



**S E A HOLDINGS LIMITED**

爪哇控股有限公司\*

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 251)

**OVERSEAS REGULATORY ANNOUNCEMENT**

*(This overseas regulatory announcement is issued pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. )*

Please refer to the attached announcement on the next pages issued by Asian Growth Properties Limited, a subsidiary of the Company listed on the AIM Market of London Stock Exchange plc., on 29<sup>th</sup> March, 2007.

As at the date of this announcement, the Board of the Company comprises the following members:-

*Executive Directors:-*

Messrs. Lu Wing Chi (*Chairman and Managing Director*), Lu Wing Yuk, Andrew, Tse Man Bun, Lincoln Lu and Lambert Lu

*Non-Executive Director:-*

Mr. Lam Sing Tai

*Independent Non-Executive Directors:-*

Messrs. Walujo Santoso, Wally, Leung Hok Lim and Chung Pui Lam

Hong Kong, 29<sup>th</sup> March, 2007

*\*For identification purpose only*

RNS Number:9614T  
Asian Growth Properties Limited  
29 March 2007

29th March 2007

Asian Growth Properties Limited

Immediate Release

## **Results for the year ended 31st December, 2006**

Asian Growth Properties Limited (the "Company")(AIM Stock Code: AGP), the Hong Kong based property development and investment company, announces its consolidated results for the year ended 31st December, 2006.

### **Highlights**

- Total operating revenue up 954% to HK\$123.3 million (2005: HK\$11.7 million)
- Total profit before taxation up 172% to HK\$44.4 million (2005: HK\$16.3 million)
- Net profit up 17% to HK\$16.8 million (2005: HK\$14.4 million)
- Equity attributable to the Company's shareholders as at 31<sup>st</sup> December, 2006 up 286% to HK\$6,069.1 million (2005: HK\$1,570.8 million)
- Earnings per share of HK\$0.2 (1 pence) (2005: HK\$0.4 (3 pence))
- Net asset value per share as at 31<sup>st</sup> December, 2006 of HK\$6.8 (44 pence per share)(2005: HK\$7.2 (47 pence))
- Acquisition of six investment and development properties from S E A Holdings Limited for HK\$4,463.4 million (£291.0 million) enabled a significant entry into the China market
- AGP seeking further development and investment opportunities in China following sale of certain existing projects
- Continued progress on AGP's development projects

### **Significant post year event**

- Acquisition of land adjoining the Company's existing Wanchai development site in Hong Kong for HK\$43.1 million (£2.8 million), which will enable an additional 977 square metres of residential development on the site

The 2006 Annual Report is expected to be posted to shareholders and holders of depositary interests in mid April 2007.

Remark: An exchange rate of £1.0 = HK\$15.34 is used in this announcement.

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## CHAIRMAN'S REVIEW

I am pleased to report on the first year of operation of Asian Growth Properties Limited ("AGP" or the "Company") as an AIM company.

### Results

AGP reports a net profit attributable to shareholders (before minority interests) of HK\$80.7 million (£5.3 million) for the year ended 31 December 2006, an increase of 460.4% on last year (2005: HK\$14.4 million (£0.9 million)).

After accounting for the loss attributable to the minority interests of HK\$64.0 million (£4.2 million), the net profit of the Group for the year rose 17% to HK\$16.8 million (£1.1 million) (2005 : HK\$14.4 million (£0.9 million)).

As at 31 December 2006, the Group's equity attributable to the Company's shareholders (after minority interests) amounted to HK\$6,069.1 million (£395.6 million), an increase of HK\$4,498.3 million (£293.2 million) over 31 December 2005. The net asset value per share as at 31 December 2006 was HK\$6.8 (44 pence).

### Milestone

In January 2006, AGP was admitted to the AIM Market operated by the London Stock Exchange with assets comprising a portfolio of three development properties and one investment property, all located in Hong Kong.

### Acquisition

In September 2006, AGP concluded via company purchases the acquisition of six properties in China and Hong Kong from its major shareholder S E A Holdings Limited ("S E A").

The transaction was undertaken on an arms' length basis and the properties acquired were valued at market by Savills Valuation and Professional Services Limited, an independent internationally recognised valuer. The total asset value and the net asset value of the acquired companies as at 30 June 2006 were HK\$7,741.9 million (£526.9 million) and HK\$4,429.7 million (£301.5 million) respectively.

The consideration for the acquisition was via the issue of 668,653,817 AGP shares at a price of 40 pence per ordinary share (based on an exchange rate of £1.00: HK\$14.693). The balance of HK\$500.0 million (£34.0 million) was settled in cash from existing AGP cash resources.

The combined portfolio (as at 30 June 2006 valuations) after deducting the cash consideration increased AGP's total asset value and net asset value to HK\$9,462.7 million (£644.0 million) and HK\$5,504.9 million (£374.7 million) respectively.

The above issue price represented a premium of 19.74% over the average quoted price of the AGP shares on AIM over the three months preceding 15 September 2006 which was 33 pence per share and a discount of 18.78% to the net asset value per share as at 30 June 2006 which was HK\$7.2 (49 pence).

The Board of AGP considered the acquisition to be fair and reasonable to all AGP shareholders. The 14.17% dilution in net asset value per ordinary share upon completion of the transaction contributed to a decrease in net asset value per ordinary share at 31 December 2006 compared with 30 June 2006 of HK\$0.4. However, in the opinion of the Board, the net asset value dilution in the short term was more than compensated for by the quality, value and potential of the property portfolio being acquired.

The transaction enabled AGP to make a significant and immediate entry into the China market. Of the Group's six development properties, three are planned to be completed and sold in the 2007 year, which will enable the Company to seek further development and investment opportunities in China.

## Revaluation

In compliance with international financial reporting standards, the Group's properties were independently valued as at 31 December 2006 by Savills Valuation and Professional Services Limited, independent internationally recognised valuers. The revaluation surplus of HK\$185.1 million (£12.1 million) has been included within profit for the year.

Although it is the policy of the Board to record development properties at cost, the Board reviewed all AGP's developments as at 31 December 2006 and resolved to write down the value of the 55% owned Hong Kong Royal Green residential development project by HK\$120.8 million (£7.9 million) due to weak purchasers' demand at the current asking prices. The Board is more confident of completing the sale of the Royal Green units at the written down prices.

## Prospect

The Board believes that the above transaction with S E A and the re-weighting of the Company's future development initiatives in China will be beneficial to the Company as it works to increase its net asset value.

AGP is currently concentrating its efforts for expansion in China. AGP has built a good reputation and as a result, there are significant opportunities available to the Company.

## Dividend

The Board does not propose the payment of a final dividend for the year ended 31 December 2006 and will retain all earnings to finance further growth in the China and Hong Kong markets.

## Acknowledgement

The Board would like to take this opportunity to thank the executive and management team for the execution of the Board's strategy and their ongoing support.

David Mathewson

Non-executive Chairman

United Kingdom, 29 March 2007

# CHIEF EXECUTIVE'S REVIEW

## FINANCIAL SUMMARY

Following the acquisition of six investment and development properties from S E A Holdings Limited ("SEA"), the major shareholder of the Company, during the second half of the year, the Company's size and revenue generating potential have been significantly increased.

Turnover for the year ended 31 December 2006 amounted to HK\$123.3 million, an increase of HK\$111.6 million over last year. The increase was mainly due to the recognition of the sales of Royal Green residential units in Hong Kong and the rental contribution from Dah Sing Financial Centre, Hong Kong.

Net profit attributable to the Company's shareholders (before minority interests) for the year amounted to HK\$80.7 million (2005: HK\$14.4 million), representing a 460.4% increase compared with last year. The increase was mainly due to the revaluation surplus recognized on the investment properties which, however, was partially off-set by the Group's 55% share of the provision for diminution in value of the completed properties in Royal Green project, and management and administrative costs.

As at 31 December 2006, the Group's equity attributable to the Company's shareholders amounted to HK\$6,069.1 million, an increase of HK\$4,498.3 million over 31 December 2005. The net asset value

per share to the Company's shareholders was HK\$6.8 or approximately 44 pence (2005: HK\$7.2 or approximately 47 pence).

The Group's investment properties, namely Dah Sing Financial Centre, Hong Kong, 28/F., 9 Queen's Road Central, Hong Kong, Plaza Central, China and the Excelsior Plaza Shop, Hong Kong have been revalued as at 31 December 2006 on an open market value basis by Savills Valuation and Professional Services Limited at an aggregate amount of about HK\$4,584.9 million. This is an increase in aggregate of HK\$185.1 million for the above properties, and can be summarised as follows:

| Amount in HK\$ (in million)   | Valuation as at 31/12/2005 | Acquisition in October 2006 | Valuation as at 31/12/2006 |
|-------------------------------|----------------------------|-----------------------------|----------------------------|
| Dah Sing Financial Centre     | not applicable             | 3,250.0                     | #                          |
| 28/F., 9 Queen's Road Central | not applicable             | 197.0                       | #                          |
| Plaza Central                 | not applicable             | 866.8                       | #                          |
| Excelsior Plaza Shop          | 56.0                       | 0                           | #                          |
| Aggregate                     | 56.0                       | 4,313.8                     | 4,584.9                    |

# Not separately disclosed

Please refer to Note 16 to the audited financial statements of the Company for the year ended 31 December 2006 for further details of the above investment properties.

## BUSINESS REVIEW

### Property Investments and Developments

All of the Group's property development and investment projects are located in Hong Kong and China and are as listed below:

#### Hong Kong

1. Dah Sing Financial Centre, Gloucester Road, Wanchai  
The Dah Sing Financial Centre ("DSFC") comprises a 39-storey commercial building with ancillary car parking facilities completed in 1991. The ground and 1<sup>st</sup> floors of the building are used for retail purposes and the 6<sup>th</sup> to 38<sup>th</sup> floors are used for office purposes. The property also comprises 137 covered car-parking spaces and 27 open car-parking spaces located on the 2<sup>nd</sup> to 4<sup>th</sup> floors.

Gross rental income generated since acquisition for the financial year ended 31 December 2006 was HK\$24.2 million. The building is currently 88.1% let and the average base rent has been increased from HK\$17.2 per square foot to HK\$21.2 per square foot, an increase of approximately 23.3% in 2006.

Two floors of the DSFC are currently occupied by the SEA Group (other than the Group) and the Group presently occupies four-fifths of another floor. Arms' length leases to market have been negotiated between the Company and SEA.

Wanchai is an area situated at the north of Hong Kong Island, stretching from Canal Road in the east, to Arsenal Street in the west and Bowen Road in the south. It is one of the busiest commercial areas in Hong Kong and includes a mix of residential developments, hotels, shopping centres, entertainment facilities and restaurants. Wanchai North features office towers, parks, hotels and a world-class conference centre. The locality includes a highly-populated residential zone (with approximately 170,000 inhabitants) in which the Hong Kong Government has led a major district regeneration program over recent years.

2. Royal Green, Sheung Shui

The Royal Green is a private residential development comprising 922 residential units contained in three 40-storey residential towers with ancillary recreational and car-parking facilities. The Group has a 55% interest in the development, which is divided into two phases: Phase I was completed in 2005 and Phase II was completed in December 2006. As at 31 December 2006, there were in aggregate 310 unsold residential units in both phases. There are nine visitors' car-parking spaces, 126 private car-parking spaces and 13 motorcycle parking spaces on the ground floor of the development. There is also a clubhouse exclusive to the residents.

Property sales in the North District in Hong Kong where Royal Green is situated are slow. The Hong Kong property market has been volatile and buyers' sentiment is highly susceptible to any political, social and economic changes. Despite a sustained economic recovery, low unemployment levels and favourable borrowing environment in Hong Kong at the present moment which should boost the demand for residential premises, the Group finds it prudent to make a write down of HK\$120.8 million for Royal Green. To date, approximately two-thirds of the units in Royal Green have been sold.

Sheung Shui is part of the North District in Hong Kong. The North District is one of Hong Kong's largest administrative districts and is separated from Shenzhen by a river and three of the checkpoints leading to China – Lo Wu, Man Kam To and Shau Tau Kok – are located here. Historically, farm land, as urbanization continues, the rural areas of the North District are gradually giving way to multi-storey residential blocks and various industrial and commercial developments.

3. Leighton Road, Causeway Bay

The Leighton Road development comprises two adjoining lots, which are currently under construction. At the end of February 2007, the Group unified its interests in a 5-storey residential building at 4 Leighton Road (having been demolished) on another adjoining lot, which will be amalgamated with the existing lots. It is intended that the site will be developed into a 30-storey hotel comprising 283 guest rooms with two car-parking spaces, one coach parking space, two lay-bys and one loading/unloading bay. The proposed hotel is scheduled to be completed by the end of 2008.

The Leighton Road development is located at the junction of Causeway Bay and Happy Valley. Causeway Bay is popular for its nightlife and restaurants and also has shopping malls favoured by locals. Happy Valley is mainly a residential area. The Hong Kong Jockey Club's Hong Kong racecourse is situated in Happy Valley.

4. 28/F., 9 Queen's Road Central, Central

The Queen's Road unit is the entire floor of a 35-storey Grade A commercial building in Central. It is currently 100% let.

9 Queen's Road Central is a 35-storey commercial building completed in 1991. The ground to 2nd floors are for retail use while the remaining floors are used as offices.

Central is the seat of the Hong Kong government and the financial and banking hub of Hong Kong.

5. The Morrison, Wanchai

The development is located at 28 Yat Sin Street. In April 2006, the Group completed the purchase of an adjoining property at 2 Morrison Hill Road for HK\$77.2 million. The Group's purchase of another adjoining lot from the Government for HK\$43.1 million has just been completed. Upon amalgamation of these sites, the total gross floor area of the development will be increased to approximately 5,837 square metres, and an additional eight floors to the existing development will be added. The property is being developed into a commercial and

residential tower comprising 26 storeys with a total of 104 residential units erected over a clubhouse floor and a 3-storey commercial podium.

Superstructure works are in good progress. The residential pre-sales of the project, now known as “The Morrison”, are expected to commence soon. The development is expected to be completed by the fourth quarter of 2007.

Wanchai is a mixed commercial and residential area where developments in the immediate locality comprise mainly medium to high-rise commercial and residential buildings of various ages intermingled with commercial buildings, hotels, tenement blocks and institutional developments. Shopping facilities in the form of high street retail and shopping arcades are available in the immediate vicinity.

Public transportation, such as franchised buses, public light buses, trams and taxis are conveniently available. The MTR – Causeway Bay station is situated within ten minutes’ walk from the property.

6. Po Kong Village Road, Diamond Hill

The Diamond Hill development site is being developed into a 48-storey residential and commercial composite building, with a total gross floor area of approximately 18,825 square metres, comprising 304 residential units above a 7-level retail podium, a clubhouse and car parks. Application to the Government for the pre-sale consent has been made and approval is expected to be obtained shortly. Pre-sale of the residential units will commence soon after. Superstructure construction work has already commenced and the project is expected to be completed by the fourth quarter of 2007.

The property is situated on the northwestern side of Po Kong Village Road between the junctions of Shung Wah Street and Po Kong Lane in the Diamond Hill district of the Kowloon Peninsula.

Developments in the vicinity are mainly private residential developments and public housing estates intermingled with schools, church and welfare centres. Major landmarks in the vicinity include Fung Tak Tsuen, Lung Poon Court and Galaxia.

Public transport facilities such as franchised buses, public light buses and taxis are available along Po Kong Village Road. The Mass Transit Railway (the “MTR”) – Diamond Hill and Wong Tai Sin stations are both within a few minutes’ driving distance from the property.

7. Fo Tan, Sha Tin

The Fo Tan development will comprise amongst other facilities, residential units, car parks, educational facilities and a bus terminus. The property is currently being leased out as an industrial site.

Planning works for the extensive residential development of the Fo Tan development site continue. Several master layout plans have been submitted to the Town Planning Board for consideration.

The property comprises a site of about 20,092 square metres situated adjacent to the Kowloon Canton Railway Corporation (“KCRC”) – Fo Tan Station in the Fo Tan district, Sha Tin, New Territories.

Public transportation such as franchised buses, public light buses and taxis are conveniently available along Au Pui Wan Street where the development is situated. The KCRC – Fo Tan Station is immediately next to the property.

8. Excelsior Plaza Shop, Causeway Bay

The retail sector in Hong Kong has shown continued growth. A new two-year lease commenced on 1 July 2006 for the Shop at an annual rental approximately 22% above the prior lease rate.

Excelsior Plaza comprises a 3-storey podium surmounted by two high-rise residential developments completed in 1972.

The property is situated at the junction of Lockhart Road and East Point Road in the heart of the Causeway Bay on the Hong Kong Island.

The area is a traditional shopping, commercial and tourist area and comprises mainly commercial and residential composite buildings mixed with high-rise office and tenement blocks of various ages. Medium to large shopping arcades such as World Trade Centre, Windsor House, Times Square and branded retail developments like Fashion Island, Causeway Bay Plaza I and II all congregate in this prime location. Landmark department stores such as Sogo are also found in the neighbourhood. Causeway Bay is popular for its wide range of entertainment, dining and recreational facilities that attract both locals and tourists.

In terms of public transportation, franchised buses, public light buses, trams and taxis are conveniently available along Hennessy Road. The MTR – Causeway Bay station is situated within a few minutes' walking distance from the property.

## **China**

9. Westmin Plaza Phase II, Guangzhou

The Westmin Plaza Phase II project, which has a total construction floor area of about 118,000 square metres, will comprise four residential blocks and an office block erected on a six-storey commercial/car-parking podium. The project is expected to be completed in the third quarter of 2007. As at 31 December 2006, 93% of the planned 646 residential units were pre-sold, sales proceeds of which will be recognized in 2007 upon completion of the development.

Guangzhou, with a population of about 8 million, is the largest city in southern China.

10. Plaza Central, Chengdu

Plaza Central was completed in the fourth quarter of 2005 and comprises two 30-storey office blocks erected on a common podium having six commercial/retail floors and two car-parking floors at basement level. Leasing for the office space is progressing steadily and all the retail space with a total construction floor area of approximately 30,000 square metres has been leased. Stable recurrent income from this property is expected.

Chengdu, with a population of about 12 million, is the provincial capital of Sichuan Province.

## **Working Capital and Loan Facilities**

As at 31 December 2006, the Group's cash balance was HK\$106.3 million (2005: HK\$620.0 million) and unutilized facilities were HK\$869.5 million (2005: HK\$241.0 million).

Gearing ratio as at 31 December 2006, calculated on the basis of net interest bearing debts minus cash and restricted and pledged deposits as a percentage of total property assets, was 16.7%.

As at 31 December 2006, maturities of the Group's outstanding borrowings were as follows:



|               | 31 December 2006<br>HK\$' million | 31 December 2005<br>HK\$' million |
|---------------|-----------------------------------|-----------------------------------|
| Due           |                                   |                                   |
| Within 1 year | 1,252.5                           | 1.2                               |
| 1-2 years     | 43.0                              | 490.2                             |
| 3-5 years     | 639.3                             | 3.6                               |
| Over 5 years  | 81.3                              | 14.4                              |
|               | <hr/> 2,016.1                     | <hr/> 509.4                       |

## Pledge of Assets

For the Company's subsidiaries operating in Hong Kong and mainland China, the total bank loans drawn as at 31 December 2006 amounted to HK\$2,016.1 million (2005: HK\$509.4 million), which were secured by properties valued at HK\$6,437.2 million (2005: HK\$918.6 million).

## Treasury Policies

The Group adheres to prudent treasury policies. As at 31 December 2006, all of the Group's borrowings were raised through its wholly-owned or substantially controlled subsidiaries on a non-recourse basis. Currently, borrowings are primarily denominated in Hong Kong dollars and mainly based on floating rate terms. There were no derivative financial instruments employed during the year.

## International Financial Reporting Standards ("IFRS")

The Group has adopted IFRS and the audited financial statements included in this report have been prepared in accordance with IFRS.

## Outlook

In China, the Company continues to see very interesting opportunities as a result of structural change imposed by the central government. The mainland government has introduced several measures for the strict collection of land appreciation tax, the acceleration of the payment of land use right premia and an increase in interest rates. These moves will likely result in a consolidation of market players and somewhat reduce land acquisition costs. The Company continues to believe that the Chinese economy will remain robust over the coming 5-7 years and that judiciously acquired land parcels particularly for residential development are likely to appreciate in value for the foreseeable future both from a perspective of completed product as well as the underlying value. In addition, following the unification of Enterprise Income Tax effective 1 January 2008, the income tax rate applicable to our China property business will be reduced from 33% to 25%.

In Hong Kong, home mortgage rates are extremely competitive with banks earning very thin margins on lending. The incidence of bad debt is minimal, unlike in the US, and Hong Kong continues to prosper as a service centre for China. In particular, prospects for middle class and high quality housing remain good. This should benefit the Company's existing development projects. However, the government continues to pursue a policy of selected listing of sites in Hong Kong which are not released for public auction until certain benchmark prices are reached, thus limiting the range of sites that are available for purchase at sensible margins. Accordingly, whilst there will be opportunities that arise for purchase of properties or development sites by private treaty, the competitive environment is such that the Company believes that potentially better value is to be had by pursuing acquisitions on the mainland.

The Group has during the year further strengthened its financial position with the acquisition of six investment and development properties.

The Group will focus on the planned completion this year of three existing development projects, namely The Morrison, Diamond Hill project and Westmin Plaza Phase II. At the same time, the Group will devote its effort to marketing the sale of the remaining residential units of Royal Green.

Going forward, the Group will continue to actively look for development and investment opportunities within mainland China and Hong Kong in order to create value for our shareholders.

Don Fletcher  
Chief Executive Officer and Executive Director  
Hong Kong, 29 March 2007

**CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2006**

|  | <u>NOTES</u> | <u>2006</u><br>HK\$'000 | <u>2005</u><br>HK\$'000 |
|--|--------------|-------------------------|-------------------------|
| Revenue  | 6            | 123,293                 | 11,700                  |
| Other income   |              | 29,131                  | 8,682                   |
| Operating costs:   |              |                         |                         |
| Property and related costs   | 8            | (78,500)                | -                       |
| Staff costs  |              | (7,681)                 | -                       |
| Depreciation   |              | (127)                   | -                       |
| Other expenses   | 12(a)        | (79,403)                | (9,334)                 |
|  |              | (165,711)               | (9,334)                 |
| Write down of properties held for sale   | 9            | (120,819)               | -                       |
| (Loss) profit from operations before fair value changes on investment properties |              | (134,106)               | 11,408                  |
| Fair value changes on investment properties                                      |              | 185,141                 | 6,000                   |
| Profit from operations after fair value changes on investment properties         |              | 51,035                  | 17,048                  |
| Recognition of discount on acquisition   | 10           | 7,484                   | -                       |
| Finance costs  | 11           | (14,110)                | (715)                   |
| Profit before taxation   | 12(b)        | 44,409                  | 16,333                  |
| Income tax expense   | 13           | (27,648)                | (1,921)                 |
| Profit for the year  |              | 16,761                  | 14,412                  |
| Attributable to:   |              |                         |                         |
| Company's shareholders   |              | 80,722                  | 14,412                  |
| Minority interest  |              | (63,961)                | -                       |

|                            |    |        |        |
|----------------------------|----|--------|--------|
|                            |    | 16,761 | 14,412 |
|                            |    | _____  | _____  |
|                            |    | _____  | _____  |
|                            |    | HK\$   | HK\$   |
| Earnings per share - Basic | 14 | 0.2    | 0.4    |
|                            |    | _____  | _____  |
|                            |    | _____  | _____  |

**CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2006**

|   | <u>NOTES</u> | <u>2006</u><br>HK\$'000 | <u>2005</u><br>HK\$'000 |
|---|--------------|-------------------------|-------------------------|
| <b>Non-current Assets</b>                           |              |                         |                         |
| Investment properties                               | 16           | 4,584,860               | 56,000                  |
| Property, plant and equipment                       | 17           | 62,431                  | -                       |
| Prepaid lease payments                              | 18           | 615,515                 | -                       |
| Other loans receivable                              | 19           | 126,536                 | -                       |
|   |              | _____                   | _____                   |
|   |              | 5,389,342               | 56,000                  |
|   |              | _____                   | _____                   |
| <b>Current Assets</b>                               |              |                         |                         |
| Properties held for sale                            | 20           | 892,491                 | -                       |
| Properties under development held for sale          | 20           | 2,348,451               | 1,440,725               |
| Prepaid lease payments                              | 18           | 16,742                  | -                       |
| Other loans receivable                              | 19           | 973                     | -                       |
| Receivables, deposits and prepayments               | 21           | 149,882                 | 2,764                   |
| Income tax recoverable                              |              | 14,923                  | -                       |
| Pledged bank deposits                               | 22           | 153,487                 | -                       |
| Restricted bank balances and deposits               | 23           | 332,404                 | -                       |
| Bank balances and deposits                          | 24           | 106,327                 | 619,958                 |
|   |              | _____                   | _____                   |
|   |              | 4,015,680               | 2,063,447               |
|   |              | _____                   | _____                   |
| <b>Current Liabilities</b>                          |              |                         |                         |
| Payables, deposits received and accrued charges     | 25           | 320,556                 | 9,137                   |
| Sales deposits on properties held for sale received |              | 449,094                 | -                       |
| Provisions  | 26           | 14,881                  | -                       |
| Income tax payable                                  |              | 31,379                  | 989                     |
| Secured bank borrowings - due within one year       | 27           | 1,252,499               | 1,200                   |
| Amount due to a minority shareholder                | 28           | 36,209                  | -                       |
|   |              | _____                   | _____                   |
|   |              | 2,104,618               | 11,326                  |
|   |              | _____                   | _____                   |
| <b>Net Current Assets</b>                           |              | 1,911,062               | 2,052,121               |
|   |              | _____                   | _____                   |
|   |              | 7,300,404               | 2,108,121               |
|   |              | _____                   | _____                   |

## Capital and Reserves

|   |    |                  |                  |
|---|----|------------------|------------------|
| Share capital                                     | 29 | 345,204          | 84,429           |
| Reserves  |    | 5,723,928        | 1,486,365        |
|   |    | <u>6,069,132</u> | <u>1,570,794</u> |
| Equity attributable to the Company's shareholders |    |                  |                  |
| Minority interest                                 |    | 408,978          |                  |
| <b>Total Equity</b>                               |    | <u>6,478,110</u> | <u>1,570,794</u> |
| <b>Non-current Liabilities</b>                    |    |                  |                  |
| Secured bank borrowings - due after one year      | 27 | 763,576          | 508,200          |
| Deferred taxation                                 | 30 | 58,718           | 29,127           |
|   |    | <u>822,294</u>   | <u>537,327</u>   |
|   |    | <u>7,300,404</u> | <u>2,108,121</u> |

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 15 March 2007 and are signed on its behalf by:

David Mathewson  
NON-EXECUTIVE CHAIRMAN

Don Fletcher  
DIRECTOR

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2006

|   | Attributable to the Company's shareholders |               |               |                     | Retained profits | Total     | Minority interest | Total     |
|---|--|---------------|---------------|---------------------|------------------|-----------|-------------------|-----------|
|   | Share capital                              | Share premium | Other reserve | Translation reserve |                  |           |                   |           |
|   | HK\$'000                                   | HK\$'000      | HK\$'000      | HK\$'000            | HK\$'000         | HK\$'000  | HK\$'000          | HK\$'000  |
| At 1 January 2005   | -  | -             | -             | -                   | 10,029           | 10,029    | -                 | 10,029    |
| Profit for the year and total recognised income for the year    | -  | -             | -             | -                   | 14,412           | 14,412    | -                 | 14,412    |
| Issue of shares   | 84,429                                     | 1,461,924     | -             | -                   | -                | 1,546,353 | -                 | 1,546,353 |
| At 31 December 2005   | 84,429                                     | 1,461,924     | -             | -                   | 24,441           | 1,570,794 | -                 | 1,570,794 |
| Exchange movement during the year recognised directly in equity | -  | -             | -             | 10,164              | -                | 10,164    | -                 | 10,164    |
| Profit for the year   | -  | -             | -             | -                   | 80,722           | 80,722    | (63,961)          | 16,761    |
| Total recognised income for the year                            | -  | -             | -             | 10,164              | 80,722           | 90,886    | (63,961)          | 26,925    |
| Issue of shares   | 260,775                                    | 3,374,301     | 294,736       | -                   | -                | 3,929,812 | -                 | 3,929,812 |

|   |         |           |         |        |         |           |         |           |
|---|---------|-----------|---------|--------|---------|-----------|---------|-----------|
| Acquisition of assets and liabilities through acquisition of subsidiaries | -       | -         | 477,640 | -      | -       | 477,640   | 482,380 | 960,020   |
| Acquisition of additional interest in a subsidiary                        | -       | -         | -       | -      | -       | -         | (9,441) | (9,441)   |
| At 31 December 2006   | 345,204 | 4,836,225 | 772,376 | 10,164 | 105,163 | 6,069,132 | 408,978 | 6,478,110 |

On 5 October 2006, the Group acquired assets and liabilities from the holding company by way of acquisition of subsidiaries, with part of the consideration paid in form of issuing new shares. The share issue price is in excess of the market closing price of the shares issued at the amount of HK\$294,736,000 and credited to other reserve (Note 31(b)). In addition, a discount of HK\$477,640,000, which represented the excess of fair value of assets and liabilities acquired through the acquisition of subsidiaries over the consideration paid or payable is deemed as capital contribution from holding company and credited to other reserve (Note 31).

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#### CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

|  | <u>NOTE</u> | <u>2006</u><br>HK\$'000 | <u>2005</u><br>HK\$'000 |
|--|-------------|-------------------------|-------------------------|
| <b>OPERATING ACTIVITIES</b>  |             |                         |                         |
| Profit before taxation   |             | 44,409                  | 16,333                  |
| Adjustments for:   |             |                         |                         |
| Interest expenses  |             | 13,522                  | 715                     |
| Write down of properties held for sale                                     |             | 120,819                 | -                       |
| Depreciation   |             | 127                     | -                       |
| Fair value changes on investment properties                                |             | (185,141)               | (6,000)                 |
| Interest income  |             | (23,983)                | (8,604)                 |
| Recognition of discount on acquisition                                     |             | (7,484)                 | -                       |
| Operating cash flows before movements in working capital                   |             | (37,731)                | 2,444                   |
| Decrease in properties held for sale                                       |             | 114,401                 | -                       |
| Increase in properties under development held for sale                     |             | (235,896)               | -                       |
| Decrease (increase) in receivables, deposits and prepayments               |             | 85,156                  | (2,560)                 |
| Increase in payables, deposits received and accrued charges                |             | 29,174                  | 6,002                   |
| Increase (decrease) in sales deposits on properties held for sale received |             | 13,077                  | (57,405)                |
| Payment of rehousing compensation  |             | (722)                   | -                       |
| Cash used in operations  |             | (32,541)                | (51,519)                |
| Interest received  |             | 21,703                  | 8,604                   |

|  |    |           |          |
|--|----|-----------|----------|
| Interest paid on bank borrowings   |    | (42,545)  | (16,121) |
| Hong Kong Profits Tax paid   |    | (89,687)  | -        |
| Taxation paid in other jurisdictions   |    | (6,574)   | -        |
|  |    | <hr/>     | <hr/>    |
| NET CASH USED IN OPERATING ACTIVITIES  |    | (149,644) | (59,036) |
|  |    | <hr/>     | <hr/>    |
| INVESTING ACTIVITIES   |    |           |          |
| Purchase of investment properties  |    | (14,432)  | -        |
| Purchase of property, plant and equipment  |    | (13,055)  | -        |
| Purchase of leasehold land   |    | (51,086)  | -        |
| Additions of other loans receivable  |    | (9,658)   | -        |
| Repayments of other loans receivable   |    | 6,477     | -        |
| Increase in pledged bank deposits  |    | (53,900)  | -        |
| Decrease in restricted bank balances and deposits                                      |    | 28,280    | -        |
| Acquisition of assets and liabilities through acquisition of subsidiaries              | 31 | (335,129) | -        |
| Acquisition of additional interest in a subsidiary                                     |    | (1,957)   | -        |
|  |    | <hr/>     | <hr/>    |
| NET CASH USED IN INVESTING ACTIVITIES  |    | (444,460) | -        |
|  |    | <hr/>     | <hr/>    |
| FINANCING ACTIVITIES   |    |           |          |
| Repayment of secured bank borrowings   |    | (17,300)  | (1,200)  |
| Proceeds from secured bank borrowings  |    | 154,199   | 28,000   |
| Funds received from immediate holding company  |    | -         | 633,435  |
| Funds repaid to fellow subsidiaries  |    | -         | (19,896) |
| Repayment to a minority shareholder  |    | (65,730)  | -        |
| Advance from a minority shareholder  |    | 8,544     | -        |
|  |    | <hr/>     | <hr/>    |
| NET CASH FROM FINANCING ACTIVITIES   |    | 79,713    | 640,339  |
|  |    | <hr/>     | <hr/>    |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS                                   |    | (514,391) | 581,303  |
|  |    | <hr/>     | <hr/>    |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR                                     |    | 619,958   | 38,655   |
| Effect of foreign exchange rate changes  |    | 760       | -        |
|  |    | <hr/>     | <hr/>    |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and deposits |    | 106,327   | 619,958  |
|  |    | <hr/>     | <hr/>    |
|  |    | <hr/>     | <hr/>    |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2006

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1. GENERAL

The Company is a public limited company incorporated in the British Virgin Islands ("B.V.I."). On 16 January 2006, the Company was listed in Alternative Investment Market ("AIM") operated by London Stock Exchange plc. Its parent company is Charm Action Holdings Limited, a company incorporated in the B.V.I.. The directors consider that the Company's ultimate holding company is JCS Limited, a company incorporated in Bermuda, as an exempted company with limited liability. The addresses of the registered office and principal place of business of the Company are disclosed in the directory to the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 39.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS/CHANGE OF ACCOUNTING POLICY

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("new IFRSs") issued by the International Accounting Standards Board ("the IASB") and the International Financial Reporting Interpretations Committee of the IASB, which are either effective for accounting periods beginning on 1 December 2005 or 1 January 2006. The adoption of the new IFRSs had no material effect on how the results and the financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

|                   |  |
|-------------------|--|
| IAS 1 (Amendment) | Capital Disclosures <sup>1</sup>   |
| IFRS 7            | Financial Instruments: Disclosures <sup>1</sup>  |
| IFRS 8            | Operating Segments <sup>2</sup>  |
| IFRIC 7           | Applying the Restatement Approach under IAS 29,<br>Financial Reporting in Hyperinflationary Economies <sup>3</sup> |
| IFRIC 8           | Scope of IFRS 2 <sup>4</sup>   |
| IFRIC 9           | Reassessment of Embedded Derivatives <sup>5</sup>  |
| IFRIC 10          | Interim Financial Reporting and Impairment <sup>6</sup>  |
| IFRIC 11          | IFRS 2 - Group and Treasury Share Transactions <sup>7</sup>  |
| IFRIC 12          | Service Concession Arrangements <sup>8</sup>   |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>3</sup> Effective for annual periods beginning on or after 1 March 2006

<sup>4</sup> Effective for annual periods beginning on or after 1 May 2006

<sup>5</sup> Effective for annual periods beginning on or after 1 June 2006

<sup>6</sup> Effective for annual periods beginning on or after 1 November 2006

<sup>7</sup> Effective for annual periods beginning on or after 1 March 2007

<sup>8</sup> Effective for annual periods beginning on or after 1 January 2008

### 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

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

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of 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 into line with those used by other members of the Group.

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

Minority interest 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.

Acquisition of additional interests in subsidiaries is recorded at the book value of the net assets attributable to the interests. The excess of the carrying amounts of net assets attributable to the interests over the cost of acquisition is recognised as discount on acquisition.

#### *Common control combinations*

The Group has elected to apply principles of uniting of interests (merger accounting) in respect of business combination under common control. In applying merger accounting, financial statement items of the combining entities or business for the reporting period in which the common control combination occurs, and for any comparative periods disclosed, are included in the consolidated financial statements of the combined entity as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties. The combined entity recognises the assets, liabilities and equity of the combining entities or business at the carrying amounts in the consolidated financial statements of the controlling party or parties prior to the common control combinations.

#### Revenue recognition

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



### *Sales of properties*

Revenue from sale of properties in the ordinary course of business is recognised when all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Payments received from purchasers prior to this stage are recorded as sales deposits under current liabilities.

### *Others*

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

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.

### Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are measured initially at costs, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair value of investment properties 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 item is derecognised.

### Property, plant and equipment

Property, plant and equipment other than properties under development are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss

arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

#### Prepaid lease payments/properties under development

When the leasehold land and buildings are in the course of development for production, rental or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Cost comprises property development costs including attributable borrowing costs and directly attributable costs capitalised during the development period. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

#### Properties held for sale/Properties under development held for sale

Properties held for sale and properties under development held for sale in the ordinary course of business are classified under current assets and are stated at the lower of cost and net realisable value. Cost comprises property interest in leasehold land and development costs including attributable borrowings costs and directly attributable costs capitalised during the development period that have been incurred in bringing the properties held for sale/properties under development held for sale to their present location and condition. Net realisable value represents the estimated selling price less all anticipated costs of completion and costs to be incurred in marketing, selling and distribution.

#### Impairment

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

#### Impairment

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.

#### Borrowing costs

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

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

## Provisions

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

## 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.

## Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

### **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 receivables, pledged bank deposits, restricted bank deposits, bank balances and other loans receivable) are carried at amortised cost using the effective interest method, less any identified impairment loss. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

### **Financial liabilities and equity**

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

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

#### *Bank borrowings*

Bank borrowings are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

#### *Other financial liabilities*

Other financial liabilities including payables and amount due to a minority shareholder 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.

#### Financial instruments

##### **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.

#### Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, 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 realised. Deferred tax is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

#### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of 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 purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Hong Kong dollars using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

#### Retirement benefit costs

Payments to defined contribution retirement benefit plans/state-managed retirement benefit scheme/the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

#### 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 3, management has made the following estimation that have the most significant effect on the amounts recognised in the consolidated financial statements of next year.

### Write down of properties held for sale

The Group makes a write down of properties held for sale based on an assessment of the net realisable value of properties held for sale. Allowances are applied to properties held for sale where events or changes in circumstances indicate that the net realisable value is lower than the cost of properties held for sale. The determination requires the use of estimates with reference to the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### Income tax

No deferred tax asset has been recognised in respect of tax losses of HK\$300,967,000 due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, additional recognition of deferred tax assets may arise, which would be recognised in the consolidated income statement for the period in which it takes place.

### Fair value of investment properties

Investment properties are stated at fair value based on the valuation performed by an independent professional valuer. In determining the fair value, the valuer have based on a method of valuation which involves certain estimates. In relying on the valuation report, the directors of the Group have exercised their judgment and are satisfied that the method of valuation of is reflective of the current market conditions.

## 5. FINANCIAL INSTRUMENTS

### Financial risk management objectives and policies

The Group's major financial instruments include loans and receivables, borrowings and other financial liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### **Market risk**

##### *Currency risk*

Certain bank loans of the Group are denominated in foreign currencies (note 27). The Group currently does not have a foreign currency hedging policy in respect of foreign currency debt. However, management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

##### *Cash flow interest rate risk*

The Group has exposures to interest rate risk as its bank borrowings and other loans receivable are subject to floating interest rates. Currently, interest rate risk is not hedged. However, from time to time, if interest rate fluctuates significantly, interest rate swaps may be used to convert some of the floating interest rates to fixed rates, to manage interest rate exposure.

The interest rate risk for bank balances exposed is considered minimal as such amounts are placed in banks with maturity less than three months.

## Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the balance sheet date in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has 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 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.

Although the bank balances are concentrated on certain counterparties, the credit risk on liquid funds is limited because the counterparties are licensed banks.

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

## Liquidity risk

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

## Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flows analysis using the relevant prevailing market 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.

## 6. REVENUE

|  | <u>2005</u><br>HK\$'000 | <u>2006</u><br>HK\$'000 |
|--|-------------------------|-------------------------|
| Gross rental income                    | 47,679                  | 11,700                  |
| Gross proceeds from sale of properties | 75,614                  | -                       |
|  | <u>123,293</u>          | <u>11,700</u>           |
|  | <u>          </u>       | <u>          </u>       |
|  | <u>          </u>       | <u>          </u>       |

## 7. GEOGRAPHICAL AND BUSINESS SEGMENTS

### Geographical segments

Last year, the Group operated in Hong Kong only and the Group's primary segment information was reported in two divisions, which are property development and property investment. Due to the acquisition of assets and liabilities through acquisitions of subsidiaries during the year as disclosed in note 31 (the "Acquisition"), the size of the Group's property portfolio has increased significantly. In particular, the Group has made an entry into the property market of Greater China other than Hong Kong (The People's Republic of China, the "PRC") due to the Acquisition. Since then, the Group reorganised its business activities by geographical segments.

The operations of the Group are currently located in Hong Kong and the PRC. The corresponding geographical locations of the Group's assets are the basis on which the Group reports its primary segment information. Comparative figures have been restated to conform with current year's presentation.

### **Consolidated Income Statement for the year ended 31 December 2006**

|  | <u>Hong Kong</u><br>HK\$'000 | <u>PRC</u><br>HK\$'000 | <u>Consolidated</u><br>HK\$'000 |
|--|------------------------------|------------------------|---------------------------------|
| REVENUE                                |                              |                        |                                 |
| External sales                         | 115,546                      | 7,747                  | 123,293                         |
|  | _____                        | _____                  | _____                           |
| RESULT                                 |                              |                        |                                 |
| Segment profit (loss)                  | 54,426                       | (5,235)                | 49,191                          |
|  | _____                        | _____                  |                                 |
| Interest income                        |                              |                        | 23,983                          |
| Recognition of discount on acquisition |                              |                        | 7,484                           |
| Unallocated corporate expenses         |                              |                        | (22,139)                        |
| Finance costs                          |                              |                        | (14,110)                        |
|  |                              |                        | _____                           |
| Profit before taxation                 |                              |                        | 44,409                          |
| Income tax expense                     |                              |                        | (27,648)                        |
|  |                              |                        | _____                           |
| Profit for the year                    |                              |                        | 16,761                          |
|  |                              |                        | _____                           |
|  |                              |                        | _____                           |

### **Consolidated Balance Sheet at 31 December 2006**

|                                       | <u>Hong Kong</u><br>HK\$'000 | <u>PRC</u><br>HK\$'000 | <u>Consolidated</u><br>HK\$'000 |
|---------------------------------------|------------------------------|------------------------|---------------------------------|
| ASSETS                                |                              |                        |                                 |
| Segment assets                        | 7,112,983                    | 1,684,898              | 8,797,881                       |
| Restricted bank balances and deposits | -                            | 332,404                | 332,404                         |
| Income tax recoverable                |                              |                        | 14,923                          |
| Unallocated corporate assets          |                              |                        | 259,814                         |
|                                       |                              |                        | _____                           |
| Consolidated total assets             |                              |                        | 9,405,022                       |
|                                       |                              |                        | _____                           |



|                                      |         |         |                       |
|--------------------------------------|---------|---------|-----------------------|
| <hr/>                                |         |         |                       |
| <hr/>                                |         |         |                       |
| LIABILITIES                          |         |         |                       |
| Segment liabilities                  | 261,435 | 523,096 | 784,531               |
| Bank borrowings                      |         |         | 2,016,075             |
| Income tax payable                   |         |         | 31,379                |
| Amount due to a minority shareholder |         |         | 36,209                |
| Deferred taxation                    |         |         | 58,718                |
| Consolidated total liabilities       |         |         | <hr/> 2,926,912 <hr/> |

**Other information for the year ended 31 December 2006**

|   | <u>Hong Kong</u> | <u>PRC</u> | <u>Consolidated</u> |
|---|------------------|------------|---------------------|
|   | HK\$'000         | HK\$'000   | HK\$'000            |
| Capital additions                           | 3,503,802        | 883,262    | 4,387,064           |
| Depreciation                                | 6                | 121        | 127                 |
| Fair value changes on investment properties | 186,000          | (859)      | 185,141             |
| Write down of properties held for sale      | 120,819          | -          | 120,819             |
|   | <hr/>            | <hr/>      | <hr/>               |

**Consolidated Income Statement for the year ended 31 December 2005**

|                                | <u>Hong Kong</u> | <u>PRC</u> | <u>Consolidated</u> |
|--------------------------------|------------------|------------|---------------------|
|                                | HK\$'000         | HK\$'000   | HK\$'000            |
| REVENUE                        |                  |            |                     |
| External sales                 | 11,700           | -          | 11,700              |
|                                | <hr/>            | <hr/>      | <hr/>               |
| RESULT                         |                  |            |                     |
| Segment profit                 | 10,625           | -          | 10,625              |
|                                | <hr/>            | <hr/>      |                     |
| Interest income                |                  |            | 8,604               |
| Unallocated corporate expenses |                  |            | (2,181)             |
| Finance costs                  |                  |            | (715)               |
| Profit before taxation         |                  |            | <hr/> 16,333        |
| Income tax expense             |                  |            | (1,921)             |
| Profit for the year            |                  |            | <hr/> 14,412 <hr/>  |

## Consolidated Balance Sheet at 31 December 2005

|                                | <u>Hong Kong</u><br>HK\$'000 | <u>PRC</u><br>HK\$'000 | <u>Consolidated</u><br>HK\$'000 |
|--------------------------------|------------------------------|------------------------|---------------------------------|
| <b>ASSETS</b>                  |                              |                        |                                 |
| Segment assets                 | 1,496,804                    | -                      | 1,496,804                       |
| Unallocated corporate assets   |                              |                        | 622,643                         |
| Consolidated total assets      |                              |                        | <u>2,119,447</u>                |
| <b>LIABILITIES</b>             |                              |                        |                                 |
| Segment liabilities            | 9,137                        | -                      | 9,137                           |
| Bank borrowings                |                              |                        | 509,400                         |
| Income tax payable             |                              |                        | 989                             |
| Deferred taxation              |                              |                        | 29,127                          |
| Consolidated total liabilities |                              |                        | <u>548,653</u>                  |

## Other information for the year ended 31 December 2005

|   | <u>Hong Kong</u><br>HK\$'000 | <u>PRC</u><br>HK\$'000 | <u>Consolidated</u><br>HK\$'000 |
|---|------------------------------|------------------------|---------------------------------|
| Fair value changes on investment properties | 6,000                        | -                      | -                               |

### Business segments

The Group is currently organised into two operating divisions - property investment and property development.

Principal activities are as follows:

Property investment - rental of properties  
Property development - development of properties

Both divisions above are operating in Hong Kong and the PRC.

The following table provides an analysis of the Group's sales revenue by business segment:

|                      | <u>Sales revenue by business segment</u> |                         |
|----------------------|--|-------------------------|
|                      | <u>2006</u><br>HK\$'000                  | <u>2005</u><br>HK\$'000 |
| Property investment  | 34,719                                   | 1,860                   |
| Property development | 88,574                                   | 9,840                   |
|                      | <u>123,293</u>                           | <u>11,700</u>           |

The following is an analysis of the carrying amount of segment assets, and additions to investment properties and property, plant and equipment analysed by business segments:

|                              | <u>Carrying amount of segment assets</u> |                         | <u>Additions to investment properties and property, plant and equipment</u> |                         |
|------------------------------|--|-------------------------|---|-------------------------|
|                              | <u>2006</u><br>HK\$'000                  | <u>2005</u><br>HK\$'000 | <u>2006</u><br>HK\$'000   | <u>2005</u><br>HK\$'000 |
| Property investment          | 5,302,990                                | 56,000                  | 4,328,208   | -                       |
| Property development         | 3,494,891                                | 1,440,804               | 58,856  | -                       |
| Unallocated corporate assets | 607,141                                  | 622,643                 | -   | -                       |
|                              | <u>9,405,022</u>                         | <u>2,119,447</u>        | <u>4,387,064</u>  | <u>-</u>                |

#### 8. PROPERTY AND RELATED COSTS

|   | <u>2006</u><br>HK\$'000 | <u>2005</u><br>HK\$'000 |
|---|-------------------------|-------------------------|
| Changes in properties held for sale/<br>properties under development held for sale        | 1,800,217               | 1,440,725               |
| Costs incurred on properties held for sale/<br>properties under development held for sale | (1,721,717)             | (1,440,725)             |
|   | <u>78,500</u>           | <u>-</u>                |

## 9. WRITE DOWN OF PROPERTIES HELD FOR SALE

The write down of properties held for sale arose from the director's assessment of the estimated realisable value at properties with reference to the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

## 10. RECOGNITION OF DISCOUNT ON ACQUISITION

In December 2006, the Group acquired 3% additional interest in Chengdu Huashang House Development Co., Ltd from another shareholder of that company. Since then, that company has become a wholly owned subsidiary of the Group. The directors consider the acquisition is conducted at arm's length.

## 11. FINANCE COSTS

|  | <u>2006</u><br>HK\$'000 | <u>2005</u><br>HK\$'000 |
|--|-------------------------|-------------------------|
| Interest on:   |                         |                         |
| Bank borrowings wholly repayable within 5 years            | 40,289                  | 15,406                  |
| Bank borrowings not wholly repayable within 5 years        | 2,256                   | 715                     |
|  | <hr/> 42,545            | <hr/> 16,121            |
| Less: Amounts capitalised to property development projects | (29,225)                | (15,406)                |
|  | <hr/> 13,320            | <hr/> 715               |
| Facilities charges   | 588                     | -                       |
| Imputed interest on amount due to a minority shareholder   | 202                     | -                       |
|  | <hr/> 790               | <hr/> -                 |
|  | <hr/> 14,110            | <hr/> 715               |
|  | <hr/>                   | <hr/>                   |

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 11.9% (2005: 21.3%) per annum to expenditure on qualifying assets.

12. OTHER EXPENSES/PROFIT BEFORE TAXATION

(a) Other expenses

|  | <u>2006</u><br>HK\$'000 | <u>2005</u><br>HK\$'000 |
|--|-------------------------|-------------------------|
| Included in other expenses are:  |                         |                         |
| Legal and professional fees in respect of listing and re-admission to AIM upon the Acquisition | 16,943                  | -                       |
| Management fee paid to a related company   | 24,938                  | 5,138                   |
| Selling and marketing expenses   | 23,436                  | -                       |
| Other legal and professional fees  | 4,774                   | 2,686                   |
|  | <hr/>                   | <hr/>                   |

(b) Profit before taxation

|  | <u>2006</u><br>HK\$'000 | <u>2005</u><br>HK\$'000 |
|--|-------------------------|-------------------------|
| Profit before taxation has been arrived at after charging:   |                         |                         |
| Auditor's remuneration   | 1,248                   | 375                     |
| Directors' emoluments  | 5,905                   | 23                      |
| Minimum lease payments under operating leases  | 43                      | -                       |
| and crediting:   |                         |                         |
| Gross rental income from investment properties   | 34,719                  | 1,860                   |
| Less: direct operating expenses from investment properties that generate rental income during the year | (10,494)                | (635)                   |
| Net rental income from investment properties   | 24,225                  | 1,225                   |
| Interest earned on bank deposits   | 21,315                  | 8,604                   |
| Other interest income  | 2,668                   | -                       |
|  | 23,983                  | 8,604                   |
|  | <hr/>                   | <hr/>                   |

### 13. INCOME TAX EXPENSE

|                                     | <u>2006</u><br>HK\$'000 | <u>2005</u><br>HK\$'000 |
|-------------------------------------|-------------------------|-------------------------|
| The charge comprise:                |                         |                         |
| Current year - Hong Kong            | 7,191                   | 783                     |
| (Over)underprovision in prior years |                         |                         |
| Hong Kong                           | 552                     | -                       |
| Other regions in the PRC            | (7,439)                 | -                       |
|                                     | <u>(6,887)</u>          | <u>-</u>                |
| Deferred tax                        |                         |                         |
| Current year                        | 27,344                  | 1,138                   |
|                                     | <u>27,648</u>           | <u>1,921</u>            |

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profit for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Details of deferred taxation are set out in note 30.

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

|  | <u>2006</u><br>HK\$'000 | <u>2005</u><br>HK\$'000 |
|--|-------------------------|-------------------------|
| Profit before taxation   | 44,409                  | 16,333                  |
| Tax at the domestic income tax rate of 17.5% (2005: 17.5%)                                     | 7,772                   | 2,858                   |
| Tax effect of expenses not deductible for tax purpose  | 29,771                  | 424                     |
| Tax effect of income not taxable for tax purpose   | (1,280)                 | (1,506)                 |
| Overprovision in prior years, net  | (6,887)                 | -                       |
| Tax effect of tax losses not recognised  | 567                     | 157                     |
| Tax effect of decrease in deferred tax assets on deductible temporary differences unrecognised | (1,897)                 | -                       |
| Effect of different tax rates of subsidiaries operated in other jurisdictions                  | (146)                   | -                       |
| Others   | (252)                   | (12)                    |
| Income tax expense for the year  | <u>27,648</u>           | <u>1,921</u>            |

#### 14. EARNINGS PER SHARE

The calculation of the earnings per share attributable to the Company's shareholders is based on the following data:

|   | <u>2006</u><br>HK\$'000 | <u>2005</u><br>HK\$'000 |
|---|-------------------------|-------------------------|
| Earnings for the purpose of earnings per share                                    | 80,722                  | 14,412                  |
|   | <hr/>                   | <hr/>                   |
|   | <u>Number of shares</u> |                         |
|   | <u>2006</u>             | <u>2005</u>             |
| Weighted average number of ordinary shares for the purposes of earnings per share | 377,071,754             | 33,996,065              |
|   | <hr/>                   | <hr/>                   |

#### 15. DIVIDENDS

No dividend was paid or proposed during the two years ended 31 December 2006, nor has any dividend been proposed since the balance sheet date.

#### 16. INVESTMENT PROPERTIES

|   | Hong Kong<br>held under<br><u>long leases</u><br>HK\$'000 | Hong Kong<br>held under<br><u>medium-<br/>term leases</u><br>HK\$'000 | PRC held<br>under long<br><u>leases</u><br>HK\$'000 | <u>Total</u><br>HK\$'000 |
|---|---|---|---|--------------------------|
| AT FAIR VALUES  |   |   |   |                          |
| At 1 January 2005   | 50,000  | -   | -   | 50,000                   |
| Increase in fair value                                    | 6,000   | -   | -   | 6,000                    |
|   | <hr/>   | <hr/>   | <hr/>   | <hr/>                    |
| At 31 December 2005                                       | 56,000  | -   | -   | 56,000                   |
| Exchange adjustments                                      | -   | -   | 15,511  | 15,511                   |
| Acquisition of assets through acquisition of subsidiaries | 197,000   | 3,250,000   | 866,776   | 4,313,776                |
| Additions   | -   | -   | 14,432  | 14,432                   |
| INCREASE (DECREASE) IN FAIR VALUE                         | 6,000   | 180,000   | (859)   | 185,141                  |
|   | <hr/>   | <hr/>   | <hr/>   | <hr/>                    |
| At 31 December 2006                                       | 259,000   | 3,430,000   | 895,860   | 4,584,860                |
|   | <hr/>   | <hr/>   | <hr/>   | <hr/>                    |

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

The fair value of the Group's investment properties at 31 December 2006 have been arrived at on the basis of valuation carried out at that date by Savills Valuation and Professional Services Limited ("Savills"), a firm of Chartered Surveyors not connected with the Group. Savills is a member of Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of properties in the relevant locations. The valuation, which conforms to Royal Institution of Chartered Surveyors of the United Kingdom Appraisal and Valuation Standards, was arrived at using two primary methods, namely the comparison approach and the income capitalisation approach.

Certain of the Group's investment properties are rented out under operating leases.

## 17. PROPERTY, PLANT AND EQUIPMENT

|   | <u>Properties<br/>under<br/>development<br/>in Hong<br/>Kong<br/>held under<br/>medium-term<br/>leases</u><br>HK\$'000 | <u>Furniture,<br/>fixtures<br/>and<br/>equipment</u><br>HK\$'000 | <u>Motor<br/>vehicles</u><br>HK\$'000 | <u>Leasehold<br/>improvements</u><br>HK\$'000 | <u>Total</u><br>HK\$'000 |
|---|--|--|---------------------------------------|---|--------------------------|
| <b>COST</b>   |  |  |                                       |   |                          |
| At 1 January and 31<br>December 2005                            | -  | -  | -                                     | -   | -                        |
| Exchange adjustments  | -  | 35   | 2                                     | -   | 37                       |
| Acquisition of assets<br>through acquisition of<br>subsidiaries | 41,251   | 1,721  | 136                                   | 37  | 43,145                   |
| Additions   | 15,526   | 185  | -                                     | -   | 15,711                   |
| Amortisation of prepaid<br>lease<br>payments capitalised        | 3,665  | -  | -                                     | -   | 3,665                    |
| At 31 December 2006   | <u>60,442</u>  | <u>1,941</u>   | <u>138</u>                            | <u>37</u>                                     | <u>62,558</u>            |
| <b>DEPRECIATION</b>   |  |  |                                       |   |                          |
| At 1 January and 31<br>December 2005                            | -  | -  | -                                     | -   | -                        |
| Provided for the year   | -  | 95   | 18                                    | 14  | 127                      |
| At 31 December 2006   | <u>-</u>   | <u>95</u>  | <u>18</u>                             | <u>14</u>                                     | <u>127</u>               |
| <b>CARRYING VALUES</b>  |  |  |                                       |   |                          |
| At 31 December 2006   | <u>60,442</u>  | <u>1,846</u>   | <u>120</u>                            | <u>23</u>                                     | <u>62,431</u>            |
| At 31 December 2005   | <u>-</u>   | <u>-</u>   | <u>-</u>                              | <u>-</u>                                      | <u>-</u>                 |

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

|                                   |     |
|-----------------------------------|-----|
| Furniture, fixtures and equipment | 25% |
| Motor vehicles                    | 25% |
| Leasehold improvements            | 25% |



18. PREPAID LEASE PAYMENTS

|   | <u>2006</u><br>HK\$'000 | <u>2005</u><br>HK\$'000 |
|---|-------------------------|-------------------------|
| Leasehold land in Hong Kong under medium-term lease | 632,257                 | -                       |
| Analysed for reporting purposes as:                 |                         |                         |
| Current   | 16,742                  | -                       |
| Non-current   | 615,515                 | -                       |
|   | <u>632,257</u>          | <u>-</u>                |

Amortisation of prepaid lease payments since the date of the Acquisition amounting to HK\$3,665,000 (2005: Nil) was capitalised to properties under development.

19. OTHER LOANS RECEIVABLE

|   | <u>2006</u><br>HK\$'000 | <u>2005</u><br>HK\$'000 |
|---|-------------------------|-------------------------|
| Carrying amount analysed for reporting purposes:                            |                         |                         |
| Current assets (receivable within 12 months from the balance sheet date)    | 973                     | -                       |
| Non-current assets (receivable after 12 months from the balance sheet date) | 126,536                 | -                       |
|   | <u>127,509</u>          | <u>-</u>                |

The other loans receivable are secured by certain leasehold properties, carry interest at prime rate and are repayable in accordance with their respective repayment terms.

The loans are repayable as follows:

|   | <u>2006</u><br>HK\$'000 | <u>2005</u><br>HK\$'000 |
|---|-------------------------|-------------------------|
| Within one year                                       | 973                     | -                       |
| In more than one year but not more than two years     | 2,548                   | -                       |
| In more than two years but not more than three years  | 4,221                   | -                       |
| In more than three years but not more than four years | 4,558                   | -                       |
| In more than four years but not more than five years  | 4,923                   | -                       |
| In more than five years                               | 110,286                 | -                       |
|   | <u>127,509</u>          | <u>-</u>                |

127,509

-

The interest rate of the other loan receivables is at prime rate. The average effective interest rates of other loans receivable are 8% per annum.

20. PROPERTIES HELD FOR SALE/PROPERTIES UNDER DEVELOPMENT HELD FOR SALE

At 31 December 2006, the total borrowing costs capitalised to properties held for sale and properties under development held for sale were HK\$46,949,000 (2005: HK\$17,724,000).

All the Group's properties held for sale are situated in Hong Kong.

The Group's properties under development held for sale of HK\$1,624,203,000 (2005: HK\$1,440,725,000) and HK\$724,248,000 (2005: Nil) are situated in Hong Kong and the PRC respectively.

Both the Group's properties held for sale and properties under development held for sale are held under medium to long term leases.

Included in the Group's properties under development held for sale are HK\$1,315,745,000 (2005: HK\$1,440,725,000) which are expected to be recovered in more than twelve months after the balance sheet date.

21. RECEIVABLES, DEPOSITS AND PREPAYMENTS

|   | <u>2006</u><br>HK\$'000 | <u>2005</u><br>HK\$'000 |
|---|-------------------------|-------------------------|
| Trade receivables                           | 14,190                  | -                       |
| Other receivables, deposits and prepayments | 135,692                 | 2,764                   |
|   | <u>149,882</u>          | <u>2,764</u>            |

22. PLEDGED BANK DEPOSITS

The amount represents deposits pledged to banks to secure short-term bank loans and are therefore classified as current assets.

The deposits carry fixed interest rates ranging from 3.6% to 4.4% per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

23. RESTRICTED BANK BALANCES AND DEPOSITS

Bank deposits of HK\$332,404,000 being proceeds received upon the pre-sale of certain units of a property under development held for sale are placed in several banks and to be used solely for tax payment and settlement of the construction cost of the related property. The bank deposits carry fixed interest rates ranging from 0.7% to 1.4% per annum.

#### 24. BANK BALANCES AND DEPOSITS

Bank balances and deposits comprise cash held by the Group and short-term bank deposits which carry fixed interest rates ranging from 3.5% to 4.1% per annum with an original maturity of three months or less.

#### 25. PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

|   | <u>2006</u><br>HK\$'000 | <u>2005</u><br>HK\$'000 |
|---|-------------------------|-------------------------|
| Trade payable   | 31,560                  | 5,901                   |
| Other payables, deposits received and accrued charges | 288,996                 | 3,236                   |
|   | <hr/> 320,556           | <hr/> 9,137             |

#### 26. PROVISIONS

|  | HK\$'000     |
|--|--------------|
| At 1 January and 31 December 2005                              | -            |
| Acquisition of liabilities through acquisition of subsidiaries | 15,332       |
| Exchange adjustments   | 271          |
| Payment for the year   | (722)        |
| At 31 December 2006  | <hr/> 14,881 |

The provisions for rehousing compensation represent the compensation for the delay in handover of rehousing properties to the former commercial unit owners ("Affected Owners") whose properties have been demolished due to the construction of a property developed for sale in the PRC and the estimated cost for the permanent relocation of certain of the Affected Owners who will not have rehousing properties allocated under management's plan. Such provisions are estimated based on management's best estimate by reference to the PRC statutory requirements. Since the Acquisition, some of the compensation arrangements have been settled with the Affected Owners. In the opinion of the directors, the remaining compensation is expected to be paid within one year, depending on the progress of negotiation with the Affected Owners.

## 27. SECURED BANK BORROWINGS

|  | <u>2006</u><br>HK\$'000 | <u>2005</u><br>HK\$'000 |
|--|-------------------------|-------------------------|
| The bank borrowings are repayable as follows:  |                         |                         |
| On demand or within one year   | 1,252,499               | 1,200                   |
| More than one year, but not exceeding two years                                      | 43,027                  | 490,200                 |
| More than two years, but not exceeding three years                                   | 46,441                  | 1,200                   |
| More than three years, but not exceeding four years                                  | 48,873                  | 1,200                   |
| More than four years, but not exceeding five years                                   | 543,912                 | 1,200                   |
| More than five years   | 81,323                  | 14,400                  |
|  | <hr/> 2,016,075         | <hr/> 509,400           |
| Less: Amounts due for settlement within 12 months<br>shown under current liabilities | (1,252,499)             | (1,200)                 |
| Amounts due for settlement after 12 months   | <hr/> 763,576           | <hr/> 508,200           |

The average effective interest rates of the borrowings are ranging from 4.5% to 5.9% (2005: 4.6% to 4.9%) per annum.

The carrying amounts of the Group's borrowings are analysed as follows:

| <u>Denominated in</u> | <u>2006</u><br>HK\$'000 | <u>2005</u><br>HK\$'000 | <u>Interest rate</u>   |
|-----------------------|-------------------------|-------------------------|--|
| Hong Kong dollars     | 1,668,709               | 509,400                 | Hong Kong<br>Interbank Money<br>Market Offer Rate<br>plus 0.5%<br>to 0.67% |
|                       | 80,000                  | -                       | Hong Kong Prime<br>Rate minus 2%   |
|                       | <hr/> 1,748,709         | <hr/> 509,400           |  |
| Renminbi              | 267,366                 | -                       | 10% discount on<br>People's Bank<br>of China lending<br>rate               |
|                       | <hr/> 2,016,075         | <hr/> 509,400           |  |

## 28. AMOUNT DUE TO A MINORITY SHAREHOLDER

The balance is unsecured, interest-free and repayable within twelve months from balance sheet date. The amount is carried at amortised cost using the effective interest of 4% per annum.

## 29. SHARE CAPITAL

Movements during the year in the share capital of the Company were as follows:

|                          | <u>Number of shares</u> |                    | <u>Nominal value</u>    |                         |
|--------------------------|-------------------------|--------------------|-------------------------|-------------------------|
|                          | <u>2006</u>             | <u>2005</u>        | <u>2006</u><br>US\$'000 | <u>2005</u><br>US\$'000 |
| Ordinary shares:         |                         |                    |                         |                         |
| Authorised:              |                         |                    |                         |                         |
| At beginning of the year | 500,000,000             | 50,000             | 25,000                  | 50                      |
| Shares split             | -                       | 950,000            | -                       | -                       |
| Increase for the year    | 800,000,000             | 499,000,000        | 40,000                  | 24,950                  |
| At end of the year       | <u>1,300,000,000</u>    | <u>500,000,000</u> | <u>65,000</u>           | <u>25,000</u>           |
| Issued and fully paid:   |                         |                    |                         |                         |
| At beginning of the year | 217,693,995             | 1                  | 10,885                  | -                       |
| Shares split             | -                       | 19                 | -                       | -                       |
| Shares issued            | 668,653,817             | 217,693,975        | 33,432                  | 10,885                  |
| At end of the year       | <u>886,347,812</u>      | <u>217,693,995</u> | <u>44,317</u>           | <u>10,885</u>           |

|  | <u>Shown in the consolidated financial statements as</u> |                         |
|--|--|-------------------------|
|  | <u>2006</u><br>HK\$'000                                  | <u>2005</u><br>HK\$'000 |
| Issued and fully paid capital at end of the year | <u>345,204</u>   | <u>84,429</u>           |

The Company was incorporated on 17 February 2004 with an authorised share capital of 50,000 ordinary shares with a par value of US\$1 each. At the time of incorporation, 1 share of US\$1 was issued at par to the subscriber to provide the initial capital of the Company. On 2 November 2005, the Company reorganised its share capital and split its share by the ratio of 20:1. The nominal value of the authorised share capital of the Company after the reorganisation was US\$0.05 per share.

On 4 November 2005, the Company increased its authorised share capital to 500,000,000 ordinary shares by the creation of 499,000,000 ordinary shares with a par value US\$0.05 each.

On 4 November 2005, the Company issued 217,693,975 fully paid ordinary shares to Trans Tasman Properties Limited ("TTP") in full satisfaction of the amount due to TTP of HK\$1,546,353,000 as at that date.

On 4 October 2006, the Company increased its authorised share capital to 1,300,000,000 ordinary shares by the creation of 800,000,000 ordinary shares with a par value of US\$0.05 each.

On 5 October 2006, the Company issued 668,653,817 ordinary shares to S E A Holdings Limited ("SEA"), the Company's intermediate holding company, at US\$0.753 (equivalent to

HK\$5.8772) per share, with a total amount of approximately HK\$3,929,812,000 as part of the consideration for acquiring assets and liabilities through acquisition of certain subsidiaries from SEA. Details for such acquisition are disclosed in note 31.

All ordinary shares rank equally with one vote attached to each fully paid ordinary share.

### 30. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting periods:

|  | <u>Accelerated<br/>tax<br/>depreciation</u><br>HK\$'000 | <u>Revaluation<br/>on<br/>properties</u><br>HK\$'000 | <u>Other<br/>temporary<br/>difference<br/>in respect<br/>of fair value<br/>adjustments<br/>on<br/>acquisition of<br/>subsidiaries</u><br>HK\$'000 | <u>Tax<br/>losses</u><br>HK\$'000 | <u>Total</u><br>HK\$'000 |
|--|---|--|---|-----------------------------------|--------------------------|
| At 1 January 2005                      | -   | 1,989  | 26,000  | -                                 | 27,989                   |
| Charge to income for the year          | -   | 1,138  | -   | -                                 | 1,138                    |
| At 31 December 2005                    | -   | 3,127  | 26,000  | -                                 | 29,127                   |
| Exchange adjustments                   | -   | 2,247  | -   | -                                 | 2,247                    |
| Charge (credit) to income for the year | 1,174   | 29,065   | -   | (2,895)                           | 27,344                   |
| At 31 December 2006                    | 1,174   | 34,439   | 26,000  | (2,895)                           | 58,718                   |

For the purposes of balance sheet presentation, deferred tax assets and liabilities above have been offset and shown under non-current liabilities.

At 31 December 2006, the Group has unused tax losses of HK\$317,509,000 (2005: HK\$1,087,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$16,542,000 (2005: Nil) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$300,967,000 (2005: Nil) due to the unpredictability of future profit streams.

At 31 December 2006, the Group has deductible temporary differences in respect of properties of HK\$108,792,000 (2005: Nil). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary can be utilised.

### 31. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

On 5 October 2006, the Group had acquired a portfolio of six investment and development properties in Hong Kong and the PRC and its related assets and liabilities, at a consideration of approximately HK\$4,463 million from SEA. The purchase was by way of acquisition of the entire issued share capital of Giant Well Enterprises Limited. This transaction has been reflected as a purchase of assets and liabilities.

|  | HK\$'000    |
|--|-------------|
| Net assets acquired:   |             |
| Investment properties  | 4,313,776   |
| Property, plant and equipment  | 43,145      |
| Prepaid lease payments   | 584,836     |
| Other loans receivable   | 122,048     |
| Properties held for sales  | 1,089,117   |
| Properties under development held for sale   | 678,057     |
| Receivables, deposits and prepayments  | 231,302     |
| Income tax recoverable   | 8,357       |
| Pledged bank deposits  | 99,587      |
| Restricted bank deposits   | 354,644     |
| Bank balances and cash   | 164,871     |
| Payables, deposits received and accrued charges  | (245,971)   |
| Sales deposits on properties held for sales received   | (428,416)   |
| Provisions   | (15,332)    |
| Income tax payable   | (119,773)   |
| Bank borrowings  | (1,363,400) |
| Amount due to a minority shareholder   | (93,395)    |
|  | <hr/>       |
|  | 5,423,453   |
| Minority interest  | (482,380)   |
|  | <hr/>       |
|  | 4,941,073   |
| Discount on acquisition of assets and liabilities through acquisition of subsidiaries recognised in equity | (477,640)   |
|  | <hr/>       |
|  | 4,463,433   |
|  | <hr/>       |
| Total consideration satisfied by:  |             |
| Cash consideration   | 500,000     |
| Consideration payable (Note a)   | 33,621      |
| Shares issued (Note b)   | 3,929,812   |
|  | <hr/>       |
|  | 4,463,433   |
|  | <hr/>       |
| Net cash outflow arising on acquisition:   |             |
| Bank balances and cash acquired  | 164,871     |
| Cash consideration paid  | (500,000)   |
|  | <hr/>       |
|  | (335,129)   |
|  | <hr/>       |

Notes:

- (a) Consideration payable of HK\$33,621,000 was included in payable, deposits and accrued charges and repayable within twelve months from balance sheet date.
- (b) As part of the consideration, 668,653,817 ordinary shares of the Company with par value of US\$0.05 each were issued at US\$0.753 (equivalent to HK\$5.8772) per share at the date of the Acquisition (the 'new shares'), with a total amount of HK\$3,929,812,000.

The share issue price is in excess of the market closing price of the shares issued at the amount of HK\$294,736,000 and credited to other reserve. In addition, a discount of HK\$477,640,000, which represented the excess of fair value of assets and liabilities acquired through acquisition of subsidiaries over the consideration paid or payable is deemed as capital contribution from holding company and credited to other reserve.

### 32. MAJOR NON-CASH TRANSACTIONS

As disclosed in note 31, the Company issued 668,653,817 ordinary shares to SEA with a total amount of HK\$3,929,812,000 as part of the consideration for acquiring assets and liabilities through acquisition of certain subsidiaries from SEA during the year.

During the year ended 31 December 2005, 217,693,975 shares were issued to settle the amount due to TTP of HK\$1,546,353,000.

### 33. OPERATING LEASE ARRANGEMENTS

#### The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payment under non-cancellable operating leases in respect of rented premises which fall due within one year was HK\$288,000 (2005: Nil). Leases are negotiated for a term of 1 year with fixed monthly rentals.

#### The Group as lessor

Certain of the Group's investment properties and properties under development held for sale were leased out under operating leases. Properties under development held for sale are temporarily leased.

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

|                                       | <u>2006</u><br>HK\$'000 | <u>2005</u><br>HK\$'000 |
|---------------------------------------|-------------------------|-------------------------|
| Within one year                       | 142,919                 | 878                     |
| In the second to fifth year inclusive | 292,800                 | -                       |
| After five years                      | 444,377                 | -                       |
|                                       | <u>880,096</u>          | <u>878</u>              |

One of the leases entered with tenants is subject to additional rental based on specified percentage of revenue recognised by the tenant in accordance with lease agreement over the annual minimum lease payments.

All of the properties leased out have committed tenants for the range of 1 to 20 years (2005: 1 year). The investment properties are expected to generate rental yields of 3.0% on an ongoing basis.



#### 34. CAPITAL COMMITMENT

At the balance sheet date, the Group had capital commitments in respect of the followings:

|   | <u>2006</u><br>HK\$'000 | <u>2005</u><br>HK\$'000 |
|---|-------------------------|-------------------------|
| (a) Expenditure to be incurred on properties  |                         |                         |
| Authorised but not contracted for in Hong Kong  | 349,634                 | -                       |
| Contracted for but not provided for in the consolidated financial statements in Hong Kong | 21,041                  | -                       |
| (b) Acquisition of equipments   |                         |                         |
| Contracted for but not provided for in the consolidated financial statements in the PRC   | 998                     | -                       |

#### 35. PLEDGE OF ASSETS

At 31 December 2006, the Group had the following mortgages and/or pledges over its assets to secure banking facilities granted to the Group.

- (a) Fixed and floating charges on investment properties with an aggregate carrying value of HK\$4,584,860,000 (2005: HK\$56,000,000).
- (b) Fixed and floating charges on properties under development held for sale with an aggregate carrying value of HK\$1,210,706,000 (2005: HK\$862,586,000).
- (c) Fixed and floating charges on properties under development with an aggregate carrying value of HK\$60,442,000 (2005: Nil).
- (d) Prepaid lease payments with an aggregate carrying value of HK\$581,172,000 (2005: Nil).
- (e) Bank deposits of HK\$153,487,000 (2005: Nil).
- (f) Unlisted shares of certain subsidiaries with assets principally comprised of investment properties, properties under development held for sale, properties under development and prepaid lease payments included in (a), (b), (c) and (d) above.

#### 36. RETIREMENT BENEFITS PLANS

The Group participates in a defined contribution scheme which is registered under a Mandatory Provident Fund Schemes (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance of Hong Kong in December 2000 for eligible employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees.

The employees of the Group's subsidiaries in the PRC are members of state-managed retirement benefit scheme operated by the Government of the PRC. The total cost charged to income of HK\$396,000 (2005: Nil) represents contribution payable to the scheme by the Group in respect of the current year. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

### 37. POST BALANCE SHEET EVENT

In March 2007, an indirect wholly-owned subsidiary of the Company, AGP (Wanchai) Limited, completed the purchase of the adjoining properties of an existing development project from the Government of the Hong Kong Special Administrative Region at a consideration of HK\$43,140,000.

### 38. RELATED PARTY TRANSACTIONS

Other than the acquisition of certain subsidiaries as disclosed in note 31, the Group had the following transactions with a related company, a wholly owned subsidiary of SEA, during the year:

- (a) Rental income received of HK\$1,665,000 (2005: Nil);
- (b) Management fees paid/payable of HK\$38,990,000 (2005: HK\$6,327,000) in respect of investment property and development project management services of the Group's property portfolio provided by this related company. The unsettled balance of the management fees of HK\$12,030,000 (2005: Nil) was included in payable, deposits received and accrued charges at 31 December 2006; and
- (c) On 2 March 2005, the Company acquired entire shares of Ever Reality Limited, Newsland Properties Limited, Rex Capital Development Limited, AGP Shop Limited (formerly known as TTP (BVI) Limited) and Vast Power Development Limited at a consideration of HK\$39 from TTP, the Company's former holding company which became a fellow subsidiary of the Company in November 2005.

### 39. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries, all of which are companies with limited liabilities, at 31 December 2006 are set out below.

| <u>Name of subsidiary</u>  | <u>Place/country of incorporation/operation</u> | <u>Issued and paid up share capital/registered capital</u> | <u>Issued share capital/registered capital held by the Company</u> | <u>Principal activities</u> |
|--|---|--|--|-----------------------------|
| <i>Direct subsidiary</i>   |   |  |  |                             |
| Giant Well Enterprises Limited                                     | B.V.I./Hong Kong                                | 1 ordinary share of US\$1                                  | 100  | Investment holding          |
| Grace Art Development Limited                                      | Hong Kong                                       | 1 ordinary share of HK\$1                                  | 100  | Treasury                    |
| <i>Indirect subsidiary</i>   |   |  |  |                             |
| AGP (Sha Tin) Limited<br>(formerly known as TTP (Sha Tin) Limited) | Hong Kong                                       | 1 ordinary share of HK\$1                                  | 100  | Property development        |

|   |                  |   |     |                                       |
|---|------------------|---|-----|---------------------------------------|
| AGP (Wanchai) Limited<br>(formerly known as<br>TTP (Wanchai) Limited)           | Hong Kong        | 2 ordinary shares<br>of HK\$1 each          | 100 | Property development                  |
| AGP Hong Kong Limited<br>(formerly known as<br>TTP Hong Kong Limited)           | Hong Kong        | 2 ordinary shares<br>of HK\$1 each          | 100 | Property investment                   |
| AGP (Diamond Hill) Limited<br>(formerly known as<br>TTP (Diamond Hill) Limited) | Hong Kong        | 2 ordinary shares<br>of HK\$1 each          | 100 | Property development                  |
| Wing Siu Company Limited  | Hong Kong        | 2 ordinary shares<br>of HK\$1 each          | 100 | Property investment                   |
| Handy View Company Limited  | Hong Kong        | 2 ordinary shares<br>of HK\$1 each          | 100 | Property investment                   |
| SEA Group Treasury Limited  | Hong Kong        | 10,000,000 ordinary<br>shares of HK\$1 each | 100 | Property development<br>and financing |
| Harvest Hill Limited  | Hong Kong        | 2 ordinary shares<br>of HK\$1 each          | 100 | Financing                             |
| Shinning Worldwide Limited  | B.V.I./Hong Kong | 1,000 ordinary<br>shares of<br>US\$1 each   | 55  | Property development                  |
| Sky Trend Investments Limited   | Hong Kong        | 2 ordinary shares<br>of HK\$1 each          | 100 | Property development                  |
| Concord Way Limited   | Hong Kong        | 100 ordinary shares<br>of HK\$1 each        | 100 | Property development                  |
| Sunfold Development Limited   | Hong Kong        | 1 ordinary share<br>of HK\$1                | 100 | Property development                  |
| Chengdu Huashang House<br>Development Co., Ltd.                                 | PRC              | RMB136,000,000<br>registered capital        | 100 | Property investment                   |
| Guangzhou Yingfat House<br>Property Development Co., Ltd.                       | PRC              | US\$20,110,000<br>registered capital        | 100 | Property development                  |

The directors are of the opinion that a complete list of the particulars of all subsidiaries of the Group will be of excessive length and therefore the above list contains only the particulars of subsidiaries which principally affect the results or assets of the Group.

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