	–	26,701
Provided for the year	13,082	20,941	6,402	6,381	47,890	–	94,696
Eliminated on disposal of subsidiaries *(Note 45)*	–	(67,714)	(5,227)	(3,594)	(146,482)	–	(223,017)
Eliminated on disposals	–	–	(36,469)	(1,684)	(552)	–	(38,705)
Eliminated on revaluation	(13,557)	–	–	–	–	–	(13,557)
At 31st December, 2007	**–**	**77,135**	**65,834**	**9,121**	**136,465**	**–**	**288,555**
CARRYING VALUES							
At 31st December, 2007	**622,585**	**132,195**	**26,562**	**17,605**	**71,513**	**4,317**	**874,777**
At 31st December, 2006	580,418	453,607	17,981	23,615	620,264	22,959	1,718,844

19. 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	
	2007	2006
	HK$'000	HK$'000
The carrying value of hotel properties and buildings located at:		
Long-term leases in Hong Kong	**22,100**	22,665
Medium-term leases in the PRC	**732,680**	1,011,360
	754,780	1,034,025

The fair value of the Group's hotel properties at 31st December, 2007 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 Hong Kong Institute of Surveyors, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived by the income approach, whereby the income derived from the hotel operations with regard to past trading accounts are capitalised at an appropriate of rate of return to arrive at the value of the property interests with due allowance for outgoings and expenses.

20. PREPAID LEASE PAYMENTS

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
The Group's prepaid lease payments comprise:		
Long-term leases in Hong Kong	**89,978**	92,282
Medium-term land use rights in the PRC	**258,940**	320,036
	348,918	412,318
Analysed for reporting purposes as:		
Current asset	**8,952**	10,769
Non-current asset	**339,966**	401,549
	348,918	412,318

21. GOODWILL

	2007	2006
	HK$'000	HK$'000
THE GROUP		
COST		
At 1st January	**7,491**	6,474
Arising on acquisition of a subsidiary *(Note 44(ii))*	**–**	1,017
Eliminated on disposal of subsidiaries *(Note 45)*	**(7,491)**	–
At 31st December	**–**	7,491
IMPAIRMENT		
At 1st January	**6,474**	6,474
Eliminated on disposal of subsidiaries *(Note 45)*	**(6,474)**	–
At 31st December	**–**	6,474
CARRYING VALUES		
At 31st December	**–**	1,017

22. OTHER INTANGIBLE ASSET

The movement of other intangible asset is set out below:

	Premium on prepaid lease payments HK$'000	Customer list HK$'000	Total HK$'000
THE GROUP			
COST			
At 1st January, 2006 and 31st December, 2006	65,012	–	65,012
Addition	–	17,567	17,567
Eliminated on disposal of subsidiaries *(Note 45)*	(65,012)	(17,567)	(82,579)
At 31st December, 2007	–	–	–
AMORTISATION			
At 1st January, 2006	–	–	–
Charge for the year	1,626	–	1,626
At 31st December, 2006	1,626	–	1,626
Charge for the year	926	–	926
Eliminated on disposal of subsidiaries *(Note 45)*	(2,552)	–	(2,552)
At 31st December, 2007	–	–	–
CARRYING VALUES			
At 31st December, 2007	–	–	–
At 31st December, 2006	63,386	–	63,386

Other intangible asset of the Group consists of premium on acquisition of prepaid lease payments which is to be amortised on the same basis as the related prepaid lease payments over 40 years.

In addition, the Group acquired a customer list with indefinite useful life from an independent third party which is stated at cost less accumulated impairment loss.

23. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2007	2006
	HK$'000	HK$'000
Unlisted shares, at cost	**160,056**	160,056

Details of the Company's principal subsidiaries at 31st December, 2007 are set out in note 55.

24. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES

Interests in associates

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
Cost of unlisted investments in associates	**19,127**	90,127
Share of post-acquisition profits and reserves, net of dividends received	**42,508**	54,226
	61,635	144,353

In June 2007, the Group disposed of its entire interest in the issued share capital of Bright Able Developments Limited ("Bright Able"), as set out in note 45. The principal asset of which is its interest in 49% equity interests in Loyal Way (China) Group Limited ("Loyal Way").

In November 2007, the Group disposed of its entire interest in the issued share capital of High Praise and Green Island, as set out in notes 15 and 45. The principal assets of which are their interests in 29.4% and 36.75% of Funning Power and Xuzhou Power, respectively.

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 Poly Realty Company Limited ("Poly Shanghai") as set out in note 44. 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.

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

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 45. 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.

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

	2007 **HK$'000**	2006 HK$'000
Total assets	**1,804,464**	3,708,428
Total liabilities	**(1,638,067)**	(3,529,171)
Net assets	**166,397**	179,257
Group's share of net assets of associates	**61,635**	144,353
Revenue	**500,958**	185,742
Profit (loss) for the year	**17,869**	(8,714)
Group's share of profit (loss) of associates for the year		
– continuing operations	**2,204**	(5,270)
– discontinued operations *(note 15(i))*	**3,523**	(405)
	5,727	(5,675)

24. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES

(Continued)

Details of the Group's principal associates as at 31st December, 2007 are as follows:

Name of associate	Place of incorporation/ establishment	Principal place of operation	Proportion of nominal value of issued share capital/ registered capital indirectly held by the Group		Principal activities
			2007	2006	
Funing Power	PRC	PRC	–	29.4%	Provision of electricity and gas
Xuzhou Power	PRC	PRC	–	36.75%	Provision of electricity and gas
重慶綠地	PRC	PRC	**30%**	30%	Property development

Amounts due from associates

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
Amounts due from associates	–	24,393

Amounts due from associates were unsecured and interest-free. The amounts were fully settled during the year.

25. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
Cost of unlisted investment in a jointly controlled entity	**–**	–
Share of post-acquisition profits and reserves, net of dividends received	**–**	–
	–	–

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 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 the date of liquidation, both for the year ended 31st December, 2006 and cumulatively, were as follows:

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

26. DEPOSITS PAID FOR ACQUISITION OF LAND USE RIGHTS

The deposits were paid by the Group to a PRC government authority and an independent third party in connection with the bidding of one (2006: one) piece of land and the acquisition of one (2006: Nil) piece of land, respectively in the PRC for property development purpose.

27. DEPOSIT PAID FOR INVESTMENT IN AN AVAILABLE-FOR-SALE INVESTMENT

The deposit was paid by the Group to a bank which acted as an agent, in connection with the investment in a private company which is under the process of being established in the PRC. The Group will hold 9% of the total paid-up capital of the established company. The established company will engage in financial management services.

28. DEPOSIT PAID FOR ACQUISITION OF A PROPERTY DEVELOPMENT PROJECT

At 31st December, 2006, the balance represented deposit 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 were set out in note 48. The amount was transferred to properties under development during the year ended 31st December, 2007.

29. PROPERTIES UNDER DEVELOPMENT

Included in properties under development at 31st December, 2006 of the Group was HK$62,653,000 which represented the cost incurred on a property development project jointly operated with a 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 Group and the PRC company would share 63% and 37% of the total constructed area, respectively. The property development project was completed and sold during the year ended 31st December, 2007. Amounts of HK$181,016,000 and HK$20,970,000 were transferred from properties under development to cost of sales and investment properties during the year ended 31st December, 2007. Included in revenue of the Group is HK$232,593,000 from the sale of this property development project.

Included in properties under development is capitalised interest of approximately HK$129,203,000 (2006: HK$19,475,000).

As at 31st December, 2007, included in properties under development are land use rights of HK$675,694,000, whose title has not yet been obtained by the Group.

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

30. OTHER INVENTORIES

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
Raw materials	**12,704**	26,676
Work in progress	**603**	157
Finished goods	**1,491**	2,175
	14,798	29,008

31. TRADE AND OTHER RECEIVABLES

	2007	2006
	HK$'000	HK$'000
Trade receivables	**71,182**	118,731
Less: allowance for doubtful debts	**(7,647)**	(6,374)
	63,535	112,357
Receivables on partial disposal of subsidiaries	**–**	32,689
Other receivables (net of allowance of HK$36,164,000 (2006: Nil))	**123,315**	86,505
Total trade and other receivables	**186,850**	231,551

The Group allows an average credit period of 30 to 90 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts at the reporting date:

	2007	2006
	HK$'000	HK$'000
0 to 30 days	**48,445**	84,344
31 to 90 days	**10,805**	23,737
More than 90 days	**4,285**	4,276
	63,535	112,357

31. TRADE AND OTHER RECEIVABLES *(Continued)*

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly. 89% of the trade receivables that are neither past due nor impaired have the best credit scoring attributable under the internal credit scoring system used by the Group.

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of HK$4,285,000 (2006: HK$4,276,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 100 days (2006: 98 days).

Aging of trade receivables which are past due but not impaired

	2007	2006
	HK$'000	HK$'000
91-120 days	**4,285**	4,276

The Group has provided fully for all receivables over 120 days because historical experience is such that receivables that are past due beyond 120 days are generally not recoverable.

Movement in the allowance for doubtful debts of trade receivables

	2007	2006
	HK$'000	HK$'000
Balance at beginning of the year	**6,374**	1,259
Exchange adjustments	**463**	46
Acquisition of subsidiaries	**–**	7,487
Impairment losses recognised on receivables	**2,936**	3,353
Amounts written off as uncollectible	**–**	(255)
Amounts recovered during the year	**(2,126)**	(5,516)
Balance at end of the year	**7,647**	6,374

32. SHORT-TERM LOAN RECEIVABLES

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
Loan to New City *(Note a)*	**15,703**	15,703
Loan to Tong Sun *(Note a)*	**165,000**	165,000
Loan to Loyal Way *(Note b)*	**–**	268,610
Other loans *(Note c)*	**37,967**	70,727
	218,670	520,040
Less: imputed interest adjustment	**–**	(7,520)
	218,670	512,520
Less: Impairment loss recognised	**(210,489)**	(29,786)
	8,181	482,734

Movement in the allowance of short-term loan receivables

	2007	2006
	HK$'000	HK$'000
Balance at beginning of the year	**29,786**	35,643
Impairment losses recognised on receivables	**180,703**	28,577
Amounts recovered during the year	**–**	(34,434)
Balance at end of the year	**210,489**	29,786

Notes:

(a) The Group owns a 49% equity interest in Tong Sun of US$49 (approximately HK$382). The short-term loan receivables represent shareholders' loan to Tong Sun of HK$165,000,000 (2006: HK$165,000,000), net of allowance of HK$165,000,000 (2006: Nil), and a loan to New City of HK$15,703,000 (2006: HK$15,703,000), net of allowance of HK$15,703,000 (2006: Nil). 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 New City 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 ("Beijing Zhong Zheng"), a sino-foreign co-operative joint venture established in the PRC for the development of the Project.

32. 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 advance 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 shareholder's 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. For the year ended 31st December 2006, the loan to Tung Sun was discounted at an effective rate of 6% up to 30th June, 2006.

Since Beijing Zhong Zheng has difficulty to realise its asset, it has financial difficulty to repay loan to Tong Sun. In turn, Tong Sun has also financial difficulty to repay loan to the Group and New City. In the opinion of the directors of the Company, Tong Sun and New City have liquidity problem to repay the loans to the Group. Accordingly, the Group has made full impairment losses on the shareholders' loan to Tong Sun of HK$165,000,000 and the loan to New City of HK$15,703,000 during the year ended 31st December, 2007.

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

Notes: *(Continued)*

(b) The loan to Loyal Way was unsecured, interest-free and repayment on demand. It was discounted at an effective interest rate of 6%. The loan was assigned to a purchaser upon the disposal of Bright Able as set out in note 45.

(c) The other loans carry interest at 12% (2006: 6% to 12%). All of them are repayable on demand. An amount of HK$8,181,000 (2006: HK$11,988,000) is secured by a company's shares listed in Australian Securities Exchange. The remaining balances of HK$28,953,000 at 31st December, 2006 were unsecured which have fully repaid during the year. The directors assessed that there is no impairment loss for these loans.

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

Available-for-sale investments

Available-for-sale investments comprise:

	2007	2006
	HK$'000	HK$'000
Listed investments:		
– Interests in equity securities listed in Hong Kong *(note a)*	**429,185**	–
Unlisted securities:		
– Equity securities *(note b)*	**1,067**	1,156
Total	**430,252**	1,156

33. AVAILABLE-FOR-SALE INVESTMENTS AND HELD-FOR-TRADING INVESTMENTS *(Continued)*

Available-for-sale investments *(Continued)*

Notes:

(a) The interests in listed equity securities represent the share consideration received and receivable on the disposal of the Energy Group as set out in notes 15 and 45 and are measured at fair value at each balance sheet date. The fair values of the listed equity securities at the completion date of the disposal on 12th November, 2007 and at 31st December, 2007, amounting to HK$452,436,000 and HK$429,185,000, respectively. Since part of the share consideration has not yet been received and those shares received have a lock up period, the market value of the shares is adjusted by a discount for the restriction. The discount is arrived at based on fair value of put option derived from Black-Scholes Option Pricing Method calculated by RHL Appraisal Ltd, an independent professional valuers not connected with the Group. RHL Appraisal Ltd is a member of the Hong Kong Institute of Surveyors, and have appropriate qualifications. The inputs into the model were as follows:

	12.11.2007	**31.12.2007**
Stock price as at valuation date	4.1	3.74
Strike price	4.1	3.74
Expected volatility	66.03%	63.94%
Risk free rate	1.11%	2.11%
Fair value per option	HK$0.74	HK$0.56
Fair value per share	HK$3.36	HK$3.32
Discount factor	18.13%	14.86%

As the related shares are newly listed in Hong Kong, the volatility is derived by using the historical volatility for the past 6 months of four comparable listed companies.

The change in fair value of HK$23,251,000 was debited to investment revaluation reserve.

(b) The unlisted equity securities represent 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

The amounts 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.

34. 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

THE GROUP AND THE COMPANY

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

The amount due to ultimate holding company is unsecured, interest-free and repayable on demand except for an amount HK$710,809,000 (2006: Nil), which carries interest at benchmark rate plus 1% and repayable within one year.

The amount due to an intermediate holding company is unsecured, interest-bearing and repayable within one year. HK$$313,034,000 carries interest at a fixed rate of 5.5% and the remaining balance (2006: Nil) carries interest at benchmark rate plus 1%.

(ii) Amounts due from (to) related companies

THE GROUP

At 31st December, 2006, the amounts due from (to) related companies represented balances with companies controlled by Mr. Zhu Gong Shan ("Mr. Zhu"). Mr. Zhu is the substantial shareholder of minority shareholders of Taicang Power, Dongtai Power, Jia Xing Power and Peixian Power and controlling shareholders of Funing Power and Xuzhou Power.

(iii) Amounts due from subsidiaries

THE COMPANY

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

35. PLEDGED BANK DEPOSITS AND BANK BALANCE, 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$6,679,000 (2006: HK$98,413,000) have been pledged to secure general banking facilities and are therefore classified as current assets.

Bank balances include HK$760,758,000 (2006: HK$139,518,000) which carry interest at fixed rates ranging from 2.25% to 6.25% (2006: 2.75% to 4.35%) and HK$1,061,902,000 (2006: HK$484,877,000) which carry interest at variable rates ranging from 2% to 6% (2006: 2% to 5%).

The pledged bank deposits carry interest at a fixed rate of 0.72% (2006: 4.5%). The pledged bank deposits will be released upon settlement of relevant bank borrowings.

THE COMPANY

Bank balances carry interest at market rates which range from 2% to 4% (2006: 2% to 4%).

36. TRADE AND OTHER PAYABLES

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

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
0 to 30 days	**609,237**	94,182
31 to 90 days	**6,780**	5,650
More than 90 days	**61,292**	205,674
Total trade payables	**677,309**	305,506
Bills payable, aged within 90 days	**1,068**	119,522
Other payables	**349,142**	239,057
	1,027,519	664,085

The average credit period is 90 days. The Group has financial risk management policies in place to ensure that all payable is within the credit time frame.

37. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans				
– secured	**1,488,239**	1,297,078	**150,000**	454,000
– unsecured	**–**	74,861	**–**	40,000
	1,488,239	1,371,939	**150,000**	494,000
The bank loans are repayable as follows:				
On demand or within one year	**307,260**	751,869	**100,000**	344,000
In more than one year, but not more than two years	**127,755**	337,999	**50,000**	100,000
In more than two years, but not more than three years	**932,721**	104,781	**–**	50,000
In more than three years, but not more than four years	**3,524**	24,900	**–**	–
In more than four years, but not more than five years	**3,842**	24,900	**–**	–
In more than five years	**113,137**	127,490	**–**	–
	1,488,239	1,371,939	**150,000**	494,000
Less: Amount due within one year shown under current liabilities	**(307,260)**	(751,869)	**(100,000)**	(344,000)
Amount due after one year	**1,180,979**	620,070	**50,000**	150,000

The Group's bank loans include HK$106,838,000 (2006: HK$85,657,000) fixed-rate borrowings which carry interest at 7.6% per annum (2006: 5.7% per annum) and HK$150,000,000 (2006: HK$494,000,000) and HK$1,231,401,000 (2006: HK$792,282,000) variable-rate borrowings which carry interest at HIBOR plus 1.25% and ranging from 90% of benchmark rate to 110% of benchmark rate (2006: ranging from HIBOR plus 0.76% to HIBOR plus 1.25% and from 90% of benchmark rate to 110% of benchmark rate respectively).

37. BANK BORROWINGS *(Continued)*

As at the balance sheet date, the Group has the following undrawn borrowing facilities:

	2007	2006
	HK$'000	HK$'000
Variable rate		
– expiring beyond one year	**915,385**	54,980

During the year, the Group obtained new loans in the amount of HK$1,958,919 (2006: HK$952,265,000). The loans bear interest at market rates and will be repayable varying from 2008 to 2013. The proceeds were used to finance property development.

The Company's variable rate borrowings carry interest at HIBOR plus 1.25% (2006: ranging from HIBOR plus 0.76% to HIBOR plus 1.25%).

38. SHARE CAPITAL

	Number of ordinary shares	**Amount**
		HK$'000
Ordinary share of HK$0.50 each		
Authorised:		
At 1st January, 2006	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
Increase on 10th December, 2007 *(note ii)*	2,000,000,000	1,000,000
At 31st December, 2007	**4,000,000,000**	**2,000,000**
Issued and fully paid:		
At 1st January, 2006	894,589,200	447,295
Exercise of share options *(note iii)*	2,790,000	1,395
Right issue *(note iv)*	448,464,600	224,232
At 31st December, 2006	1,345,843,800	672,922
Exercise of share options *(note iii)*	33,915,000	16,957
Subscription of shares *(note v)*	269,000,000	134,500
At 31st December, 2007	**1,648,758,800**	**824,379**

38. SHARE CAPITAL *(Continued)*

During the two years ended 31st December, 2007, 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 to HK$1,000,000,000 by the creation of 800,000,000 new shares of HK$0.5 each.

(ii) On 10th December, 2007, the authorised share capital of the Company was increased from HK$1,000,000,000 dividend into 2,000,000,000 ordinary shares of HK$0.5 each to HK$2,000,000,000 by the creation of 2,000,000,000 new shares of HK$0.5 each.

(iii) 33,915,000 (2006: 2,790,000) share options were exercised by the eligible option holders, resulting in the issue of 33,915,000 (2006: 2,790,000) ordinary shares of HK$0.5 each in the Company at a total consideration of approximately HK$43,650,000 (2006: HK$3,480,000).

(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 44 and as to the balance of approximately HK$198 million as general working capital of the Group.

(v) On 13th April, 2007, the Company issued 269,000,000 shares of HK$0.5 each of the Company at a subscription price of HK$1.7 each to Rich Champ Investments Ltd., a company beneficially owned by Mr. Yung Chi Kin, an independent third party. The Company received HK$457,300,000 in relation to the share subscription.

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

39. 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, 2007, the number of shares in respect of which options had been granted under the Poly HK Old Scheme and remained outstanding was approximately 1% (2006: 3.8%) of the shares of the Company in issue at that date.

39. 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, 2007:

	Date of grant	Exercise price per share HK$	Exercisable period	Outstanding at 1.1.2006	Exercised during the year	Outstanding at 1.1.2007	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2007
Category 1: Directors									
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
Wang Jun *(note i)*	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 ii)*	30.11.2000	0.740	30.11.2001 – 29.11.2010	5,000,000	–	5,000,000	–	(5,000,000)	–
Zhang Zhen Gao *(note iii)*	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	(9,500,000)	(20,600,000)	11,500,000
Category 2: Employees	3.9.1997	5.175	3.9.1998 – 2.9.2007	4,680,000	–	4,680,000	(720,000)	(3,960,000)	–
	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	3,185,000	(120,000)	3,065,000	(65,000)	–	3,000,000
				9,865,000	(120,000)	9,745,000	(785,000)	(3,960,000)	5,000,000
Total all categories				51,465,000	(120,000)	51,345,000	(10,285,000)	(24,560,000)	16,500,000

Notes:

(i) Mr. Wang Jun resigned as director of the Company with effect from 16th October, 2007.

(ii) Mr. Li Shi Liang deceased on 5th July, 2006 and the share options granted to him was lapsed with effect from 27th February, 2007.

(iii) Mr. Zhang Zhen Gao resigned as director of the Company with effect from 16th October, 2007.

(iv) The options granted on 3rd September, 1997 and remained unexercised were lapsed on 3rd September, 2007.

39. 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.

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise was HK$6.46 (2006: HK$1.92).

The closing price of the Company's shares immediately before the dates in which the options were exercised ranged from HK$5.20 to HK$11.24 for the year ended 31st December, 2007 (2006: ranged from HK$1.48 to HK$2.33).

(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.

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

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

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.

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.

At 31st December, 2007 the number of shares in respect of which options had been granted under the Poly HK New Scheme and remained outstanding was approximately 1% (2006: 3%) of the Company in issue at that date.

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

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

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, 2007:

	Date of grant	Exercise price per share HK$	Exercisable period	Outstanding at 1.1.2006	Exercised during the year	Outstanding at 1.1.2007	Exercised during the year	Outstanding at 31.12.2007
Category 1: Directors								
He Ping	14.7.2005	1.270	14.7.2005 – 13.7.2015	8,900,000	–	8,900,000	–	8,900,000
Wang Jun *(note i)*	14.7.2005	1.270	14.7.2005 – 13.7.2015	8,900,000	–	8,900,000	(8,900,000)	–
Li Shi Liang *(note ii)*	14.7.2005	1.270	14.7.2005 – 13.7.2015	8,000,000	–	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	–	8,000,000
Ye Li Wen	14.7.2005	1.270	14.7.2005 – 13.7.2015	900,000	–	900,000	(900,000)	–
Chan Tak Chi, William	14.7.2005	1.270	14.7.2005 – 13.7.2015	300,000	–	300,000	(300,000)	–
Ip Chun Chung, Robert	14.7.2005	1.270	14.7.2005 – 13.7.2015	300,000	–	300,000	(300,000)	–
Yao Kang, *J.P.*	14.7.2005	1.270	14.7.2005 – 13.7.2015	500,000	–	500,000	(500,000)	–
Choy Shu Kwan	14.7.2005	1.270	14.7.2005 – 13.7.2015	300,000	–	300,000	–	300,000
Lam Tak Shing, Harry	14.7.2005	1.270	14.7.2005 – 13.7.2015	300,000	–	300,000	(300,000)	–
				36,400,000	–	36,400,000	(19,200,000)	17,200,000
Category 2: Employees	14.7.2005	1.270	14.7.2005 – 13.7.2015	7,100,000	(2,670,000)	4,430,000	(4,430,000)	–
Total all categories				43,500,000	(2,670,000)	40,830,000	(23,630,000)	17,200,000

Notes:

(i) Mr. Wang Jun resigned as director of the Company with effect from 16th October, 2007.

(ii) Mr. Li Shi Liang deceased on 5th July, 2006. Share options were exercised by his wife in 2007.

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

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$5.60 (2006: HK$1.97).

The closing price of the Company's shares immediately before the dates in which the options were exercised ranged from HK$1.54 to HK$10.38 for the year ended 31st December, 2007 (2006: ranged from HK$1.48 to HK$2.33).

40. 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, 2006	1,571,740	7,757	23,917	64,912	1,668,326
Premium arising on rights issue	381,195	–	–	–	381,195
Exercise of share options	2,319	(234)	–	–	2,085
Share issue expenses	(7,729)	–	–	–	(7,729)
Profit for the year	–	–	–	49,247	49,247
Dividends paid *(note 16)*	–	–	–	(26,908)	(26,908)
At 31st December, 2006	1,947,525	7,523	23,917	87,251	2,066,216
Premium arising on share issue	322,800	–	–	–	322,800
Exercise of share options	30,875	(4,183)	–	–	26,692
Share issue expenses	(6,999)	–	–	–	(6,999)
Profit for the year	–	–	–	153,146	153,146
Dividends paid *(note 16)*	–	–	–	(32,473)	(32,473)
At 31st December, 2007	**2,294,201**	**3,340**	**23,917**	**207,924**	**2,529,382**

41. 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%.

42. DEFERRED LICENCING INCOME

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

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 PPL, 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 44. After the acquisition, Poly Shanghai Group becomes subsidiary of the Company. The licensing income was therefore eliminated on acquisition of subsidiaries.

43. ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARIES

(i) In March 2007, the Group acquired the remaining interest of 20% in 蘇州保利櫻花置業有限公司 at a consideration of RMB3,000,000 (equivalent to HK$3,205,000). The amount of discount arising as a result of the acquisition is HK$1,869,000 and has been credited to the consolidated income statement.

(ii) In December 2007, the Group acquired the remaining interest of 10% in 上海保利佳房產有限公司 at a consideration of RMB3,000,000 (equivalent to HK$3,205,000). The amount of goodwill arising as a result of the acquisition is HK$183,000 and is fully impaired and charged to the consolidated income statement during the year.

44. ACQUISITION OF SUBSIDIARIES

(i) On 30th June, 2007, the Group acquired properties under development through the purchase of 100% interest of 上海瑞中置業有限公司(「瑞中置業」) and 上海賢豐房地產開發有限責任公司(「上海賢豐」) satisfied by cash considerations of RMB66,628,000 (equivalent to HK$71,184,000) and RMB17,070,000 (equivalent to HK$18,237,000), respectively, paid to the then existing owners of 瑞中置業 and 上海賢豐.

In addition, the Group acquired investment properties through the purchase of 100% of 武漢聯業科技開發有限責任公司(「聯業科技」) satisfied by cash consideration of RMB37,000,000 (equivalent to HK$39,530,000) paid to the then existing owner of 聯業科技.

These transactions have been accounted for as acquisition of assets because these companies have no business.

In addition, consideration of RMB16,070,000 (equivalent to HK$17,169,000) has not been settled at 31st December, 2007 and included in other payables in relation to the acquisition of 100% interest in 上海賢豐.

44. ACQUISITION OF SUBSIDIARIES *(Continued)*

(i) *(Continued)*

The net assets acquired in the transactions are as follows:

	瑞中置業	上海賢豐	聯業科技	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Net assets acquired:				
Investment properties	–	–	39,247	39,247
Properties under development	71,366	77,755	–	149,121
Other receivables	63	19	53	135
Bank balances and cash	32,401	1	418	32,820
Other payables	(595)	(1)	(188)	(784)
Amount due to a related company	–	(59,537)	–	(59,537)
Bank loans	(32,051)	–	–	(32,051)
	71,184	18,237	39,530	128,951
Total consideration satisfied by:				
Cash				111,782
Other payables				17,169
				128,951
Net cash outflow arising on acquisition:				
Cash consideration paid				(111,782)
Bank balances and cash acquired				32,820
				(78,962)

44. ACQUISITION OF SUBSIDIARIES *(Continued)*

(ii) During the year ended 31st December, 2006, the Group completed the acquisition of certain subsidiaries, details of which were as follows:

(a) On 21st October, 2005, the Group entered into a conditional agreement with China Poly 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 had 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.

(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 Power 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 Power. 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.

44. ACQUISITION OF SUBSIDIARIES *(Continued)*

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

	Poly Shanghai's carrying amount before combination	Jia Xing Power's carrying amount before combination	Acquirees' carrying amount before combination	Fair value adjustments	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Net assets acquired:					
Investment properties	88,213	–	88,213	–	88,213
Property, plant and equipment	73,590	219,705	293,295	–	293,295
Deferred licensing income	20,833	–	20,833	–	20,833
Prepaid lease payments	18,554	8,644	27,198	15,320	42,518
Loan receivables	23,434	–	23,434	–	23,434
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
Trade and other receivables	80,151	21,940	102,091	–	102,091
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
Pledged bank deposits	2,156	–	2,156	–	2,156
Bank balances, deposits and cash	145,198	877	146,075	–	146,075
Trade and other payables	(259,276)	(27,005)	(286,281)	–	(286,281)
Pre-sale deposits	(97,037)	–	(97,037)	–	(97,037)
Amount due to ultimate holding company	(531,706)	–	(531,706)	–	(531,706)
Amount due to an 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)
Bank borrowings	(175,781)	(144,231)	(320,012)	–	(320,012)
Deferred tax liabilities	(17,346)	–	(17,346)	(54,876)	(72,222)
Net assets	669,125	52,675	721,800	145,204	867,004
Minority interests	(181,140)	(25,810)	(206,950)	(19,642)	(226,592)
Attributable to the Group	487,985	26,865	514,850	125,562	640,412
Deemed capital contribution					(27,702)
Goodwill arising on acquisition					1,017
					613,727
Total consideration satisfied by:					
Cash consideration paid					613,727

44. ACQUISITION OF SUBSIDIARIES *(Continued)*

	Poly Shanghai HK$'000	Jia Xing Power HK$'000	2006 HK$'000
Net outflow arising on acquisition:			
Cash consideration paid	(578,033)	(35,694)	(613,727)
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
	(430,679)	(34,019)	(464,698)

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 ended 31st December, 2006, 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 ended 31st December, 2006 would be approximately HK$1,042 million and profit for the year ended 31st December, 2006 would have been approximately HK$147 million, respectively. This proforma information was for illustrative purposes only and was 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 was it intended to be a projection of future results.

45. DISPOSAL OF SUBSIDIARIES

(a) On 12th September, 2006 and 2nd March, 2007, the Group entered into a letter of intent and a sale agreement, respectively, to dispose of its entire interest in the issued share capital of Red Empire, a wholly owned subsidiary of the Company. Red Empire is the legal and beneficial owner of 51% of the issued share capital of Yue Tian. The principal asset of which is its interest in a PRC hotel development project. The disposal was completed on 4th May, 2007.

(b) On 21st June, 2007, the Group entered into a sale and purchase agreement to dispose of its entire interest in the issued share capital of Yaubond Limited ("Yaubond"), a 51% owned subsidiary of the Company. Yaubond is the legal and beneficial owner of 100% of the total paid-up capital of Guangzhou Huan Cheng Real Estate Development Company Limited, which is engaged in property development business. The disposal was completed on 27th July, 2007.

(c) On 24th April, 2007, the Group entered into a sale and purchase agreement to dispose of its entire interest in the issued share capital of Bright Able, a wholly owned subsidiary of the Company. Bright Able is the legal and beneficial owner of 49% of the total issued share capital of Loyal Way, which is engaged in property development business. The disposal was completed on 4th June, 2007.

(d) On 5th July, 2007 and 24th October, 2007, the Group entered into a sale and purchase agreement and a supplemental agreement to dispose of its entire interest in the Energy Group. The principal activity of the Energy Group is the supply of electricity and gas. The disposal was completed on 12th November, 2007.

(e) 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 was engaged in media business. The disposal was completed on 30th August, 2006.

(f) 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 was engaged in property development business. The disposal was completed on 8th December, 2006.

(g) On 1st December, 2006, the Group disposed of its entire interest in the issued share capital of Prime Harvest. The principal asset of which was 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.

45. DISPOSAL OF SUBSIDIARIES *(Continued)*

The net assets of Red Empire, Yaubond, Bright Able and the Energy Group at the date of disposal were as follows:

	Red Empire HK$'000	Yaubond HK$'000	Bright Able HK$'000	Energy Group HK$'000	2007 HK$'000
NET ASSETS DISPOSED OF					
Property, plant and equipment	1,087,473	–	–	991,128	2,078,601
Prepaid lease payments	305,829	–	–	74,491	380,320
Other intangible asset	–	62,460	–	17,567	80,027
Available-for-sale investments	–	–	–	168	168
Interests in associates	–	–	20,655	67,054	87,709
Deposit paid for acquisition of property, plant and equipment	–	–	–	394	394
Properties under development	–	331,141	–	–	331,141
Inventories	–	–	–	30,633	30,633
Trade and other receivables	2,234	132	–	107,637	110,003
Short-term loan receivables	–	–	268,610	–	268,610
Amounts due from associates	–	–	–	2,499	2,499
Amounts due from related companies	–	–	–	17,829	17,829
Bank balances and cash	10,190	482	–	96,415	107,087
Trade and other payables	(93,556)	(3,002)	–	(117,874)	(214,432)
Amounts due to minority shareholders of subsidiaries	(135,904)	–	–	(20,953)	(156,857)
Amounts due to related companies	(31,437)	–	–	(4,438)	(35,875)
Amount due to immediate holding company	(311,975)	(2,505)	(268,654)	–	(583,134)
Amount due to a shareholder	–	–	–	(137,606)	(137,606)
Taxation payable	–	–	–	(1,103)	(1,103)
Bank borrowings	(647,100)	–	–	(644,642)	(1,291,742)
Deferred tax liabilities	–	(69,720)	–	–	(69,720)
Minority interests	(175,904)	(157,554)	–	(258,053)	(591,511)
Net assets disposed of	9,850	161,434	20,611	221,146	413,041
Direct expenses incurred	623	146	182	–	951
Assignment of amount due to immediate holding company	311,975	2,505	268,654	–	583,134
Waiver of amount due to a shareholder	–	–	–	137,606	137,606
Attributable goodwill	–	–	–	1,017	1,017
Translation reserve realised	(19,454)	(8,843)	–	(30,965)	(59,262)
	302,994	155,242	289,447	328,804	1,076,487
Gain on disposals	149,154	48,874	31,804	173,632	403,464
Total consideration	452,148	204,116	321,251	502,436	1,479,951
Satisfied by:					
Cash	452,148	204,116	321,251	50,000	1,027,515
Available-for-sale investments *(note 33(a))*	–	–	–	452,436	452,436
	452,148	204,116	321,251	502,436	1,479,951
Net cash inflow (outflow) arising on disposals:					
Cash consideration	452,148	204,116	321,251	50,000	1,027,515
Direct expenses incurred	(623)	(146)	(182)	–	(951)
Bank balances and cash disposed of	(10,190)	(482)	–	(96,415)	(107,087)
	441,335	203,488	321,069	(46,415)	919,477

45. DISPOSAL OF SUBSIDIARIES *(Continued)*

The disposed subsidiaries contributed a profit of HK$23,628,000 and a cash outflow of HK$30,490,000 to the Group's profit and cash flows for the year ended 31st December, 2007.

For the year ended 31st 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 HK$'000	蘇景 HK$'000	Prime Harvest HK$'000	2006 HK$'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 had a loss of HK$4,221,000 and HK$3,377,000 to the Group's profit and cash out flows for the year ended 31st December, 2006.

46. DEFERRED TAX ASSETS/LIABILITIES

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

	Others
	HK$'000
Deferred tax assets	
At 1st January, 2006, 31st December, 2006 and 1st January, 2007	–
Exchange adjustments	73
Credit to income statement for the year	1,991
At 31st December, 2007	**2,064**

	Revaluation of properties			
	Investment properties	**Hotel properties**	**Properties under development**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Deferred tax liabilities				
At 1st January, 2006	83,230	34,472	65,026	182,728
Exchange adjustments	3,427	1,206	1,008	5,641
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	11,742	–	–	11,742
Eliminated on disposal of subsidiaries	(5,870)	–	–	(5,870)
At 31st December, 2006 and 1st January, 2007	114,149	41,579	116,636	272,364
Exchange adjustments	11,587	2,904	8,015	22,506
Eliminated on sales of properties	–	–	(10,276)	(10,276)
Charge to equity for the year	–	3,389	–	3,389
Charge to income statement for the year	57,651	–	–	57,651
Eliminated on disposal of subsidiaries	–	–	(69,720)	(69,720)
Effect of change in tax rates	65,770	(10,596)	(11,804)	43,370
At 31st December, 2007	**249,157**	**37,276**	**32,851**	**319,284**

46. DEFERRED TAX ASSETS/LIABILITIES *(Continued)*

At 31st December, 2007, the Group other than its subsidiaries in the PRC had unused tax losses of approximately HK$142.4 million (2006: HK$131.9 million) for offset against future assessable profits. Such unused tax losses may be carried forward indefinitely.

In addition, at 31st December, 2007, the Group's PRC subsidiaries had unused tax losses of approximately HK$98.3 million (2006: HK$102.6 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.

47. OPERATING LEASE

The Group as lessee:

	2007 **HK$'000**	2006 HK$'000
Minimum lease payments paid under operating leases during the period:		
– office and factory premises	**2,128**	506
– equipment	**1,069**	–
	3,197	506

47. OPERATING LEASE *(Continued)*

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

	THE GROUP			
	Office and factory premises		**Equipment**	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**754**	372	**1,069**	–
In the second to fifth year inclusive	**902**	201	**2,850**	–
Over five years	**3,862**	211	**–**	–
	5,518	784	**3,919**	–

The Group as lessor:

	2007	2006
	HK$'000	HK$'000
Income from operating lease arrangements in respect of office and management service	**158,805**	132,671

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

	THE GROUP			
	Office		**Management fee income**	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**80,615**	55,147	**14,724**	4,525
In the second to fifth year inclusive	**53,446**	49,201	**1,278**	1,665
Over five years	**63,676**	64,144	**877**	–
	197,737	168,492	**16,879**	6,190

Significant leases are negotiated for a lease term of 1 to 10 years (2006: 1 to 10 years), the Group expected to generate rental yields of 5.8% on an ongoing basis.

48. CAPITAL COMMITMENTS

	2007 HK$'000	2006 HK$'000
THE GROUP		
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
– acquisition of interest in a subsidiary	**1,433,500**	–
– acquisition of a property development project	**–**	728,574
– property development expenditures	**1,016,235**	464,042
– addition of construction-in-progress	**696**	388,623
– acquisition of property, plant and equipment	**–**	42,463
– acquisition of land use rights	**463,248**	–
	2,913,679	1,623,702
Capital expenditure authorised but not contracted for in the consolidated financial statements in respect of acquisition of a land use rights	**685,898**	110,246

49. CONTINGENT LIABILITIES

At 31st December, 2007, the Company had given guarantees to certain banks in respect of credit facilities granted to certain subsidiaries of the Company. The amounts that could be required to be paid if the guarantees were called upon in entirely amounted to HK$50 million (2006: HK$40 million). No amount (2006: HK$40 million) had been utilised by subsidiaries.

50. 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	
	2007	2006
	HK$'000	HK$'000
Investment properties	**448,570**	431,606
Hotel properties	**281,883**	262,792
Plant and machinery	**–**	109,265
Buildings	**49,593**	174,019
Prepaid lease payments	**234,339**	370,122
Properties under development	**1,673,387**	316,460
Bank deposits	**6,679**	98,413
Assets classified as held for sale	**–**	1,140,943
	2,694,451	2,903,620

At 31st December, 2006, shares in certain subsidiaries were also pledged to secure credit facilities granted to the Group.

51. 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 towards the cost of construction of its plant and machineries and HK$3,600,000 towards the operation of electricity and gas.

The amount of HK$11,979,000 had been deducted from the carrying amount of the relevant asset. The amount was transferred to income in the form of reduced depreciation charges over the useful lives of the relevant asset. This policy had resulted in a credit to income for the year ended 31st December, 2006 of HK$589,000. As at 31st December, 2006, an amount of HK$11,202,000 remained to be amortised. For the year ended 31st December, 2007, HK$515,000 is credited to income. The unamortised amount of HK$10,668,000 was realised upon the disposal of the Energy Group on 12th November, 2007 as set out in note 45.

For the year ended 31st December, 2006, the amount of HK$3,600,000 had been included in other income.

52. RETIREMENT BENEFIT SCHEMES

The Company and its subsidiaries in Hong Kong operate a defined contribution retirement benefit 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 benefit scheme contributions charged to the consolidated 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 benefit schemes operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit scheme to fund the benefit. The only obligation of the Group with respect to the retirement benefit 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 benefit scheme, available to reduce the contribution payable in the future years.

The total cost charged to income statement of approximately HK$7,268,000 (2006: HK$7,194,000) represents contributions payable to the schemes by the Group during the year.

53. 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	
	2007	2006
	HK$'000	HK$'000
Transactions:		
Property rental income *(note i)*	**7,079**	24,829
Manager remuneration paid	**–**	14,130
Imputed interest expenses *(note 41)*	**7,849**	7,041
Interest expenses paid	**65,895**	–
Property leasing commission and management fees paid	**898**	1,510

	2007	2006
	HK$'000	HK$'000
Balances:		
Amounts due from fellow subsidiaries *(note ii)*	**35,591**	27,884
Deposit paid for an investment in available-for-sale investments *(note 27)*	**32,482**	–
Amount due to ultimate holding company *(note iii)*	**775,048**	488,798
Amount due to an intermediate holding company *(note iv)*	**332,262**	17,926
Amounts due to fellow subsidiaries *(note ii)*	**195,081**	72,215
Loan from a fellow subsidiary *(note 41)*	**143,703**	126,387

Notes:

(i) Of this rental income, an amount of HK$7,079,000 (2006: HK$21,288,000) is related to tenancy agreement which were previously approved by independent shareholders of the Company in extraordinary general meetings. For the year ended 31st December, 2006, an amount of HK$3,541,000 was related to tenancy agreements which were disclosed in the Company's press announcements in 2006.

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

(I) Connected Persons *(Continued)*

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

Notes: (Continued)

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

(iii) The balance is unsecured, interest-free and repayable on demand except for an amount HK$710,809,000 (2006: Nil), which carries interest at benchmark rate plus 1% and repayable within one year.

(iv) The balance is unsecured, interest-bearing and repayable within one year. HK$313,034,000 (2006: Nil) carries interest at a fixed rate of 5.5%. The remaining balance (2006: Nil) carries interest at benchmark rate plus 1%.

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 2000 Supplemental Agreement, the profit guarantee for the operation of Poly Plaza provided by China Poly Group under the 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.

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

(I) Connected Persons *(Continued)*

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

For the year ended 31st December, 2006 and 31st December, 2007, no compensation for guarantee profit is received by the Group from China Poly Group.

On 30th August, 2007, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with 保利南方集團有限公司 ("Poly Southern") in relation to the acquisition of the entire interest in Shenzhen Poly Investments Co Ltd., a limited liability company established in the PRC and wholly-owned by Poly Southern for a consideration of RMB1,390 million (equivalent to HK$1,434 million). The consideration shall be satisfied by way of the Company issuing and allotting to Poly Southern or its nominees approximately 235 million new shares of HK$0.50 each in the share capital of the Company. Details of the acquisition were set out in a circular of the Company dated 24th November, 2007. The acquisition was approved by the shareholders in an extraordinary general meeting held on 10th December, 2007. The acquisition has not yet been completed and is subject to the approval of the PRC Government. As at 31st December, 2007, direct expenses of HK$7,459,000 was paid and included in other receivables.

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 which was counter-guaranteed by a subsidiary of the Company of HK$1,988,000. The guarantee was released during the year ended 2007.

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

(I) Connected Persons *(Continued)*

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

Connected persons	Nature of transactions/balances	THE GROUP 2007 HK$'000	2006 HK$'000
Mr. Zhu and his associates *(notes i and ii)*	Disposal of subsidiaries *(note ii)*	**502,436**	–
	Purchase of coals	**246,718**	194,098
	Technical and management service fee paid	**2,191**	22,061
	Compensation for guarantee profit received/receivable *(note iii)*	**–**	10,161
	Amounts due from related companies *(note iv)*	**–**	63,968
	Amounts due to related companies *(note iv)*	**–**	43,175
	Amounts due to minority shareholders of subsidiaries *(note iv)*	**–**	49,750
Minority shareholders of a subsidiary of the Company	Consideration received in disposal of subsidiaries *(notes v, vi & vii)*	**977,515**	–
Minority shareholders of Yue Tian and their affiliates	Imputed interest expenses *(note viii)*	**2,665**	7,138
	Shareholder's loan *(note viii)*	**–**	133,239
Minority shareholders of Poly Shanghai and its subsidiaries	Amounts due from minority shareholders of subsidiaries *(note iv)*	**9,320**	27,266
	Amounts due to minority shareholders of subsidiaries *(note iv)*	**369,861**	215,202
	Acquisition of a subsidiary *(note ix)*	**71,184**	–
	Acquisition of a property development project *(note x)*	**220,949**	–

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

(I) Connected Persons *(Continued)*

(B) *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 Power, Dongtai Power, Jia Xing Power and Peixian Power and controlling shareholders of Funing Power and Xuzhou Power (collectively referred to "Power Plants"). Mr. Zhu and his associates including Golden Concord Holdings Limited ("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. On 12th November, 2007, the Group disposed of the Power Plants as set out in notes 15 and 45(d).

(ii) On 5th July, 2007 and 24th October, 2007, the Group entered into a sale and purchase agreement and a supplemental agreement with GCL-Poly, which is beneficially owned by Mr. Zhu in relation to the disposal of the Energy Group for cash consideration of HK$50,000,000 and share consideration of 19.69% of the issued share capital of GCL-Poly before the IPO. The interest in the GCL-Poly was diluted to 13.86% after the IPO. Subsequent to the disposal of Energy Group, Mr. Zhu becomes unrelated to the Group.

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

(iv) The balances were unsecured, non-interest bearing and repayable on demand.

(v) On 12th September, 2006 and 2nd March, 2007, the Group entered a letter of intent and a sale and purchase 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, a 51% owned subsidiary of the Company. Red Empire is the legal and beneficial owner of 51% of the total issued share capital of Yue Tian.

(vi) On 24th April, 2007, the Group entered into a sale and purchase agreement with Smartford Limited, a wholly-owned subsidiary of Skyfame to dispose of a wholly owned subsidiary, Bright Able, together with its associate for a consideration of HK$321,251,000. Bright Able is the legal and beneficial owner of 49% of the total issued share capital of Loyal Way.

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

(I) Connected Persons *(Continued)*

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

Notes: (Continued)

(vii) On 21st June, 2007, the Group entered into a sale and purchase agreement with Sky Honest Investments Corp, a wholly-owned subsidiary of Skyfame to dispose of a 51% owned subsidiary, Yaubond, together with its subsidiary for a consideration of HK$204,116,000. Yaubond is the legal and beneficial owner of 100% of the total paid-up capital of Guangzhou Huan Cheng Real Estate Development Company Limited.

(viii) The loan was carried at amortised cost at effective interest rate of 6%.

(ix) On 30th June, 2007, the Group entered into a sale and purchase agreement with Shanghai Jinpeng Real Estate Development Co., Ltd ("Jinpeng"), a substantial shareholder holding 49.9% interest in Shanghai Poly Jinpeng Real Estate Co., Ltd, a non-wholly owned subsidiary of Poly Shanghai to acquire 100% interest of 瑞中置業 for a consideration of RMB66,628,000 (equivalent to HK$71,184,000) as set out in note 44. Further details of the acquisition are set out in a circular of the Company dated 27th July, 2007. The acquisition was completed on 30th June, 2007.

(x) On 30th June, 2007, the Group entered into a project sale and purchase agreement with 上海金爵置業有限公司 Shanghai Jinjue Real Estate Co., Ltd, a wholly-owned subsidiary of Jinpeng , to acquire a property development project for a consideration of RMB206,809,000 (equivalent to HK$220,949,000). Further details of the acquisition are set out in a circular of the Company dated 27th July, 2007. The acquisition was completed on 30th June, 2007.

53. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

(Continued)

(II) Related parties, other than connected persons

Related party	**Nature of transactions/balances**	**THE GROUP 2007 HK$'000**	**THE GROUP 2006 HK$'000**
Winterthur	Interest expense *(note i)*	–	1,216
	Disposal of an associate *(note i)*	–	100,000
Tong Sun	Short-term loan receivables *(note ii)*	–	165,000
	Imputed interest income *(note ii)*	–	4,739
Loyal Way	Short-term loan receivables *(note iii)*	–	268,610
	Imputed interest income *(note iii)*	**7,521**	13,134
Xuzhou Power	Amount due from an associate *(note iv)*	–	4,970
重慶綠地	Amount due from an associate *(note iv)*	–	19,423

Notes:

(i) Interest was charged on amount due to Winterthur at 6% simple rate per annum. 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.

(ii) Details of terms were set out in note 32(a).

(iii) Details of terms are set out in note 32(b). The short-term loan receivables were assigned to a purchaser upon disposal of Bright Able as set out in notes 45.

(iv) Details of terms are set out in note 24.

53. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

(Continued)

(III) Compensation of key management personnel

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

	2007	2006
	HK$'000	HK$'000
Short-term benefits	**9,470**	5,951
Post-employment benefits	**138**	153
	9,608	6,104

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

54. 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 53, 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.

54. MATERIAL TRANSACTIONS AND BALANCES WITH OTHER STATE-CONTROLLED ENTITIES *(Continued)*

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

	2007	2006
	HK$'000	HK$'000
Transactions		
Trade sales	**277,055**	305,834
Trade purchases	**29,364**	108,893
Balances		
Amounts due from other state-controlled entities	**4,106**	15,444
Amounts due to other state-controlled entities	**945**	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 deposit 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.

55. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st December, 2007 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	Attributable portion of nominal value of issued share capital/ registered capital held by the Company Indirectly	Principal activity
Bassington Investments Limited	Hong Kong	HK$2	–	100%	Property investment
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
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
High Wealth International Limited	Hong Kong	HK$2	–	100%	Property investment
Honorlink Investments Limited	Hong Kong	HK$2	–	100%	Property investment
Hubei White Rose Hotel Company Limited ("Hubei White Rose") *(note i)*	PRC	RMB62,000,000	–	100%	Hotel operations

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
Johnsbury Limited	British Virgin Islands	US$9,600,000	100%	–	Investment holding
PPL *(note ii)*	PRC	US$10,000,000	–	75%	Investment, management and operation of a hotel complex
Polystar Digidisc Co., Ltd. ("Polystar") *(note iii)*	PRC	RMB9,000,000	–	66%	Manufacturing and wholesaling of compact discs, video compact discs and digital video discs
Poly (Hong Kong) Property Developments Limited	Hong Kong	HK$1	–	100%	Investment holding
Poly (Hong Kong) Real Estate Limited	Hong Kong	HK$1	–	100%	Investment holding
Poly Shanghai *(note iv)*	PRC	RMB200,000,000	–	100%	Investment holding
Prime Brilliant Limited	Hong Kong	HK$2	–	100%	Property investment
Propwood Limited	Hong Kong	HK$2	–	100%	Property investment
Saneble Limited	Hong Kong	HK$2	–	100%	Property investment
Shanghai Puly Real Estate *(note v)*	PRC	US$24,000,000	–	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 Directly	Indirectly	Principal activity
Smart Best Investments Limited	Hong Kong	HK$1	–	100%	Investment holding
Starry Joy Properties Investment Ltd.	British Virgin Islands	US$1	–	100%	Investment holding
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
上海忻利房地產發展有限公司 *(note vi)*	PRC	RMB15,000,000	–	100%	Property development
上海夢苑房地產有限公司 *(note vi)*	PRC	RMB5,000,000	–	100%	Property development
上海華寶房地產發展有限公司 *(note vi)*	PRC	RMB20,000,000	–	100%	Property development
上海保利欣房地產有限公司 *(note vi)*	PRC	RMB150,000,000	–	90%	Property development
上海保利金鵬置業有限公司 *(note vi)*	PRC	RMB20,000,000	–	50.1%	Property development

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
上海保利佳房產有限公司 *(note vi)*	PRC	RMB30,000,000	–	100%	Property development
上海保利花木有限公司 *(note vi)*	PRC	RMB1,000,000	–	100%	Property development
上海保利物業酒店管理有限責任公司*(note vi)*	PRC	RMB5,000,000	–	100%	Property management
蘇州保利櫻花置業有限公司 *(note vi)*	PRC	RMB15,000,000	–	100%	Property development
湖北保利置業有限公司 *(note vi)*	PRC	RMB100,000,000	–	100%	Property development
湖北保利建設有限公司 *(note vi)*	PRC	RMB20,740,000	–	100%	Property development
重慶保利小泉實業有限公司 *(note vi)*	PRC	RMB80,000,000	–	51%	Property development
北京花園別墅有限公司 *(note vi)*	PRC	RMB91,656,147	–	51%	Property investment
上海保金置業有限公司 *(note vi)*	PRC	RMB15,000,000	–	50.1%	Property development
上海瑞中置業有限公司 *(note vi)*	PRC	RMB8,000,000	–	50.1%	Property development
上海賢豐房地產開發有限責任公司 *(note vi)*	PRC	RMB10,000,000	–	100%	Property development

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
貴陽保利海明房地產開發有限公司 *(note vi)*	PRC	RMB10,000,000	–	60%	Property development
湖北保利投資有限公司 *(note vi)*	PRC	RMB50,000,000	–	100%	Property development
武漢聯業科技開發有限責任公司 *(note vi)*	PRC	RMB100,000	–	100%	Property investment

Notes:

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

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

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

(iv) Poly Shanghai is a wholly foreign owned enterprise.

(v) Shanghai Puly Real Estate is a wholly foreign owned enterprise.

(vi) These companies are PRC domestic companies.

55. PRINCIPAL SUBSIDIARIES *(Continued)*

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 is organised into five (2006: six) operating divisions. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

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

The Group was also involved in the supply of electricity and gas, which was discontinued on 12th November, 2007 *(see note 15)*.

56. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Segment information about these business is presented below:

For the year ended 31st December, 2007

	Continuing operations							Discontinued operations	
	Property development business HK$'000	Property investment and management HK$'000	Hotel and restaurant operations HK$'000	Manufacturing and others HK$'000	Financial services HK$'000	Eliminations HK$'000	Sub-total HK$'000	Supply of electricity and gas HK$'000	Total HK$'000
REVENUE									
External revenue	568,429	158,805	128,058	114,341	4,227	–	973,860	472,520	1,446,380
Inter-segment revenue*	2,289	9,000	1,590	–	131,778	(144,657)	–	–	–
Total revenue	570,718	167,805	129,648	114,341	136,005	(144,657)	973,860	472,520	1,446,380
SEGMENT RESULT	50,037	324,612	9,216	5,638	(189,107)	–	200,396	67,080	267,476
Unallocated income							31,133	2,004	33,137
Unallocated expenses							(37,916)	–	(37,916)
Finance costs							(41,825)	(31,966)	(73,791)
Gain on disposal of interests in subsidiaries	229,832	–	–	–	–	–	229,832	–	229,832
Share of results of associates	2,204	–	–	–	–	–	2,204	3,523	5,727
Profit before taxation							383,824	40,641	424,465
Income tax expense							(165,134)	(6,409)	(171,543)
Gain on disposal of discontinued operations	–	–	–	–	–	–	–	173,632	173,632
Profit for the year							218,690	207,864	426,554

* *Inter-segment revenue were charged at prevailing market rates.*

56. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

ASSETS AND LIABILITIES

AT 31ST DECEMBER, 2007

	Continuing operations					Discontinued operations	
	Property development business HK$'000	Property investment and management HK$'000	Hotel and restaurant operations HK$'000	Manufacturing and others HK$'000	Financial services HK$'000	Supply of electricity and gas HK$'000	Total HK$'000
ASSETS							
Segment assets	4,560,485	2,149,637	917,325	131,301	536,686	–	8,295,434
Interests in associates	61,635	–	–	–	–	–	61,635
Unallocated corporate assets							1,851,978
Total assets							10,209,047
LIABILITIES							
Segment liabilities	(2,894,117)	(244,477)	(150,441)	(59,073)	(2,779)	–	(3,350,887)
Unallocated corporate liabilities							(1,871,414)
Total liabilities							(5,222,301)
OTHER INFORMATION							
Capital expenditure	276,801	45,828	22,568	371	–	90,930	436,498
Impairment loss on short term loan receivables	–	–	–	–	180,703	–	180,703
Depreciation	3,732	4,369	19,446	15,003	–	52,146	94,696
Impairment loss on trade and other receivables	–	–	–	32,861	4,113	–	36,974
Amortisation of prepaid lease payments	777	2,306	5,462	122	–	2,072	10,739
Amortisation of other intangible asset	926	–	–	–	–	–	926
Impairment loss on goodwill arising from acquisition of additional interest in a subsidiary	183	–	–	–	–	–	183

56. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Geographical segments

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

	Hong Kong HK$'000	The PRC HK$'000	Total HK$'000
REVENUE	**7,941**	**1,438,439**	**1,446,380**

For the year ended 31st December, 2007, revenue from the Group's discontinued supply of electricity and gas operation of HK$472,520,000 was derived principally from the PRC.

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 segment assets	**1,111,178**	**9,036,234**	**10,147,412**
Capital expenditure	**313**	**436,185**	**436,498**

56. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

For the year ended 31st December, 2006

	Continuing operations							Discontinued operations	
	Property development business HK$'000	Property investment and management HK$'000	Hotel and restaurant operations HK$'000	Manufacturing and others HK$'000	Financial services HK$'000	Eliminations HK$'000	Sub-total HK$'000	Supply of electricity and gas HK$'000	Total HK$'000
REVENUE									
External revenue	80,933	132,671	137,606	87,260	14,973	–	453,443	472,085	925,528
Inter-segment revenue*	–	10,120	–	–	–	(10,120)	–	–	–
Total revenue	80,933	142,791	137,606	87,260	14,973	(10,120)	453,443	472,085	925,528
SEGMENT RESULT	(11,912)	145,896	24,521	829	63,615	–	222,949	55,020	277,969
Unallocated income							17,324	1,401	18,725
Unallocated expenses							(67,747)	–	(67,747)
Finance costs							(60,961)	(31,777)	(92,738)
Gain on disposal of interests in subsidiaries	8,690	–	–	47,685	–	–	56,375	–	56,375
Gain on disposal of interest in an associate	–	–	–	–	24,684	–	24,684	–	24,684
Discount on acquisition of an associate	5,591	–	–	–	–	–	5,591	–	5,591
Share of results of associates	–	–	–	(3,646)	(1,624)	–	(5,270)	(405)	(5,675)
Profit before taxation							192,945	24,239	217,184
Income tax expense							(35,191)	(6,290)	(41,481)
Profit for the year							157,754	17,949	175,703

* Inter-segment revenue were charged at prevailing market rates.

56. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

ASSETS AND LIABILITIES

AT 31ST DECEMBER, 2006

	Continuing operations					Discontinued operations	
	Property development business HK$'000	Property investment and management HK$'000	Hotel and restaurant operations HK$'000	Manufacturing and others HK$'000	Financial services HK$'000	Supply of electricity and gas HK$'000	Total HK$'000
ASSETS							
Segment assets	3,517,764	1,639,923	833,440	170,138	544,451	1,167,044	7,872,760
Interests in associates	56,388	–	–	–	20,655	67,310	144,353
Unallocated corporate assets							723,122
Total assets							8,740,235
LIABILITIES							
Segment liabilities	(1,840,138)	(150,086)	(132,669)	(76,283)	(6,188)	(340,396)	(2,545,760)
Unallocated corporate liabilities							(1,661,843)
Total liabilities							(4,207,603)
OTHER INFORMATION							
Capital expenditure	869,424	4,341	899	4,288	–	73,772	952,724
Depreciation	2,266	5,671	17,146	15,093	–	61,469	101,645
Amortisation of deferred licensing income	–	–	10,457	–	–	–	10,457
Amortisation of prepaid lease payments	246	2,305	5,244	117	–	2,389	10,301
Amortisation of other intangible asset	1,626	–	–	–	–	–	1,626

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	Total HK$'000
REVENUE	8,969	916,559	925,528

For the year ended 31st December, 2006, revenue from the Group's discontinued supply of electricity and gas operations of HK$472,085,000 was derived principally from the PRC.

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 segment assets	489,398	8,106,484	8,595,882
Capital expenditure	1,963	950,761	952,724

FINANCIAL SUMMARY

	Year ended 31st December,				
	2003	2004	2005	2006	**2007**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Continuing operations					
Revenue	473,590	417,609	709,655	453,443	**973,860**
Profit before taxation	76,133	25,169	136,039	192,945	**383,824**
Income tax expense	(5,626)	(8,654)	(29,884)	(35,191)	**(165,134)**
Profit for the year from continuing operations	70,507	16,515	106,155	157,754	**218,690**
Discontinued operations					
Profit for the year from discontinued operations	–	156,618	75,771	17,949	**207,864**
Profit for the year	70,507	173,133	181,926	175,703	**426,554**
Attributable to:					
Equity holders of the Company	58,724	152,849	164,601	189,387	**401,196**
Minority interests	11,783	20,284	17,325	(13,684)	**25,358**
Profit for the year	70,507	173,133	181,926	175,703	**426,554**

	At 31st December,				
	2003	2004	2005	2006	**2007**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	3,426,119	3,938,385	5,597,430	8,740,235	**10,209,047**
Total liabilities	(973,599)	(1,216,107)	(2,132,675)	(4,207,603)	**(5,222,301)**
	2,452,520	2,722,278	3,464,755	4,532,632	**4,986,746**
Equity attributable to equity holders of the Company	2,265,182	2,518,119	2,776,497	3,664,592	**4,669,181**
Minority interests	187,338	204,159	688,258	868,040	**317,565**
	2,452,520	2,722,278	3,464,755	4,532,632	**4,986,746**

SUMMARY OF PROPERTIES HELD FOR INVESTMENT PURPOSES

At 31st December, 2007

Details of the Group's properties held for investment purposes at 31st December, 2007 are as follows:

Location	Term of lease	Type of use	Group's interest
INVESTMENT PROPERTIES:			
Room 2502A, 2502B, 2502C and Room 2508 of 25th Floor Admiralty Centre Tower I 18 Harcourt Road Hong Kong	Long lease	Commercial	100%
20 Apartments of Legend Garden Villas 89 Capital Airport Road, Beijing The People's Republic of China	Held under a land use right for a term expiring on 31st December, 2042	Residential	100%
Portions of Basements 1, 2 and 3, Portions of 1st Floor, N02, N03 & N04, 11th Floor, North Tower, N02, N03 & N04, 12th Floor, North Tower, Whole of 14th, 15th, 16th, 17th and 18th Floors, South Tower, N04, N05 & N06, 16th floor of North Tower, N07, 19th Floor, North Tower, S01, S02, S03, S04, S07, S08 & S09, 20th Floor, South Tower, N02, N03, N06, N07, N08, N09, 20th Floor, North Tower, Whole of 21st, 22nd, 23rd, 24th, 25th and 27th Floors, South Tower and North Tower, Shanghai Stock Exchange Building, No. 528 Pudong Road South, Lujiazui, Pudong, Shanghai, The People's Republic of China	Held under a land use right for a term expiring on 14th November, 2043	Commercial	100%

SUMMARY OF PROPERTIES HELD FOR INVESTMENT PURPOSES

At 31st December, 2007

Location	Term of lease	Type of use	Group's interest
INVESTMENT PROPERTIES: (Continued)			
7 Houses, 27 Apartments, a Commercial Center and a Club House, Legend Garden Villas, 89 Capital Airport Road, Beijing, The People's Republic of China	Held under a land use right for a term expiring on 31st December, 2042	Residential and Commercial	51%
Office Tower of Poly Plaza, No. 14 Dongzhimen Nandajie, Dong Cheng District, Beijing, The People's Republic of China	The land use right for the property has been granted for a term of 50 years commencing on 27th October, 2003	Commercial	75%
Commercial/Office Buildings at No. 465 Leo Shi Lu, Hong Shan District, Wuhan, Hubei Province, The People's Republic of China	Held under a land use right for a term expiring on 12th May, 2047	Commercial	100%

SUMMARY OF PROPERTIES HELD FOR DEVELOPMENT

At 31st December, 2007

Details of the Group's properties held for development at 31st December, 2007 are as follows:

Location	Stage of completion	Expected completion date	Site area/ Gross floor area	Type of use	Group's interest
PROPERTIES HELD FOR DEVELOPMENT:					
A parcel of land formerly occupied by Shang Liang Ba Ku, Pudong New District, Shanghai, The People' Republic of China	Under construction	November 2009	27,000 sq.m./ 102,000 sq.m.	Commercial/ Office	90%
A parcel of land on No.788 Wuchang Minzhu Road, Wu Chang District, Wuhan, Hubei Province, The People's Republic of China	Under construction	December 2010	12,000 sq.m./ 139,000 sq.m.	Commercial/ Office	100%
A parcel of land in Tang Zhen, Tang Zhen Village, Pudong New District, Shanghai, The People's Republic of China	Under construction	August 2008	140,000 sq.m./ 181,000 sq.m.	Residential	50.1%
A parcel of land in He Ping Xiang, Chai Lin Tou Village, Hong Shan District, Wuhan, Hubei Province, The People's Republic of China	Held for future development	N/A	30,000 sq.m./ 84,000 sq.m.	Industrial	51%
A parcel of land in No.90 Xiao Quan, Nan Quan Village, Ba Nan District, Chongqing, Sichuan Province, The People's Republic of China	Under construction	August 2008 (Phase I)	210,000 sq.m./ 63,000 sq.m.	Residential	51%

SUMMARY OF PROPERTIES HELD FOR DEVELOPMENT

At 31st December, 2007

Location	Stage of completion	Expected completion date	Site area/ Gross floor area	Type of use	Group's interest
PROPERTIES HELD FOR DEVELOPMENT: (Continued)					
A parcel of land in Zong Fang Cun, Ma Lu Zhen, Jiading District, Shanghai, The People's Republic of China	Under construction	December 2008 (Phase I)	154,000 sq.m./ 353,000 sq.m.	Commercial/ Residential	100%
A parcel of land located at 113/1 Tangzhencun, Tangzhen, Pudong New District, Shanghai, The People's Republic of China	Under construction	December 2008	21,000 sq.m./ 33,000 sq.m.	Residential	50.1%
A parcel of land located at 139/3 Tangzhencun, Tangzhen, Pudong New District, Shanghai, The People's Republic of China	Under construction	December 2009	75,000 sq.m./ 144,000 sq.m.	Residential	50.1%
A parcel of land on No. 2 Guo Quan Bei Lu 7 Long, Yang Pu District, Shanghai, The People's Republic of China	Under planning	February 2010	12,000 sq.m./ 14,000 sq.m.	Residential	100%
A parcel of land on Dong Hu Kai Fa Qu Shang Ma Zhunag, Wuhan, Hubei Province, The People's Republic of China	Under construction	December 2009 (Phase I)	200,000 sq.m./ 562,000 sq.m.	Residential	100%

SUMMARY OF PROPERTIES HELD FOR SALE

At 31st December, 2007

Details of the Group's properties held for sale purposes at 31st December, 2007 are as follows:

Location	Gross floor areas	Type of use	Group's interest
PROPERTIES HELD FOR SALE:			
61 carparking spaces, Poly Xing Yuan, Nos.1-5, Lane 28, Bin Yang Lu, Xu Hui District, Shanghai, The People's Republic of China	N/A	Residential	100%
5 commercial units, Hua Bao Garden, Hua Mao Lu, Minhang District, Shanghai, The People's Republic of China	560 sq.m.	Commercial	100%
3 residential units, 1 commercial unit and carparking spaces, Poly Garden, Gao Xin District, Suzhou, Jiangsu Province, The People's Republic of China	732 sq.m.	Residential and Commercial	100%
20 Houses of Nan Quan Village, Ba Nan District, Chongqing, Sichuan Province, The People's Republic of China	8,973 sq.m.	Residential	51%