THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Macau Prime Properties Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

澳門祥泰地產集團有限公司*

MACAU PRIME PROPERTIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 199)

MAJOR TRANSACTION
IN RELATION TO
AN ACQUISITION OF INTEREST IN A HOTEL IN MACAU

Financial adviser to Macau Prime Properties Holdings Limited

SOMERLEY LIMITED

A notice convening the special general meeting of Macau Prime Properties Holdings Limited to be held at Conference Room, 11/F., Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Friday, 5th January, 2007 at 11:00 a.m. is set out on pages 251 to 252 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of Macau Prime Properties Holdings Limited in Hong Kong, Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

* *For identification purpose only*

7th December, 2006

CONTENTS

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

"Acquisition Agreement"	the acquisition agreement dated 6th October, 2006 entered into among the Vendors, Vendor Guarantors and More Profit in relation to the sale and purchase of, in aggregate, 50% interest in Great China
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	a day (other than Saturday and any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon or on which a "black" rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which the banks are open for business in Hong Kong and Macau
"BVI"	the British Virgin Islands
"Casino"	the casino situated in the casino block within Grand Waldo Hotel complex
"CCL"	Carnival Club Limited, a commercial company incorporated in Macau with limited liability by quotas (i.e. shares)
"Company"	Macau Prime Properties Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Subscription Agreement
"Concordia"	聯生發展股份有限公司 (Empresa De Fomento Industrial E Comercial Concórdia, S.A.), a company incorporated in Macau
"Concordia Acquisition"	the acquisition of 77.1% of the registered share capital of Concordia and certain loan and interest accrued by 新聯盟投資有限公司 (San Lun Mang Investimentos, Limitada) pursuant to the agreement dated 25th October, 2005 entered into between 新興中發展有限公司 (Sociedade de Desenvolvimento San Heng Chong, Limitada) (for itself and on behalf of other vendors) and 新聯盟投資有限公司 (San Lun Mang Investimentos, Limitada)

"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Dr. Chan"	Dr. Chan Kwok Keung, Charles, the controlling shareholder of ITC
"Dr. Chan's Undertaking"	the undertaking dated 6th October, 2006 entered into among Dr. Chan, More Profit and Group Success
"Dragon Rainbow"	Dragon Rainbow Limited, an investment holding company incorporated in BVI with limited liability, a wholly-owned subsidiary of the Company
"Everight"	Everight Investment Limited, a company incorporated in Hong Kong with limited liability
"Everight Acquisition"	the acquisition of the entire issued share capital of Everight and certain loans by the Group as disclosed in the Everight Circular
"Everight Circular"	the circular of the Company dated 26th April, 2006 in respect of, among others, the Everight Acquisition
"Everight Group"	Everight and its subsidiaries
"Fast Profit"	Fast Profit Investments Limited, a company incorporated in BVI with limited liability
"Gainventure"	Gainventure Holdings Limited, a company incorporated in BVI with limited liability, a wholly-owned subsidiary of Get Nice
"Get Nice"	Get Nice Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
"Grand Waldo Hotel"	the hotel complex now erected on the Land
"Great China"	Great China Company Limited, a commercial company incorporated in Macau with limited liability by quotas
"Great China Group"	Great China and its subsidiaries, namely GWHL and CCL
"Group"	the Company and its subsidiaries

"Group Success"	Group Success International Limited, a company incorporated in BVI with limited liability and wholly and beneficially owned by Mr. Cheung
"GWHL"	Grand Waldo Hotel Limited, a commercial company incorporated in Macau with limited liability by quotas (i.e. shares)
"Hanny"	Hanny Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
"HK GAAP"	generally accepted accounting principles applicable in Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"ITC"	ITC Corporation Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
"Land"	the parcel of land held by Great China by way of Land Lease Concession situated at Sul da Marina Taipa-Sul Junto à Rotunda do Dique Oeste, Macau (with a total site area of approximately 36,640 m^2) and identified as "A1" in the cadastral plan no. 5284/1996 issued by the Macau Cartography and Cadastre Bureau on 31st October, 2003 and registered with the Real Estate Registry of Macau under no. 23132 and on which Grand Waldo Hotel is erected
"Land Lease Concession"	the land lease concession under which the Land is held and granted by the Government of Macau to Great China for an initial term of 25 years commencing from 12th May, 2004 with a right of renewal for successive terms of not exceeding 10 years each until 19th December, 2049 subject to and upon the terms contained therein
"Latest Practicable Date"	4th December, 2006, being the latest practicable date for ascertaining certain information for inclusion in this circular
"Lease"	the tenancy agreement to be entered into between Great China as landlord and GWHL as lessee for the leasing of Grand Waldo Hotel for a term of five years at an annual rental of HK$200 million
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	the Macau Special Administrative Region of the PRC

"Minimum Rental Income Guarantee"	the deed of minimum rental income guarantee to be entered into at completion of the Acquisition Agreement by Fast Profit and GWHL as guarantors in favour of More Profit by which the guarantors will guarantee to More Profit that the rental income derived from the leasing of Grand Waldo Hotel for the 5 years following completion of the Acquisition Agreement will not be less than HK$200 million per annum
"More Profit"	More Profit International Limited, a company incorporated on 25th August, 2006 in BVI with limited liability
"Mr. Cheung"	Mr. Cheung Chung Kiu
"Mr. Hung"	Mr. Hung Hong Man, the controlling shareholder of Get Nice
"Mr. Hung's Undertaking"	the undertaking dated 6th October, 2006 entered into among Mr. Hung, Dragon Rainbow and Group Success in relation to the transactions contemplated under the Acquisition Agreement and the Subscription Agreement
"Orient Town"	Orient Town Limited, a company incorporated in Hong Kong with limited liability
"Orient Town Acquisition"	the acquisition of 40% of the issued share capital of Orient Town by the Group as disclosed in the Orient Town Circular
"Orient Town Circular"	the circular of the Company dated 29th May, 2006 in respect of, among others, the Orient Town Acquisition
"Orient Town Group"	Orient Town and its subsidiaries
"PRC"	the People's Republic of China, excluding Hong Kong, Macau and Taiwan for the purpose of this circular
"Sale Loans"	the interest-free, unsecured shareholder's loans due by Great China to Fast Profit and Topmore respectively, in aggregate representing 50% of the Vendors' Loan
"Sale Shares"	the 29% interest held by Fast Profit and 21% interest held by Topmore in the issued share capital of Great China to be acquired by More Profit pursuant to the Acquisition Agreement

"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, to approve, by way of poll, the Subscription Agreement and the transactions contemplated thereunder, the notice of which is set out on pages 251 to 252 of this circular, or any adjournment thereof
"Share(s)"	share(s) of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholders' Agreement"	the shareholders' agreement in respect of More Profit to be entered into among Gainventure, Dragon Rainbow, Group Success and More Profit on Completion
"Shareholder's Loan"	the maximum aggregate amount of shareholder's loans which Dragon Rainbow will be obligated to advance to More Profit under the Shareholders' Agreement, which based on the maximum estimated consideration payable by More Profit under the Acquisition Agreement would amount to approximately HK$500 million
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscribers"	Dragon Rainbow and Group Success
"Subscription"	the subscription of the Subscription Shares
"Subscription Agreement"	the subscription agreement dated 6th October, 2006 entered into among More Profit, Dragon Rainbow, Group Success, Get Nice, the Company and Mr. Cheung in relation to the Subscription
"Subscription Shares"	a total of 5,000 new shares in More Profit, as to 4,000 shares thereof to be allotted and issued to Dragon Rainbow and as to 1,000 shares thereof to be allotted and issued to Group Success upon Completion
"Topmore"	Topmore Limited, a company incorporated in BVI with limited liability
"Vendors"	Fast Profit and Topmore

"Vendor Guarantors"	Mr. Cheng Kwee and Mr. Yeung Chi Hang
"Vendors' Loan"	the aggregate outstanding amount due from Great China to Fast Profit and Topmore as at completion of the Acquisition Agreement
"2005 August Note"	the zero coupon convertible notes due 2010 in the aggregate principal amount of HK$1,000 million issued by the Company on 11th August, 2005, details of which were set out in the circular of the Company dated 23rd May, 2005
"2005 February Note"	the 2% convertible notes due 2008 in the aggregate principal amount of HK$100 million issued by the Company on 23rd February, 2005, details of which were set out in the circular of the Company dated 6th January, 2005
"2006 Note"	the 1% convertible notes due 2011 in the aggregate principal amount of HK$1,000 million issued by the Company on 15th June, 2006, details of which were set out in the circular of the Company dated 22nd May, 2006
"HK$" or "HKD"	Hong Kong dollar, the lawful currency of Hong Kong
"MOP"	Macau Pataca, the lawful currency of Macau
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollar, the lawful currency of the United States of America
"%"	per cent.
"m^2" or "sq.m."	square metre(s)
"sq.ft."	square feet

Unless otherwise specified, translations of MOP into HK$, RMB into HK$ and US$ into HK$ are based on the rates set out below for illustrative purpose:

MOP 1.03	=	*HK$1*
RMB 1.04	=	*HK$1*
US$1	=	*HK$7.8*

澳門祥泰地產集團有限公司*
MACAU PRIME PROPERTIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 199)

Executive Directors:
Mr. Cheung Hon Kit *(Chairman)*
Mr. Chan Fut Yan *(Managing Director)*
Mr. Cheung Chi Kit
Mr. Lai Tsan Tung, David

Non-executive Directors:
Mr. Ho Hau Chong, Norman *(Deputy Chairman)*
Mr. Lo Lin Shing, Simon

Independent non-executive Directors:
Mr. Wong Chi Keung, Alvin
Mr. Kwok Ka Lap, Alva
Mr. Chui Sai Cheong

Registered office:
Clarendon House
Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
29/F., Paul Y. Centre
51 Hung To Road
Kwun Tong
Kowloon
Hong Kong

7th December, 2006

To the Shareholders, and for information only, holders of convertible notes of the Company,

Dear Sir or Madam,

**MAJOR TRANSACTION
IN RELATION TO
AN ACQUISITION OF INTEREST IN A HOTEL IN MACAU**

INTRODUCTION

On 6th October, 2006, Dragon Rainbow, an indirect wholly-owned subsidiary of the Company, entered into the Subscription Agreement with More Profit to subscribe for 4,000 Subscription Shares, representing 40% of the issued share capital of More Profit as enlarged by the Subscription Shares, at US$1 each, being the par value of the Subscription Shares. In addition, Dragon Rainbow also agreed to contribute to More Profit the Shareholder's Loan. More Profit has entered into the Acquisition Agreement to acquire 50% interest in Great China, which is the owner of the Land and Grand Waldo Hotel.

The Subscription, having taken into account the Shareholder's Loan, constitutes a major transaction for the Company under Chapter 14 of the Listing Rules which requires the approval by the Shareholders at the SGM. The SGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Subscription Agreement and the transactions contemplated thereunder. In view of the fact that Dr. Chan undertakes to,

* *For identification purpose only*

among others, assume all duties and obligations of Dragon Rainbow as a subscriber under the Subscription Agreement pursuant to Dr. Chan's Undertaking, Hanny, being an associate of Dr. Chan and a Shareholder holding approximately 15.40% interest in the Company, will abstain from voting at the SGM.

The purpose of this circular is to provide you with, among other things, further information on the Subscription Agreement, information relating to the Group, More Profit, Great China and Grand Waldo Hotel, the notice of the SGM and other information as required under the Listing Rules.

THE SUBSCRIPTION AGREEMENT

Date: 6th October, 2006

Issuer: More Profit, a company incorporated in BVI with limited liability, is a special purpose vehicle established solely for the acquisition of interest in Great China and has not carried on any other business since its incorporation.

As at the Latest Practicable Date, More Profit was wholly owned by Gainventure, a wholly-owned subsidiary of Get Nice. Save for being a party to the Subscription Agreement, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, More Profit and its ultimate beneficial owner, and Get Nice and its controlling shareholder, are independent of the Company and its connected persons and are not connected persons of the Company.

Subscribers:

(i) Dragon Rainbow, a wholly-owned subsidiary of the Company; and

(ii) Group Success, a company wholly and beneficially owned by Mr. Cheung. Save for being a party to the Subscription Agreement, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Group Success and Mr. Cheung are independent of the Company and its connected persons and are not connected persons of the Company.

Warrantors:

(i) Get Nice, as warrantor for More Profit to guarantee the due observance and performance by More Profit of all the agreements, obligations, commitments and undertakings contained in the Subscription Agreement on the part of More Profit;

(ii) the Company, as warrantor for Dragon Rainbow to guarantee the due observance and performance by Dragon Rainbow of all the agreements, obligations, commitments and undertakings contained in the Subscription Agreement on the part of Dragon Rainbow; and

(iii) Mr. Cheung, as warrantor for Group Success to guarantee the due observance and performance by Group Success of all the agreements, obligations, commitments and undertakings contained in the Subscription Agreement on the part of Group Success.

The Subscription

Dragon Rainbow agreed to subscribe for, and More Profit agreed to allot and issue to Dragon Rainbow, upon Completion, 4,000 Subscription Shares in More Profit at US$1 each (being the par value of the Subscription Shares), representing 40% of the issued share capital of More Profit as enlarged by the Subscription Shares. The Subscription will be financed by internal resources of the Group.

Group Success agreed to subscribe for, and More Profit agreed to allot and issue to Group Success, upon Completion, 1,000 Subscription Shares in More Profit at US$1 each, representing 10% of the issued share capital of More Profit as enlarged by the Subscription Shares.

Upon Completion, the Subscription Shares shall be allotted and issued as fully paid-up free from all encumbrances and rank pari passu with all the shares in More Profit then in issue together with all rights and benefits at any time thereafter accruing thereto including the right to dividends or distributions made or declared on or after the date of Completion.

Immediately after Completion, More Profit will be owned as to 50% by Gainventure, 40% by Dragon Rainbow and 10% by Group Success.

The Shareholder's Loan

Each of the Subscribers undertakes to advance to More Profit, in accordance with their respective percentage shareholdings in More Profit, loans to pay the consideration under the Acquisition Agreement, which based on the audited financial statements of Great China as at 31st August, 2006 was approximately HK$897 million, subject to adjustments based on completion accounts of Great China. Dragon Rainbow and Group Success have paid on 9th October, 2006 a deposit of HK$80 million and HK$20 million respectively to More Profit, which shall on Completion be applied as part of the shareholders' loans to be contributed by Dragon Rainbow and Group Success respectively in accordance with the Shareholders' Agreement.

Based on the estimated consideration under the Acquisition Agreement of approximately HK$897 million and taking into account the HK$80 million paid by Dragon Rainbow, Dragon Rainbow will be obliged to extend to More Profit a further sum of approximately HK$278.8 million, or a maximum sum of approximately HK$420 million in the event that the Land and Grand Waldo Hotel are the only assets of Great China upon completion of the Acquisition Agreement. The remaining sum of the consideration under the Acquisition Agreement will be satisfied by Group Success and Gainventure by way of shareholders' loans to be advanced according to their respective percentage shareholdings in More Profit.

The Shareholder's Loan will be financed by internal resources of the Group.

According to the Shareholders' Agreement, the Shareholder's Loan shall carry interest at prime rate, being the best lending rate for Hong Kong dollars as quoted by The Hongkong and Shanghai Banking Corporation Limited, from the date of advance. The shareholders' loans have no fixed repayment date and no shareholders of More Profit shall demand repayment of the shareholders' loans unless repayment is approved by the board of directors of More Profit and is made on a pro-rata basis according to the amount outstanding to each shareholder.

Pursuant to the Shareholders' Agreement, except for the shareholders' loans to be contributed for completion of the Acquisition Agreement, shareholders of More Profit will have no further obligation to fund the operation of More Profit.

Conditions precedent

The Subscription is conditional on:

(a) the passing of the necessary resolutions by the shareholders (or, where so required by the Listing Rules or the Stock Exchange, independent shareholders) of Get Nice at a special general meeting of Get Nice approving the Subscription Agreement and the Acquisition Agreement, and the transactions contemplated thereunder, in compliance with the Listing Rules;

(b) the passing of the necessary resolution by the Shareholders (or, where so required by the Listing Rules or the Stock Exchange, independent Shareholders) at the SGM approving the Subscription Agreement and the transactions contemplated thereunder, in compliance with the Listing Rules;

(c) the due diligence investigation to be carried out on Great China pursuant to the Acquisition Agreement and the due diligence report produced therefrom being satisfactory to Dragon Rainbow in all material respects;

(d) without prejudice to the rights of the Subscribers in respect of any breach, the representations, warranties and undertakings by More Profit under the Subscription Agreement remaining true and accurate and not misleading in any material respects at Completion as if repeated at Completion and at all times between the date of the Subscription Agreement and Completion;

(e) there shall exist no circumstances or conditions which would in the reasonable opinion of Dragon Rainbow materially adversely affect (or potentially do so) More Profit, its business or prospects;

(f) all necessary statutory, governmental and regulatory consents, authorisations or other approvals and requirements (or, as the case may be, the relevant waiver) of any kind in connection with the entering into and performance of the terms of the Subscription Agreement and the transactions contemplated thereunder having been obtained and complied with, including those under the Listing Rules;

(g) the obtaining of all consents from other third parties which are necessary or desirable in connection with the execution and performance of the Subscription Agreement and any of the transactions contemplated under the Subscription Agreement; and

(h) there being no material breach by the Vendors under the Acquisition Agreement and no circumstances or conditions which suggest that the conditions precedent under the Acquisition Agreement cannot be fulfilled.

Dragon Rainbow (for itself and on behalf of Group Success as Group Success authorised) may waive any of the conditions (c) to (h) set out above. None of the parties to the Subscription Agreement may waive conditions (a) and (b) unless Gainventure shall cease to be a subsidiary of Get Nice, in which event condition (a) shall be deemed waived by all parties to the Subscription Agreement.

As at the Latest Practicable Date, none of the above conditions has been fulfilled.

Completion

Completion is not conditional on completion of the Acquisition Agreement. Completion shall take place on the third Business Day after fulfilment or waiver (as the case may be) of the above conditions. If the conditions set out above are not fulfilled in all respects on or before 26th January, 2007 (or such later date as the parties may agree in writing) and conditions (d), (e) and (h) remain fulfilled as at the date of Completion and not waived, the obligations of the parties under the Subscription Agreement shall forthwith cease to be of any effect and none of them shall have any right to damages or reimbursement for any costs and expenses that may have incurred in connection with the Subscription Agreement, provided that More Profit shall forthwith refund to the Subscribers the deposits paid by the Subscribers without interest.

The Shareholders' Agreement

On Completion, Gainventure, Dragon Rainbow, Group Success and More Profit shall enter into the Shareholders' Agreement to govern the management and control of More Profit. Pursuant to the Shareholders' Agreement, the board of directors of More Profit, upon Completion, will consist of a maximum of three directors, with each of Gainventure, Dragon Rainbow and Group Success having the right to nominate and appoint one director. The quorum for meetings of the board of directors of More Profit shall be the presence of at least one director appointed by each of Gainventure and Dragon Rainbow. In addition, significant events, among other things, alteration of share capital or dividend policy, further acquisition of any real estate assets or shares in other companies will require unanimous consent from all shareholders of More Profit. In view of the above, the Board considers that although the representation of Dragon Rainbow on the board of directors of More Profit is not in proportion to its percentage shareholding in More Profit, Dragon Rainbow's interest in More Profit is sufficiently safeguarded.

THE UNDERTAKINGS

I. MR. HUNG'S UNDERTAKING

Date: 6th October, 2006

Parties: (i) Mr. Hung, the covenantor and the controlling shareholder of Get Nice;

(ii) Dragon Rainbow; and

(iii) Group Success.

Principal terms of the Undertaking:

Mr. Hung warrants and undertakes to the Subscribers that if Get Nice fails to obtain the necessary consent and approval of its shareholders in respect of the transaction contemplated under the Acquisition Agreement or the Subscription Agreement, he shall:

(i) procure the transfer of the interests of Gainventure in More Profit from Gainventure to himself or his affiliate (as defined in the Subscription Agreement) forthwith and proceed to enter into the Shareholders' Agreement with the Subscribers upon Completion; and

(ii) take up and assume all the duties and obligations of Get Nice in the Subscription Agreement as if he was a party therein in the place of Get Nice.

II. DR. CHAN'S UNDERTAKING

Date: 6th October, 2006

Parties: (i) Dr. Chan, the covenantor and the controlling shareholder of ITC;

(ii) More Profit; and

(iii) Group Success.

Principal terms of Dr. Chan's Undertaking:

Dr. Chan warrants and undertakes to More Profit and Group Success that if the Shareholders' approval in respect of the Subscription Agreement and transactions contemplated thereunder cannot be obtained at the SGM, Dr. Chan or its nominee shall:

(i) assume all duties and obligations of Dragon Rainbow under the Subscription Agreement as if he or its nominee was a party therein in the place of Dragon Rainbow; and

(ii) enter into the Shareholders' Agreement upon Completion.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, Dr. Chan was the controlling shareholder of ITC, which in turn was the controlling shareholder of Hanny, which in turn was indirectly interested in approximately 15.40% in the issued share capital of the Company.

INFORMATION ON MORE PROFIT

More Profit is incorporated in BVI with limited liability. It is a special purpose vehicle established solely for the acquisition of interest in Great China and has not carried on any other business since its incorporation. No financial statements for More Profit has been prepared. Upon Completion, More Profit will be accounted for as an associated company of the Company in accordance with the HK GAAP.

Set out below is the audited financial information on More Profit as at 31st October, 2006:

	As at 31st October 2006 *HK$'000*
Non-current assets	
Deposit paid for the acquisition of an interest in a jointly-controlled entity	200,000
Other deposit	200
	200,200
Current liabilities	
Loan from an immediate holding company	100,167
Other payables	100,000
	200,167
Net current liabilities	200,167
Net assets	33
Capital and reserve	
Share capital	39
Accumulated loss	(6)
	33

The accountants' report of More Profit is set out in Appendix IV to this circular.

THE ACQUISITION AGREEMENT

Date: 6th October, 2006

Vendors: (i) Fast Profit, a company incorporated in BVI with limited liability in which Mr. Cheng Kwee and Mr. Yeung Chi Hang together have control. Fast Profit is an investment holding company, the principal asset of which is its interest in Great China; and

(ii) Topmore, a company incorporated in BVI with limited liability, is a wholly-owned subsidiary of Fast Profit. Topmore is an investment holding company, the principal asset of which is its interest in Great China.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Vendors and their ultimate beneficial shareholders were independent of the Company and its connected persons and were not connected persons of the Company.

Purchaser: More Profit.

Guarantors: Mr. Cheng Kwee and Mr. Yeung Chi Hang, both acting as Vendor Guarantors to guarantee, in favour of More Profit, the performance of the Vendors' obligations to More Profit under the Acquisition Agreement.

Assets to be acquired

Pursuant to the Acquisition Agreement, Fast Profit and Topmore have agreed to sell and, More Profit has agreed to acquire (i) 29% and 21% in the issued share capital of Great China from Fast Profit and Topmore respectively; and (ii) the interest-free, unsecured shareholders' loans due by Great China to Fast Profit and Topmore respectively, which in aggregate represents 50% of the Vendors' Loan, the exact amount of which will be determined upon completion of the Acquisition Agreement. As at 31st August, 2006, the Vendors' Loan amounted to approximately HK$1.1 billion.

As at the Latest Practicable Date, Great China was owned as to 79% by Fast Profit and as to 21% by Topmore. Upon completion of the Acquisition Agreement, Great China will be owned as to 50% by Fast Profit and as to 50% by More Profit. As at the Latest Practicable Date, the principal assets of Great China included the Land, Grand Waldo Hotel and the 100% beneficial interest in GWHL and CCL.

The Land has a total area of approximately 36,640 m^2 and is situated at Sul da Marina Taipa-Sul Junto à Rotunda do Dique Oeste, Macau with Grand Waldo Hotel erected thereon. Based on the representation of the Vendors, Grand Waldo Hotel is a five-star hotel complex. GWHL is engaged in the operation and management of Grand Waldo Hotel, and CCL is engaged in the operation of Grand Waldo Spa located within Grand Waldo Hotel. Further information on Great China and Grand Waldo Hotel is set out below under the sections headed "Information on Great China" and "Information on Grand Waldo Hotel" respectively.

Pursuant to the Acquisition Agreement, the Vendors shall procure, prior to completion of the Acquisition Agreement, the restructuring of Great China to (i) dispose of its entire interest in GWHL and CCL (to Fast Profit or its affiliates as the Vendors presently intended) at net book value; and (ii) discharge and settle all liabilities (if any) due from associated companies of the Vendors to and from Great China. More Profit is also entitled to the right to require Great China to dispose of any assets that More Profit considers redundant. Upon completion of the restructuring of Great China, its assets will principally comprise the Land and Grand Waldo Hotel. To the best of the Directors' knowledge, information and belief, the restructuring is in progress and is expected to be completed on or before 26th January, 2007, being the longstop date of the Acquisition Agreement.

The Vendors have warranted and undertaken to indemnify More Profit and Great China for any liabilities of Great China, actual or contingent, up to completion of the Acquisition Agreement save for those that would have been accounted for in the completion accounts of Great China.

Lease

Upon completion of the Acquisition Agreement, Great China will enter into the Lease with GWHL to let Grand Waldo Hotel (except such premises or facilities that Great China has let pursuant to any subsisting tenancy agreements that Great China has entered into with other tenants or any further tenancy agreements which Great China may with the prior consent of More Profit enter into prior to completion of the Acquisition Agreement, principally intended to cover the Casino which is now let to Galaxy Casino S.A., shops and restaurants but subject to final status on completion of the Acquisition Agreement) to GWHL for a term of five years at an annual rental of HK$200 million (inclusive of the rental payable to Great China under other tenancy agreements) payable by equal monthly instalments. More Profit will not be responsible for the management and operation of Grand Waldo Hotel and will only be entitled to the annual rental of HK$100 million attributable to its 50% interest in Great China.

The annual rental was agreed between the Vendors and More Profit after arm's length negotiations and having considered:

– the existing rental income received and receivable by Great China from the independent third party tenants of the shopping arcade and the Casino of approximately HK$11 million per month;

– the Minimum Rental Income Guarantee safeguarding the return to More Profit; and

– the future potential of capital appreciation of Grand Waldo Hotel.

The terms and conditions of the Lease provide that GWHL shall comply with all legislation in relation to Grand Waldo Hotel (except for the facilities and premises Great China have let to other tenants) and the conduct of business therein and to maintain or procure to maintain the licenses, consents and approval required for the conduct of the business therein (including without limitation, the hotel, the spa and the entertainment business). GWHL has also undertaken to indemnify Great China in respect of any breach of the terms of the Lease and Great China is also entitled to terminate the Lease if GWHL shall be in breach of any of the terms and conditions therein. The compliance of all legislation in relation to the operation of business in other parts of Grand Waldo Hotel (including the Casino) not covered by the Lease remains the responsibilities of the tenants thereof according to the tenancies they entered or to be entered into with Great China. In the event that any tenant is in breach of any rules or regulations of its business operations after entering into tenancy agreements with Great China, Great China is entitled to terminate its tenancy.

As confirmed by the Vendors, all necessary licences, including hotel licence, spa licence and casino licence, to operate the existing businesses in Grand Waldo Hotel have been obtained by the respective operators.

Minimum Rental Income Guarantee

On completion of the Acquisition Agreement, Fast Profit and GWHL will also enter into a Minimum Rental Income Guarantee in favour of More Profit.

Pursuant to the Minimum Rental Income Guarantee, Fast Profit and GWHL will jointly and severally guarantee to More Profit that for the period of 5 years immediately after completion of the Acquisition Agreement, the aggregate net rental income received by Great China for the leasing of Grand Waldo Hotel (whether by GWHL or by Great China with other tenants direct) will not be less than HK$200 million per annum. Should the annual rental received by Great China fall short of HK$200 million, Fast Profit and GWHL shall pay Great China the amount equivalent to such shortfall in cash in accordance with the terms of the Minimum Rental Income Guarantee.

Fast Profit and GWHL also undertake to pay, on account of any shortfall which Fast Profit and GWHL are liable to pay pursuant to the Minimum Rental Income Guarantee, an amount equivalent to any arrears of the monthly rental payable by the tenants of Grand Waldo Hotel no later than the 5th calendar day of the next month.

Having considered the bases for determining the rental under the Lease and guaranteed rental under the Minimum Rental Income Guarantee, the Directors consider the rental under the Lease fair and reasonable.

Consideration

The aggregate consideration for the 50% interest in Great China and the corresponding portion of the Vendors' Loan, based on the audited financial statements of Great China as at 31st August, 2006, was estimated to be approximately HK$897 million. The aggregate consideration is calculated based on 50% of the sum of:

(i) the aggregate value of the Land and Grand Waldo Hotel of HK$2.5 billion agreed between the Vendors and More Profit. The aggregate value was arrived at with reference to an aggregate value of the Land and Grand Waldo Hotel of HK$3.0 billion on 30th September, 2006 provided by an independent valuer, CB Richard Ellis Limited; and

(ii) the value of cash and other assets (excluding the Land and Grand Waldo Hotel and Great China's interest in GWHL and CCL) less the aggregate liabilities of Great China (excluding the Vendors' Loan).

The exact amount of the consideration under the Acquisition Agreement is to be determined on completion of the Acquisition Agreement based on the completion accounts of Great China. In the event that the net asset value of Great China varies from the estimated amount as at completion of the Acquisition Agreement, the aggregate consideration will be adjusted accordingly.

In the event that Great China has disposed of all its assets and settled all its liabilities prior to completion of the Acquisition Agreement, the Land and Grand Waldo Hotel will be the only assets of Great China. Accordingly, the maximum consideration for More Profit to acquire the 50% interest in Great China and the corresponding portion of the Venders' Loan will amount to HK$1.25 billion.

Having considered the bases for determining the consideration under the Acquisition Agreement and the payment terms, the Directors consider the consideration fair and reasonable.

Conditions precedent

Completion of the Acquisition Agreement is conditional on:

(a) the obtaining by More Profit of:

  (1) a legal opinion issued by a law firm qualified to practise in the laws of Macau and acceptable to More Profit on the Sale Interests (as defined below) and confirming that, among others, the sale and purchase of the Sale Shares and the Sale Loans (collectively the "Sale Interests") under the Acquisition Agreement shall in no way cause any of the current business or ownership arrangements relating to any member of Great China (including Great China) group or in relation to the operations of Great China or any member of Great China group to be cancelled, terminated or amended in any material manner; and

  (2) a legal opinion issued by a law firm qualified to practise in the laws of Macau confirming, among other things, the due establishment of Great China and that it is in good standing;

  which shall be in form and substance satisfactory to More Profit;

(b) the due diligence investigation to be carried out pursuant to the Acquisition Agreement and the due diligence report produced therefrom being satisfactory to More Profit in all respects;

(c) the implementation of the restructuring of Great China to the satisfaction of More Profit;

(d) the obtaining by Get Nice and other potential investors of More Profit of all necessary consents, authorisations or other approvals (or, as the case may be, the relevant waiver) of any kind in connection with the entering into and performance of the Acquisition Agreement and the transactions contemplated thereunder under the Listing Rules from the Stock Exchange or any regulatory authority or under any existing contractual arrangements of any member of Great China group (including without limitation the Land Lease Concession, if applicable);

(e) the obtaining of external financing from bank or financial institutions by Great China in the amount of not less than HK$1.2 billion and not more than HK$1.5 billion on terms satisfactory to More Profit and the necessary loan documentation on terms acceptable to More Profit having been signed by Great China and the lending bank or financial institution such that such loan may be drawdown by Great China at any time after completion of the Acquisition Agreement;

(f) each of Fast Profit and Topmore has complied with and performed all its covenants, obligations and undertakings contained in the Acquisition Agreement that are due to be complied with and performed as at completion of the Acquisition Agreement; and

(g) More Profit being satisfied that all the warranties contained in the Acquisition Agreement are true and correct in all material respects as at completion of the Acquisition Agreement by reference to the facts and circumstances subsisting as at that date.

The external financing of HK$1.2 billion to HK$1.5 billion under condition (e) above is intended to be used to settle firstly external bank loans due by Great China and then shareholder's loans due by Great China to More Profit and Fast Profit, which upon completion of the Acquisition Agreement should amount to approximately HK$1.1 billion based on the amount of the Vendors' Loan as per the audited financial statements of Great China as at 31st August, 2006. Such arrangement was agreed between the Vendors and More Profit in order to cap the cash outlay of More Profit.

More Profit may waive any or all of the conditions stated above at any time before 26th January, 2007 (or any other date as the parties to the Acquisition Agreement may agree in writing) by notice in writing to the Vendors. None of the above conditions can be waived by the Vendors. If the conditions have not been fulfilled or waived by More Profit on or before 26th January, 2007 (or any other date as the parties to the Acquisition Agreement may agree in writing), the Acquisition Agreement shall lapse and have no effect and no party to the Acquisition Agreement shall have any claim against the others save for claim (if any) in respect of any antecedent breach thereof.

Completion

Completion of the Acquisition Agreement is not conditional on Completion. Completion of the Acquisition Agreement shall take place on the third Business Day following the satisfaction or (if applicable) waiver of the last in time to be satisfied of the conditions which date must be on or before 31st January, 2007 (or such other date as the parties to the Acquisition Agreement may agree in writing).

Upon completion of the Acquisition Agreement, Fast Profit, More Profit and Great China shall enter into a shareholders' agreement to govern the management and control of Great China.

INFORMATION ON GREAT CHINA

Great China was incorporated on 20th May, 2003 in Macau with limited liability by quotas. As at the Latest Practicable Date, Great China was owned as to 79% by Fast Profit and as to 21% by Topmore. Upon completion of the Acquisition Agreement, Great China will be owned as to 50% by each of More Profit and Fast Profit.

GWHL and CCL are the only subsidiaries of Great China. GWHL carries on business as hotel operator to operate and manage the hotel portion of Grand Waldo Hotel for Great China. CCL carries on business under the trade name of "Grand Waldo Spa" to operate and manage the Grand Waldo Spa located within Grand Waldo Hotel. Great China is the lawful sole grantee of the Land Lease Concession granted by the Government of Macau and the registered owner of the Land and the owner of Grand Waldo Hotel now constructed on the Land.

Set out below is the audited financial information of Great China (excluding Great China's interest in GWHL and CCL) for the period from 1st January, 2006 to 31st August, 2006, prepared in accordance with the HK GAAP:

	For the period from 1st January, 2006 to 31st August, 2006 *MOP million*
Turnover *(Note 1)*	57.9
Profit before taxation	1,437.7
Profit after taxation	1,270.4

	As at 31st August, 2006 *MOP million*
Total assets *(Note 2)*	3,151.9
Net assets	1,269.5

Notes:

1. Turnover was made up of rental income generated from the tenancies entered into by Great China with tenants.

2. Total assets principally comprise the Land and Grand Waldo Hotel.

As disclosed in the accountant's report on Great China in Appendix V to this circular, Great China has not prepared consolidated financial information in accordance with the requirements of Hong Kong Accounting Standard 27 "Consolidated and separate financial statements" ("HKAS 27") issued by the Hong Kong Institute of Certified Public Accountants because (i) Great China Group has only commenced its operation in around late May this year and its management does not consider it meaningful to have the results of Great China Group consolidated as it will not reflect a true and fair view of the status of operation of Great China Group; and (ii) the subject of the Acquisition does not include the subsidiaries of Great China (namely GWHL and CCL). Since the evidence available to Deloitte Touche Tohmatsu, the independent reporting accountants, was limited and it is impracticable for them to carry out auditing procedures relating to the subsidiaries of Great China and prepare the financial information of Great China Group in accordance with HKAS 27. Please refer to Appendix V to this circular for further information regarding the qualified opinion of the independent reporting accountants.

The Directors (including the independent non-executive Directors) are of the view that the consolidation of the financial information of Great China Group would not provide any meaningful information, and the dispensation of it would not prevent the Shareholders and potential investors of the Company from making an informed decision on the Subscription. In addition, the Board considers that it is not justifiable to perform extra work and incur additional cost for the consolidation of the financial information of Great China Group for the following reasons:

(a) Great China will only be, upon Completion and completion of the Acquisition Agreement, treated as a jointly-controlled entity of More Profit (which will become an associated company of the Company after Completion) and its financial results will only be equity accounted for in the financial statements of More Profit; and

(b) following the restructuring of Great China, GWHL and CCL will be disposed of and the Property will remain the principal non-current tangible asset of Great China.

After completion of the Acquisition Agreement, the sole source of income of Great China will be the rental pursuant to the Lease and any other tenancies entered into by Great China direct with other tenants. After completion of the Acquisition Agreement and Completion, Great China will be accounted for as an associated company of the Company in accordance with the HK GAAP.

INFORMATION ON GRAND WALDO HOTEL

Grand Waldo Hotel is located at Sul da Marina Taipa-Sul Junto à Rotunda do Dique Oeste, Macau. The construction of Grand Waldo Hotel was completed in May 2006 and was inaugurated on 29th September, 2006. Based on the representation of the Vendors, Grand Waldo Hotel is destined a five-star hotel. Grand Waldo Hotel is divided into four portions namely, the hotel block (operating under the name "Grand Waldo Hotel"), the casino block, the leisure block and the car park) with a total gross floor area of approximately 105,258 m^2. The total buildable area of Grand Waldo Hotel is approximately 134,000 m^2.

The main sources of income of Grand Waldo Hotel are income from the operations of the hotel business at the hotel block and rental income from tenants which occupy the casino block. The Casino is now operated by Galaxy Casino S.A. According to a legal opinion issued by a Macau lawyer, Galaxy Casino S.A. has been awarded by the

Government of Macau a gaming concession contract to operate casinos in Macau and has obtained the necessary approvals and authorisations to legally operate casino business in the Casino. The gaming concession is for a period of twenty years from 27th June, 2002. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, none of the tenants of Grand Waldo Hotel or operator of the Casino is a connected person of the Company.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries with a Macau lawyer, More Profit will not be or deemed to be in operation of the Casino after completion of the Acquisition Agreement. The Macau lawyer also confirms that given Great China does not operate the Casino, Great China and More Profit will not be held liable for any claims by any Macau government authority against the Casino or arising from the operation of the Casino.

REASONS FOR THE SUBSCRIPTION

The Company is an investment holding company and its subsidiaries are principally engaged in property development and investment in Macau, the PRC and Hong Kong. The Group is also engaged in securities investment, the trading of motorcycles, the sale and manufacturing of western pharmaceutical products, Chinese pharmaceutical and health products.

The Board has been actively seeking property investment opportunities in Macau. The recent change of the name of the Company is reflective of the Group's business strategy. The Subscription represents an opportunity to the Group to take advantage of the blooming hotel, leisure and entertainment business in Macau and is in line with the Group's business strategy. In addition, the Minimum Rental Income Guarantee of HK$200 million per annum, which represents approximately 8% yield per annum based on the aggregate value of the Land and Grand Waldo Hotel of HK$2,500 million, is an attractive return. In view of the above, the Board considers the entering into of the Subscription Agreement is in the interests of the Company and the Shareholders as a whole and that the terms of the Subscription Agreement are fair and reasonable.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, More Profit will be accounted for as an associated company of the Company in accordance with the HK GAAP.

Earnings

Upon Completion and completion of the Acquisition Agreement, the Group shall be entitled to equity account for the profit or loss after taxation of More Profit and Great China as associated companies. According to the terms of the Acquisition Agreement and the Subscription Agreement, the Group can enjoy a return of approximately 8% on its investment in these associated companies, which may be slightly adjusted by the amount of other outgoings including but not limited to current annual land rent of approximately MOP1.8 million (equivalent to approximately HK$1.7 million) in relation to the Land and Grand Waldo Hotel.

Net assets and gearing

As the Subscription and Shareholder's Loan will be financed by internal resources of the Group, there will not be any impact on the Group's net assets and gearing.

SGM

The Subscription, having taken into account of the Shareholder's Loan, constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to Shareholders' approval at the SGM. In view of the fact that Dr. Chan undertakes to, among others, assume all duties and obligations of Dragon Rainbow as a subscriber under the Subscription Agreement pursuant to Dr. Chan's Undertaking, Hanny, being an associate of Dr. Chan and a Shareholder holding approximately 15.40% interest in the Company, will abstain from voting at the SGM. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, no Shareholders other than Hanny will be required to abstain from voting at the SGM. The votes of the Shareholders other than Hanny will be taken by poll at the SGM.

Set out on pages 251 to 252 of this circular is a notice of the SGM to be held at Conference Room, 11/F., Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong, on Friday, 5th January, 2007 at 11:00 a.m., at which an ordinary resolution will be proposed and, if consider appropriate, passed to approve the Subscription Agreement and the transactions contemplated thereunder.

Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

PROCEDURE FOR DEMANDING A POLL

In accordance with Chapter 13 of the Listing Rules, the Subscription Agreement and the transactions contemplated thereunder are subject to approval by the Shareholders (other than Hanny) by way of poll at the SGM.

Pursuant to bye-law 66 of the bye-laws of the Company, a resolution put to vote at a general meeting shall be decided on a show of hands unless voting by way of a poll is required by the Listing Rules or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

(a) by the chairman of the meeting; or

(b) by at least three members present in person or, in case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

(c) by any member or members present in person or, in case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or

(d) by any member or members present in person or, in case of a member being a corporation, by its duly authorised representative or by proxy and holding Shares conferring a right to vote at the meeting, being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right; or

(e) if required by the Listing Rules, by any Director or Directors who, individually or collectively, hold proxies in respect of Shares representing five per cent. (5%) or more of the total voting rights at such meeting, and if on a show of hand a meeting votes in the opposite manner to that instructed in those proxies, provided that if it is apparent from the total proxies held that a vote taken on a poll shall not reverse the vote taken on a show of hands, then the Director or Directors shall not be required to demand a poll.

In the event that a poll is demanded, the results of the poll will be published by way of an announcement in the local newspapers on the Business Day following the meeting in accordance with the requirements of the Listing Rules.

RECOMMENDATION

The Directors consider that the terms and conditions of the Subscription Agreement are fair and reasonable and the entering into of the Subscription Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the financial information relating to the Group, the valuation report of the Land and Grand Waldo Hotel and other information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Macau Prime Properties Holdings Limited
Cheung Hon Kit
Chairman

1. THREE-YEAR FINANCIAL SUMMARY

Set out below is a summary of the audited financial information on the Group for the three years ended 31st March, 2006 contained in the Company's relevant annual reports:

RESULTS

	For the year ended 31st March,		
	2004	**2005**	**2006**
	HK$'000	*HK$'000* (restated)	*HK$'000*
Turnover	63,514	379,396	842,256
Cost of sales	(55,429)	(259,478)	(720,841)
Allowance for properties held for sale	(6,006)	–	–
Gross profit	2,079	119,918	121,415
Other income	–	2,139	21,787
Distribution costs	7,267	(57,942)	(72,630)
Administrative expenses	(11,383)	(31,716)	(50,363)
Other expenses	–	(567)	(39)
Doubtful debts (provided) recovered	20	(1,729)	–
Loss arising from change in fair value of financial assets at fair value through profit or loss	–	–	(1,645)
Gain (loss) on disposal of investments in securities	(13,059)	30	–
Gain on disposal of subsidiaries	30	–	–
Deficit arising on revaluation of investment properties	(8,800)	–	–
Amortisation of goodwill arising on acquisition of subsidiaries	–	(1,051)	–
Impairment loss recognised in respect of goodwill arising from acquisition of subsidiaries	–	–	(21,885)
Impairment loss of property, plant and equipment	–	–	(25,851)
Loss on disposal of investment properties	–	(3,217)	–
Decrease in fair value of investments held-for-trading	–	–	(4,401)
Unrealised holding (loss) gain of other investments	1,640	(4,226)	–
Share of results of an associate	–	–	(5)
Finance costs	(15,585)	(7,554)	(36,818)
(Loss) profit before taxation	(37,791)	14,085	(70,435)
Taxation	–	(1,823)	(2,657)
(Loss) profit for the year	(37,791)	12,262	(73,092)

	For the year ended 31st March,		
	2004	**2005**	**2006**
	HK$'000	*HK$'000* (restated)	*HK$'000*
Attributable to:			
Equity holders of the Company	(29,612)	12,262	(72,960)
Minority interests	(8,179)	–	(132)
	(37,791)	12,262	(73,092)
	HK cents	*HK cents*	*HK cents*
(Loss) earnings per share			
– Basic	(25.0)	7.6	(17.2)
– Diluted	N/A	6.3	N/A

	As at 31st March,		
	2004	**2005**	**2006**
	HK$'000	*HK$'000* (restated)	*HK$'000*
ASSETS AND LIABILITIES			
Non-current assets	8,580	89,648	301,587
Current assets	223,681	388,865	1,099,627
Total assets	232,261	478,513	1,401,214
Current liabilities	102,085	139,162	117,044
Non-current liabilities	–	90,547	838,337
Total liabilities	102,085	229,709	955,381
Minority interests	–	–	(816)
Net assets attributable to Shareholders	130,176	248,804	445,017

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31ST MARCH, 2006

The following is a reproduction of the text of the audited consolidated financial statements of the Group together with the accompanying notes contained in pages 29 to 94 of the annual report of the Company for the year ended 31st March, 2006:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2006

	Notes	2006 HK$'000	2005 HK$'000 (restated)
Turnover	7	842,256	379,396
Cost of sales		(720,841)	(259,478)
Gross profit		121,415	119,918
Other income	8	21,787	2,139
Distribution costs		(72,630)	(57,942)
Administrative expenses		(50,363)	(31,716)
Other expenses		(39)	(567)
Doubtful debts provided		–	(1,729)
Loss arising from change in fair value of financial assets at fair value through profit or loss		(1,645)	–
Gain on disposal of investments in securities		–	30
Amortisation of goodwill arising on acquisition of subsidiaries		–	(1,051)
Impairment loss recognised in respect of goodwill arising from acquisition of subsidiaries	18	(21,885)	–
Impairment loss of property, plant and equipment	14	(25,851)	–
Loss on disposal of investment properties		–	(3,217)
Decrease in fair value of investments held-for-trading		(4,401)	–
Unrealised holding loss of other investments		–	(4,226)
Share of results of an associate		(5)	–
Finance costs	9	(36,818)	(7,554)
(Loss) profit before taxation		(70,435)	14,085
Taxation	10	(2,657)	(1,823)
(Loss) profit for the year	11	(73,092)	12,262
Attributable to:			
Equity holders of the Company		(72,960)	12,262
Minority interests		(132)	–
		(73,092)	12,262
		HK cents	HK cents
(Loss) earnings per share	13		
– Basic		(17.2)	7.6
– Diluted		N/A	6.3

CONSOLIDATED BALANCE SHEET

At 31st March, 2006

	Notes	2006 HK$'000	2005 HK$'000 (restated)
Non-current assets			
Property, plant and equipment	14	38,627	64,353
Prepaid lease payments	15	1,375	1,365
Intangible assets	16	2,986	2,015
Goodwill	17	–	21,885
Interest in an associate	19	–	–
Deposits and expenses paid for acquisition of subsidiaries and associates	20	253,964	–
Loan receivables	21	4,635	–
		301,587	89,618
Current assets			
Inventories	22	70,859	59,280
Properties held for sale		58,536	58,536
Debtors, deposits and prepayments	23	193,365	38,280
Loan receivables	21	59,314	31,500
Prepaid lease payments	15	30	30
Investments held-for-trading	24	9,043	–
Investments securities	25	–	10,289
Pledged bank deposits	26	3,000	3,000
Bank balances and cash	26	705,480	187,980
		1,099,627	388,895
Current liabilities			
Creditors and accrued charges	27	70,237	62,772
Tax payable		1,273	1,041
Obligations under finance leases – due within one year	28	143	23
Promissory note payables	29	–	13,000
Convertible note payables	30	221	180
Bank and other borrowings – due within one year	31	45,170	62,146
		117,044	139,162
Net current assets		982,583	249,733
Total assets less current liabilities		1,284,170	339,351

	Notes	2006 HK$'000	2005 HK$'000 (restated)
Non-current liabilities			
Obligations under finance leases – due after one year	28	96	119
Bank and other borrowings – due after one year	31	–	5,625
Convertible note payables	30	838,241	84,803
		838,337	90,547
		445,833	248,804
Capital and reserves			
Share capital	33	6,314	3,610
Reserves		438,703	245,194
Equity attributable to the equity holders of the Company		445,017	248,804
Minority interests		816	–
		445,833	248,804

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March, 2006

	Attributable to equity holders of the Company										
	Share capital	Share premium	Capital redemption reserve	Convertible loan notes equity reserve	Other reserve	Special reserve	Translation reserve	Accumulated profits	Total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(note)*	*HK$'000* *(note)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st April, 2004	1,277	2,071	646	–	32,308	(8,908)	–	102,782	130,176	–	130,176
Exchange differences arising on translation of operations outside Hong Kong and income recognised directly in equity	–	–	–	–	–	–	627	–	627	–	627
Profit for the year	–	–	–	–	–	–	–	12,262	12,262	–	12,262
Total recognised income for the year	–	–	–	–	–	–	627	12,262	12,889	–	12,889
Exercise of share options	12	227	–	–	–	–	–	–	239	–	239
Recognition of equity component of convertible notes	–	–	–	3,466	–	–	–	–	3,466	–	3,466
Issue of shares	1,750	78,500	–	–	–	–	–	–	80,250	–	80,250
Conversion of convertible notes	571	24,182	–	(346)	–	–	–	–	24,407	–	24,407
Expenses incurred in connection with issue of shares	–	(2,623)	–	–	–	–	–	–	(2,623)	–	(2,623)
At 31st March, 2005, as restated	3,610	102,357	646	3,120	32,308	(8,908)	627	115,044	248,804	–	248,804
Exchange differences arising on translation of operations outside Hong Kong and income recognised directly in equity	–	–	–	–	–	–	1,669	–	1,669	24	1,693
Loss for the year	–	–	–	–	–	–	–	(72,960)	(72,960)	(132)	(73,092)
Total recognised income and expenses for the year	–	–	–	–	–	–	1,669	(72,960)	(71,291)	(108)	(71,399)
Recognition of equity component of convertible notes	–	–	–	160,914	–	–	–	–	160,914	–	160,914
Conversion of convertible notes	2,704	110,867	–	(6,981)	–	–	–	–	106,590	–	106,590
Capital contribution of minority shareholders	–	–	–	–	–	–	–	–	–	924	924
At 31st March, 2006	6,314	213,224	646	157,053	32,308	(8,908)	2,296	42,084	445,017	816	445,833

Note: Other reserve of the Group represents net balance from capital reduction, cancellation of share premium and set-off against the deficit pursuant to the capital reorganisation on 15th April, 2003.

The special reserve of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired and the nominal amount of the share capital of the Company issued as consideration under the group reorganisation in 1994.

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31st March, 2006

	2006	2005
	HK$'000	*HK$'000*
		(restated)
OPERATING ACTIVITIES		
(Loss) profit before taxation	(70,435)	14,085
Adjustments for:		
Finance costs	36,818	7,554
Share of results of an associate	5	–
(Reversal of) allowance for amount due from an associate	(3)	17
Amortisation of intangible assets	171	71
Amortisation of goodwill	–	1,051
Interest income	(19,323)	(595)
Depreciation of property, plant and equipment	10,246	8,809
Allowance for inventories	5,964	7,272
Amortisation of prepaid lease payments	30	27
Doubtful debts provided	–	1,729
Loss arising from change in fair value of financial assets at fair value through profit or loss	1,645	–
Impairment loss recognised in respect of goodwill arising from acquisition of subsidiaries	21,885	–
Impairment loss of property, plant and equipment	25,851	–
Loss on disposal of property, plant and equipment	544	66
Gain on disposal of investments in securities	–	(30)
Loss on disposal of investment properties	–	3,217
Write-off of intangible assets	299	645
Decrease in fair value of investments held-for-trading	4,401	–
Unrealised holding loss of other investments	–	4,226
Release of negative goodwill	–	(2,224)
Operating cash flows before movements in working capital	18,098	45,920
Decrease (increase) in amount due from an associate	3	(17)
Increase in inventories	(17,543)	(6,199)
Decrease in properties held for sale	–	60,534
Increase in investments held-for-trading	(3,155)	–
Increase in debtors, deposits and prepayments	(341)	(4,514)
Increase in creditors and accrued charges	9,449	4,900
Cash generated from operations	6,511	100,624
Overseas taxation paid	(2,425)	(768)
Interest paid	(6,686)	(4,261)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(2,600)	95,595

	Notes	2006 HK$'000	2005 HK$'000 (restated)
INVESTING ACTIVITIES			
Proceeds from disposal of financial assets at fair value through profit or loss		48,214	–
Interest received		14,682	296
Proceeds from disposal of property, plant and equipment		1,146	476
Proceeds from disposal of investment properties		–	4,983
Proceeds from disposal of investments held-for-trading/investments in securities		–	1,903
Deposits paid for acquisition of subsidiaries and associates		(253,964)	–
Refundable earnest money paid		(150,136)	–
Acquisition of financial assets at fair value through profit or loss		(49,859)	–
Increase in loan receivables		(32,449)	(31,500)
Purchase of property, plant and equipment		(10,172)	(3,081)
Development cost incurred		(1,441)	(1,467)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	35	(1,297)	(22,861)
Capital contributions to an associate		(5)	–
Increase in pledged bank deposits		–	(3,000)
NET CASH USED IN INVESTING ACTIVITIES		(435,281)	(54,251)
FINANCING ACTIVITIES			
Net proceeds from issue of convertible notes		988,867	97,501
Capital contribution of minority shareholders		924	–
New bank and other borrowings raised		264	96,225
Repayment of obligations under finance leases		(12)	(16)
Proceeds from issue of shares		–	80,489
Repayment of bank and other borrowings		(22,865)	(205,596)
Repayment of promissory notes		(13,000)	–
Expenses paid in connection with issue of shares		–	(2,623)
NET CASH FROM FINANCING ACTIVITIES		954,178	65,980
NET INCREASE IN CASH AND CASH EQUIVALENTS		516,297	107,324
CASH AND CASH EQUIVALENTS AT 1ST APRIL		187,980	80,136
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		1,203	520
CASH AND CASH EQUIVALENTS AT 31ST MARCH, represented bank balances and cash		705,480	187,980

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2006

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company is Clarendon House, Church Street, Hamilton HM 11, Bermuda and the principal place of business of the Company is 29th Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

The financial statements are prepared in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company. The principal activities of the Group are property development and investment, manufacture and trading of medicine and health food, trading of motorcycles and securities investment. The activities of its principal subsidiaries are set out in note 44.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations ("INT") (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes of presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting years are prepared and presented:

Business combinations

The Group has applied HKFRS 3 "Business Combination" which is effective for business combinations for which the agreement date is on or after 1st January, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous periods, goodwill arising on acquisitions after 1st April, 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalised on the balance sheet, the Group, on 1st April, 2005, eliminated the carrying amount of the related accumulated amortisation of HK$1,051,000, with a corresponding decrease in the cost of goodwill (see note 17). The Group has discontinued amortising such goodwill from 1st April, 2005 onwards and goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1st April, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for 2005 have not been restated (see note 3 for the financial impact).

Share-based payments

HKFRS 2 "Share-based Payment" requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Company, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1st April, 2005. In relation to share options granted before 1st April, 2005, the Group choose not to apply HKFRS 2 with respect to share options granted on or before 7th November, 2002 and vested before 1st April, 2005. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7th November, 2002 and had not yet vested on 1st April, 2005. Because there were no unvested share options at 1st April, 2005 and no share options have been granted during the year, the adoption of HKFRS 2 has had no impact on the Group's results for the current or prior accounting periods.

Financial instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Convertible notes

The principal impact of HKAS 32 on the Group is in relation to convertible notes issued by the Company that contain both liability and equity components. Previously, convertible notes were classified as liabilities on the balance sheet. HKAS 32 requires an issuer of a compound financial instrument that contains both financial liability and equity components to separate the compound financial instrument into the liability and equity components on its initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. The liability component is classified as a liability while the equity component is included in reserves. Because HKAS 32 requires retrospective application, comparative figures for 2005 have been restated. Liabilities at 31st March, 2005 have been decreased by HK$5,197,000 with a decrease in share premium of HK$247,000, an increase in accumulated profits of HK$2,324,000 and an increase in convertible loan notes equity reserve by HK$3,120,000. Interest payable of HK$180,000 included in creditors and accrued charges at 31st March, 2005 has been classified to convertible note payables (see note 3 for the financial impact).

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31st March, 2005, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1st April, 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity, respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment after initial recognition. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition.

On 1st April, 2005, the Group classified and measured its debt and equity securities in accordance with the transitional provisions of HKAS 39. Other investments classified as investments in securities under current assets with a carrying amount of HK$10,289,000 were classified to investments held-for-trading.

Financial assets and financial liabilities other than debt and equity securities

From 1st April, 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirement of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. During the year, the Group has acquired and designated all equity-linked notes as "financial assets at fair value through profit or loss". The adoption of HKAS 39 has had no material effect on the Group's accumulated profits at 1st April, 2005.

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see note 3 for the financial impact). Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

3. SUMMARY OF THE EFFECT OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described in note 2 on the results for the current and prior year are as follows:

	Effect of adopting	2006	2005
		HK$'000	*HK$'000*
Increase in impairment loss recognised in respect of goodwill arising from acquisition of subsidiaries	HKFRS 3	(1,146)	–
Decrease in amortisation of goodwill	HKFRS 3	1,146	–
Increase in interest on the liability component of convertible notes	HKAS 32	(19,839)	(175)
Decrease in administrative expenses in respect of the capitalisation of transaction costs incurred for issue of convertible notes	HKAS 32	–	2,499
Increase in (loss) profit for the year		(19,839)	2,324

The cumulative effects of the application of the new HKFRSs as at 31st March, 2005 and 1st April, 2005 are summarised below:

	As at 31st March, 2005 (originally stated)	Effect of HKAS 17	Effect of HKAS 32	As at 31st March, 2005 (restated)	Effect of HKAS 39	As at 1st April, 2005 (restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance sheet items						
Property, plant and equipment	65,748	(1,395)	–	64,353	–	64,353
Prepaid lease payments	–	1,395	–	1,395	–	1,395
Investments in securities	10,289	–	–	10,289	(10,289)	–
Investments held-for-trading	–	–	–	–	10,289	10,289
Creditors and accrued charges	(62,952)	–	180	(62,772)	–	(62,772)
Convertible note payables						
– current portion	–	–	(180)	(180)	–	(180)
– non-current portion	(90,000)	–	5,197	(84,803)	–	(84,803)
Total effect on assets and liabilities	(76,915)	–	5,197	(71,718)	–	(71,718)
Share premium	102,604	–	(247)	102,357	–	102,357
Accumulated profits	112,720	–	2,324	115,044	–	115,044
Convertible loan notes equity reserve – equity component of convertible notes	–	–	3,120	3,120	–	3,120
Total effects on equity	215,324	–	5,197	220,521	–	220,521

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Company have commenced considering the potential impact of these new standards, amendments and interpretations and anticipated that the application of these standards, amendments and interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 financial reporting in hyperinflationary economies[4]
HK(IFRIC) – INT 8	Scope of HKFRS 2[5]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives[6]

1 Effective for annual periods beginning on or after 1st January, 2007.
2 Effective for annual periods beginning on or after 1st January, 2006.
3 Effective for annual periods beginning on or after 1st December, 2005.
4 Effective for annual periods beginning on or after 1st March, 2006.
5 Effective for annual periods beginning on or after 1st May, 2006.
6 Effective for annual periods beginning on or after 1st June, 2006.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with HKFRSs, HKASs and INT issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

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.

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

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

Goodwill

Goodwill arising on acquisitions prior to 1st January, 2005

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

For previously capitalised goodwill arising on acquisitions after 1st January, 2001, the Group has discontinued amortisation from 1st April, 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired.

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

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

Goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet.

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

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

Interest in an associate

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

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

Revenue recognition

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

Sales of investments in securities is recognised when the related bought and sold notes are executed.

Income from properties held for sale is recognised on the execution of a binding sales agreement.

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

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

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

Property, plant and equipment

Property, plant and equipment 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, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

Prepaid lease payments

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

Research and development expenditures

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Impairment losses (other than goodwill)

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

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

Inventories

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

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to professional valuations or directors' estimates based on prevailing market conditions.

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 as expenses in the period in which they are incurred.

Financial instruments

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

Financial assets

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

Financial assets at fair value through profit or loss

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including debtors, deposits, loan receivables, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subjected to a restriction that the carrying amount of the asset at the date of 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 a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

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

Financial liabilities

Financial liabilities including creditors and accrued charges, promissory notes payable and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

Convertible loan notes

Convertible loan notes issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest for similar non-convertible debt. The difference between the proceeds of issue of the convertible loan notes and the fair value assigned to the liability component, representing the embedded call option for the holder to convert the loan note into equity, is included in equity as an equity component of the convertible loan notes (convertible loan notes equity reserve).

In the subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible loan notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible loan notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible loan notes equity reserve will be released to accumulated profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability components are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Equity instruments

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

Derecognition

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

For financial liabilities, they are removed from the Group's balance sheet when, and only when, they are extinguished (i.e. 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 received or receivable is recognised in profit or loss.

Leasing

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

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

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 on a straight-line basis.

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 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, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements.

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

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

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

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 profit 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 in the 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.

Retirement benefit costs

The pension costs charged to the income statement represent the contributions payable in the current year to the Group's Mandatory Provident Fund Scheme and defined contribution retirement scheme.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, management makes various estimates and judgements (other than those involving estimates) based on past experience, expectations of the future and other information. The key sources of estimation uncertainty and the critical judgements that can significantly affect the amounts recognised in the financial statements are disclosed below.

Inventory valuation

Inventory is valued using the cost method, which values inventory at the lower of cost or net realisable value. Cost is determined using the weighted average method. The estimated realisable value is generally merchandise selling price less selling expenses. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowance for obsolete and slow moving items. In this regard, the directors of the Company are satisfied that this risk is minimal and adequate allowance for obsolete and slow-moving merchandise of HK$5,964,000 has been made in the consolidated financial statements.

Impairment of properties held for sale

Properties held for sale are valued using the cost method, which values the properties at the lower of cost or net realisable value. The net realisable value is determined by reference to professional valuations or directors' estimates based on prevailing market conditions. Calculation of net realisable value requires the use of judgement and estimates. Should the factors of estimates be changed, there would be material changes to the net realisable value.

Allowance on trade receivables and loan receivables

The Group performs ongoing credit evaluations of its customers and borrowers and adjust credit limits based on payment history and the customers' and borrowers' current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and borrowers and maintains an allowance for estimated credit losses based upon its historical experience and any specific customer and borrower collection issues that it has identified. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be reprised.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. As at 31st March, 2006, the goodwill arose from the acquisition of subsidiaries was fully impaired. Details of the recoverable amount calculation are disclosed in note 18. Should the assumptions underlying the value in use calculation be changed, there would be material changes to the reasonable amounts of the cash generating units.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include bank balances and cash, equity investments, debtors, loan receivables, creditors, bank borrowings and convertible notes payable. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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

Currency risk

Certain trade receivables and trade payables of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, management monitors the related foreign currency exposure and will consider hedging significant foreign currency exposure should the need arises.

Certain bank balances and cash are denominated in Renminbi which were subject to foreign exchange control.

Credit risk

The Group's maximum exposure to credit risk in the event that the counterparties fail to perform their obligations at 31st March, 2006 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated balance sheet. In order to minimise credit risk, the management of the Group has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual trade debt and loans regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the management considers that the Group's credit risk is significantly reduced.

With respect to trade debts, the Group has no significant concentration of credit risk, with exposure spread over a number of customers.

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

Price risk

The Group's held-for-trading investments are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Interest rate risk

The Group's bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The directors consider the Group's exposure of the short term bank deposits to interest rate risk is not significant as interest bearing bank balances are with short maturity periods.

In addition, the Group has exposure to fair value interest rate risk through the impact of the rate changes on the fixed rate loan receivable, convertible notes and other borrowings. Certain of the Group's bank and other borrowings has exposure to cash flow interest rate risk due to fluctuation of variable interest rate on bank and other borrowings. The Group does not have an interest rate hedging policy. However, the management monitors interest rate exposures and will consider hedging significant interest rate exposures should the need arises.

Liquidity risk

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

7. TURNOVER

Turnover represents the aggregate of the net amounts received and receivable from third parties, less returns and allowance and is summarised as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Securities trading	502,914	–
Dividend income from investments held-for-trading	588	–
Trading of motorcycles	11,756	11,737
Medicine and health food	324,800	275,952
Rental income	2,198	98
Sale of properties	–	91,609
	842,256	379,396

The outgoings arising from rental income were negligible.

8. OTHER INCOME

	2006	**2005**
	HK$'000	*HK$'000*
Interest income	19,323	595
Others	2,464	1,544
	21,787	2,139

9. FINANCE COSTS

	2006	**2005**
	HK$'000	*HK$'000*
		(restated)
Interest on bank and other borrowings wholly repayable within five years	3,428	5,677
Interest on obligations under finance leases	18	14
Effective interest on convertible notes	33,372	543
Loan arrangement fees	–	1,320
	36,818	7,554

10. TAXATION

	2006	2005
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	33	5
Taxation in other jurisdictions	2,624	1,818
	2,657	1,823

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

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

Pursuant to the relevant law and regulations in The People's Republic of China (the "PRC"), 黑龍江金保華農業有限公司 is entitled to full exemption from PRC Enterprise Income Tax for two years commencing from its first profit-making year of operation and thereafter, which is entitled to a 50% relief from PRC Enterprise Income Tax for the following three years. The first profit-making period of 黑龍江金保華農業有限公司 commenced on 1st January, 2005.

Details of deferred taxation are set out in note 32.

The tax charge for the year can be reconciled to the (loss) profit per the income statement as follows:

	2006	2005
	HK$'000	*HK$'000*
		(restated)
(Loss) profit before taxation	(70,435)	14,085
Tax at the Hong Kong Profits Tax rate	(12,326)	2,465
Tax effect of expenses not deductible for tax purpose	9,998	3,246
Tax effect of income not taxable for tax purpose	(1,674)	(1,167)
Tax effect of deferred tax asset not recognised	7,093	4,805
Utilisation of tax losses previously not recognised	(756)	(7,020)
Effect of tax exemptions granted to subsidiaries in the PRC	(511)	(841)
Effect of different tax rates of subsidiaries operating in other jurisdictions	833	335
Taxation for the year	2,657	1,823

11. (LOSS) PROFIT FOR THE YEAR

	2006	2005
	HK$'000	*HK$'000*
		(restated)
(Loss) profit for the year has been arrived at after charging:		
Auditors' remuneration		
– current year	2,659	1,310
– underprovision in previous years	379	75
	3,038	1,385
Staff costs, including directors' emoluments	54,455	40,992
Retirement benefits scheme contributions, net of forfeited contributions of HK$288,000 (2005: HK$65,000)	2,293	1,768
Total staff costs	56,748	42,760
Less: Amount capitalised in intangible assets	(96)	(10)
	56,652	42,750
Cost of inventories recognised as an expense	203,288	241,700
Depreciation of property, plant and equipment:		
– assets owned by the Group	10,209	8,783
– assets held under finance leases	37	26
Amortisation of prepaid lease payments	30	27
Amortisation of intangible assets	171	71
Total depreciation and amortisation	10,447	8,907
Allowance for amount due from an associate	–	17
Allowance for inventories	5,964	7,272
Loss on disposal of property, plant and equipment	544	66
Write-off of intangible assets	299	645
Net exchange losses	968	14
and after crediting:		
Interest income	(19,323)	(595)
Release of negative goodwill (included in cost of sales)	–	(2,224)
Reversal of allowance for amount due from an associate	(3)	–

12. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

A. Directors' emoluments

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

		Other emoluments		
	Fees	**Salaries and other benefits**	**Contributions to retirement benefits schemes**	**Total emoluments**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2006				
Cheung Hon Kit	9	2,200	10	2,219
Chan Fut Yan	9	1,000	100	1,109
Tse Cho Tseung	360	–	–	360
Cheung Sze Man	–	–	–	–
Ho Hau Chong, Norman	10	–	–	10
Lo Lin Shing, Simon	10	–	–	10
Wong Chi Keung, Alvin	94	–	–	94
Kwok Ka Lap, Alva	94	–	–	94
Chui Sai Cheong	67	–	–	67
Zhang Shichen	27	–	–	27
	680	3,200	110	3,990

		Other emoluments		
	Fees	**Salaries and other benefits**	**Contributions to retirement benefits schemes**	**Total emoluments**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2005				
Tse Cho Tseung	–	268	2	270
Cheung Sze Man	–	–	–	–
Keung Mei Wah, Jennifer	–	–	–	–
Ho Hau Chong, Norman	–	–	–	–
Lo Lin Shing, Simon	–	–	–	–
Wong Chi Keung, Alvin	34	–	–	34
Kwok Ka Lap, Alva	34	–	–	34
Zhang Shichen	28	–	–	28
	96	268	2	366

No directors waived any emoluments during the year ended 31st March, 2006. During the year ended 31st March, 2005, one director waived emoluments of HK$240,000.

B. Highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2005: one) were directors of the Company whose emoluments are included in (A) above.

The emoluments of the remaining three (2005: four) individuals were as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Salaries and other benefits	1,949	1,535
Retirement benefits scheme contributions	41	57
	1,990	1,592

Their individual emoluments were below HK$1,000,000.

During the year, no emoluments were paid by the Group to the five highest paid individuals, including directors and employees, as an inducement to join or upon joining the Group or as compensation for loss of office.

13. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2006	**2005**
	HK$'000	*HK$'000*
		(restated)
Earnings:		
(Loss) profit for the year attributable to equity holders of the Company and (loss) earnings for the purpose of basic (loss) earnings per share	(72,960)	12,262
Effect of dilutive potential ordinary shares		
– Interest on convertible notes		543
Earnings for the purpose of diluted earnings per share		12,805
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	424,304,856	160,809,612
Effect of dilutive potential ordinary shares		
– share options		26,804
– convertible notes		42,356,597
Weighted average number of ordinary shares for the purpose of diluted earnings per share		203,193,013

No diluted loss per share was presented for the year ended 31st March, 2006 because the exercise of the share options and the conversion of convertible notes would result in a decrease in the net loss per share.

The following table summarises the impact on both basic and diluted (loss) earnings per share as a result of:

	Impact on basic (loss) earnings per share		Impact on diluted earnings per share	
	2006	2005	2006	2005
	HK cents	*HK cents*	*HK cents*	*HK cents*
Reported figures before adjustments	(12.5)	6.2	N/A	5.2
Adjustments arising from changes in accounting policies *(see note 3)*	(4.7)	1.4	N/A	1.1
Restated	(17.2)	7.6	N/A	6.3

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant and machineries	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST						
At 1st April, 2004	–	–	–	717	238	955
Exchange adjustments	–	207	–	82	30	319
Arising on acquisition of subsidiaries	2,764	46,769	14,749	4,385	1,460	70,127
Additions	–	1,743	19	511	808	3,081
Disposals	–	(1,581)	(353)	(378)	(511)	(2,823)
At 31st March, 2005 and at 1st April, 2005	2,764	47,138	14,415	5,317	2,025	71,659
Exchange adjustments	84	469	–	101	59	713
Arising on acquisition of a subsidiary	–	–	–	–	1,264	1,264
Additions	2,978	3,876	331	1,095	2,001	10,281
Disposals	–	(1,440)	(379)	(1,641)	(1,053)	(4,513)
At 31st March, 2006	5,826	50,043	14,367	4,872	4,296	79,404
DEPRECIATION						
At 1st April, 2004	–	–	–	460	115	575
Exchange adjustments	–	124	–	64	15	203
Provided for the year	58	6,208	834	1,379	330	8,809
Eliminated on disposals	–	(1,509)	(70)	(371)	(331)	(2,281)
At 31st March, 2005 and at 1st April, 2005	58	4,823	764	1,532	129	7,306
Exchange adjustments	5	95	–	56	41	197
Provided for the year	124	7,257	964	1,317	584	10,246
Impairment loss recognised in the income statement	–	17,478	8,373	–	–	25,851
Eliminated on disposals	–	(1,001)	(26)	(1,524)	(272)	(2,823)
At 31st March, 2006	187	28,652	10,075	1,381	482	40,777
CARRYING VALUES						
At 31st March, 2006	5,639	21,391	4,292	3,491	3,814	38,627
At 31st March, 2005	2,706	42,315	13,651	3,785	1,896	64,353

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

Buildings	4% or over the remaining terms of the relevant lease, if shorter
Leasehold improvements	Over the terms of the leases
Plant and machineries	5% – 15%
Furniture, fixtures and equipment	10% – $33^1/_3$%
Motor vehicles	10% – 20%

During the year, the directors conducted a review of the recoverable amount of the Group's manufacturing assets and determined that a number of those assets were impaired. Accordingly, impairment losses of HK$17,478,000 and HK$8,373,000 respectively have been recognised in respect of leasehold improvements and plant and machineries, which are used in the Group's medicine and health food segment. Details of impairment test in respect of this segment are set out in note 18.

The buildings of the Group were situated on land held under medium-term lease in the PRC.

At 31st March, 2006, the net book values of property, plant and equipment of the Group included an amount of HK$198,000 (2005: HK$127,000) in respect of assets held under finance leases.

At 31st March, 2006, the property, plant and equipment of the Group amounting to HK$2,902,000 (2005: HK$11,959,000) were pledged to a bank to secure general banking facilities granted to the Group.

15. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2006	**2005**
	HK$'000	*HK$'000*
Land use rights in the PRC on medium-term lease	1,405	1,395

Analysed for reporting purposes as:

Current asset	30	30
Non-current asset	1,375	1,365
	1,405	1,395

16. INTANGIBLE ASSETS

	Development costs *HK$'000*
COST	
At 1st April, 2004	–
Arising on acquisition of subsidiaries	1,264
Additions	1,467
Written-off	(645)
At 31st March, 2005 and at 1st April, 2005	2,086
Additions	1,441
Written-off	(299)
At 31st March, 2006	3,228
AMORTISATION	
Provided for the year and balance at 31st March, 2005 and at 1st April, 2005	71
Provided for the year	171
At 31st March, 2006	242
CARRYING VALUES	
At 31st March, 2006	2,986
At 31st March, 2005	2,015

The development costs of HK$1,441,000 (2005: HK$1,467,000) incurred on Chinese medicines and pharmaceutical products are internally generated. They have definite useful lives and are deferred and amortised, using the straight-line method, over a period of five years from date of commencement of commercial operation.

At 31st March, 2006, other than the amount of HK$1,833,000 (2005: HK$439,000) which related to products in the stage of development, the remaining intangible assets had been put into commercial use.

17. GOODWILL

	HK$'000
COST	
Arising on acquisition of subsidiaries and at 31st March, 2005 and 1st April, 2005	22,936
Elimination of accumulated amortisation upon the application of HKFRS 3	(1,051)
At 31st March, 2006	21,885
AMORTISATION	
Charge for the year and balance at 31st March, 2005 and at 1st April, 2005	1,051
Elimination of accumulated amortisation upon the application of HKFRS 3	(1,051)
At 31st March, 2006	–
IMPAIRMENT	
Impairment loss recognised for the year and balance at 31st March, 2006	21,885
CARRYING VALUES	
At 31st March, 2006	–
At 31st March, 2005	21,885

Particulars regarding impairment testing on goodwill are disclosed in note 18.

Until 31st March, 2005, goodwill had been amortised over its estimated useful life of 20 years.

18. IMPAIRMENT TEST ON GOODWILL

As explained in note 45, the Group uses business segment as its primary segment for reporting segment information. For the purpose of impairment testing, goodwill set out in note 17, which arose from the acquisition of Tung Fong Hung Investment Limited, has been allocated to a cash generating unit (the "CGU"), the medicine and health food segment.

The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation used cash flow projections for a 5-year period based on financial budgets approved by management covering a 1-year period and discount rate of 8%. The CGU's cash flows beyond the 1-year period are extrapolated using a steady 4% growth rate. This growth rate is based on the relevant industry growth rate forecasts. Other key assumptions for the value in use calculations are the terminal value at the end of the fifth year, which is determined based on the price earnings ratio by reference to the market, and the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of the CGU.

Since the recoverable amount is lower than the carrying amount of the CGU, the Group recognised an impairment loss of HK$21,885,000 on goodwill and HK$25,851,000 on property, plant and equipment in the current year.

19. INTEREST IN AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE

	THE GROUP	
	2006	**2005**
	HK$'000	*HK$'000*
Cost of investment in an associate, unlisted	5	–
Share of post-acquisition losses	(5)	–
	–	–
Amount due from an associate	14	17
Less: Allowance	(14)	(17)
	–	–

The amount due from an associate was unsecured, interest-free and had no fixed terms of repayment. At 31st March, 2005, in the opinion of the directors, the Group would not demand repayment within twelve months from the balance sheet date and the amount was therefore shown as non-current.

The fair value of the Group's amount due from an associate approximates its carrying amount.

At 31st March, 2006, the Group had interest in the following associate:

Name of associate	Form of business structure	Place of incorporation/ operation	Class of shares held	Nominal value of issued and fully paid share capital 2006	Nominal value of issued and fully paid share capital 2005	Proportion of nominal value of issued share capital held by the Company Directly %	Proportion of nominal value of issued share capital held by the Company Indirectly %	Principal activity
Jean-Bon Pharmaceutical Technology Company Limited ("Jean-Bon")	Incorporated	Hong Kong	Ordinary	HK$10,000	HK$2	–	50	Inactive

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

	2006	**2005**
	HK$'000	*HK$'000*
Total assets	–	–
Total liabilities	16	17
Net liabilities	(16)	(17)
Group's share of net liabilities of an associate *(Note)*	(8)	(9)

	1.4.2005 to 31.3.2006 HK$'000	1.7.2004 to 31.3.2005 HK$'000
Turnover	–	–
Loss for the year	(9)	(17)
Group's share of results of an associate for the year *(Note)*	(5)	(9)

Note: The Group's share of the post-acquisition losses of Jean-Bon in excess of the carrying amount of its equity investment in that associate, has been provided for to the extent of the obligations or payments made by the Group to satisfy the obligations of the associate that the Group has guaranteed.

20. DEPOSITS AND EXPENSES PAID FOR ACQUISITION OF SUBSIDIARIES AND ASSOCIATES

	Notes	2006 HK$'000	2005 HK$'000
Deposits and expenses paid for acquisition of:			
Subsidiaries	*(i)*	12,099	–
Associates	*(ii)*	241,865	–
		253,964	–

Notes:

(i) As stated in the announcement on 7th February, 2006 and the circular dated 26th April, 2006, New Smarten Limited, an indirect wholly-owned subsidiary of the Company entered into an acquisition agreement dated 2nd February, 2006 with Green Label Investments Limited ("Green Label"), Concord Link Development Limited, Magnum Company Limited and Mr. Ku Yuet Kan, Tony (the "Vendors") and Mr. Chan Jink Chou, Eric and Mr. Lai Tsan Tung, David (the "Guarantors") in relation to the acquisition of the entire interest in Everight Investment Limited ("Everight"), a company incorporated in Hong Kong with limited liability, and the loan owed by Everight and its subsidiaries (the "Everight Group") to Green Label for an aggregate consideration of HK$140 million (the "Acquisition"), of which HK$80 million was satisfied by cash and HK$60 million by issue of zero coupon convertible notes due on 11th August, 2010.

On completion of the Acquisition, the Company, Everight, Braniff Developments Limited ("Braniff"), a company incorporated in the British Virgin Islands with limited liability which is beneficially owned by the Guarantors, Smart Sharp Investment Limited ("Smart Sharp"), a company incorporated in Hong Kong with limited liability which is owned as to approximately 63.03% by Everight and approximately 36.97% by (prior to the acquisition by Braniff) an independent third party, and the Guarantors should enter into a shareholders' agreement, pursuant to which Everight should be responsible for financing the working capital requirement of Smart Sharp and its subsidiaries for the first two years commencing from the date of the shareholders' agreement up to a maximum amount of HK$80 million.

The Everight Group was engaged in the development and operation of golf resort and hotel and property development. Upon completion of the Acquisition, Everight became an indirect wholly-owned subsidiary of the Company. The Acquisition was approved by shareholders in a special general meeting held on 23rd May, 2006 and was completed on 8th June, 2006.

As at 31st March, 2006, the Group paid a deposit of HK$5 million for the Acquisition and the remaining balance of HK$7 million was paid as expenses incurred for the Acquisition.

The information for the amounts recognised at the acquisition date for each class of Everight's assets, liabilities and contingent liabilities and the carrying amounts of each of those assets, determined in accordance with HKFRS 3, immediately before the combination has not been presented as the information is not available to the Group.

(ii) As stated in the announcement on 3rd April, 2006 and the circular dated 29th May, 2006 (the "Circular"), Million Orient Limited ("Million Orient"), an indirect wholly-owned subsidiary of the Company entered into an acquisition agreement dated 29th March, 2006 (the "Acquisition Agreement") with Pacific Wish Limited ("Pacific Wish"), a company incorporated in the British Virgin Islands in relation to the acquisition of 40% of the issued share capital of Orient Town Limited ("Orient Town"), a company incorporated in Hong Kong with limited liability, for a cash consideration of HK$280, being the nominal value of the 280 shares of Orient Town to be acquired (the "Orient Town Acquisition"). The principal asset of Orient Town is its indirect shareholding interest in 聯生發展股份有限公司 (Empresa De Fomento Industrial E Comercial Concórdia, S.A.) ("Concordia"), a company incorporated in Macau, which is the owner of the 14 parcels of leased land situated in Estrada de Seac Pai Van, Macau (澳門路環聯生填海區).

As further consideration for Million Orient agreeing to enter into the Acquisition Agreement, Pacific Wish had granted Million Orient an option to purchase all or any of the 70 shares of Orient Town (the "Option Shares"), representing 10% of its issued share capital as at 24th May, 2006 (the "Latest Practicable Date of the Circular"), held by Pacific Wish as at the date of the Acquisition Agreement (the "Call Option"). Pursuant to the Call Option, Million Orient had the right to require Pacific Wish, from time to time within the period commencing from the day following the completion date of the Orient Town Acquisition (the "Completion Date") and ending on the first anniversary of the Completion Date, to sell all or any part of the Option Shares to Million Orient or its nominee(s) at the aggregate nominal value of the Option Shares.

Pursuant to the Acquisition Agreement, Million Orient undertook to advance to Orient Town, subject to the completion of the Orient Town Acquisition, a loan in the amount of HK$885 million (the "Shareholder's Loan") on 12th May, 2006 or the Completion Date, whichever is later (or such other date as may be agreed between Million Orient and Orient Town), which would principally be used for (i) completion of the acquisition of the 77.1% of the registered share capital of Concordia and the aggregate amount of loan and interest of approximately MOP1,713 million accrued and due by Concordia to the shareholders of Concordia holding in aggregate 77.1% of the registered share capital of Concordia by 新聯盟投資有限公司 (San Lun Mang Investimentos, Limitada) ("XLM"), a company incorporated in Macau with limited liability which is interested in 5.9% of the registered share capital of Concordia pursuant to the acquisition agreement dated 25th October, 2005 (the "Concordia Acquisition"); or (ii) if the Concordia Acquisition had been completed, for repayment of the shareholder's loan due from Orient Town to Pacific Wish.

As at the Latest Practicable Date of the Circular, Orient Town was effectively interested in 70% of the issued share capital of XLM, which in turn was the owner of (i) 5.9% of the registered share capital of Concordia; and (ii) shareholder's loan of approximately MOP84.5 million advanced to Concordia. Upon completion of the Concordia Acquisition, XLM would be interested in 83% of the registered share capital of Concordia. Upon completion of the Orient Town Acquisition and the Concordia Acquisition, the Company would have an indirect effective interest in approximately 23.2% of the registered share capital of Concordia and Concordia would become an associate of the Group. The Acquisition was approved by shareholders in a special general meeting held on 15th June, 2006. The Concordia Acquisition was completed on 26th May, 2006 and the Orient Town Acquisition was completed on 15th June, 2006.

As at 31st March, 2006, the Group paid approximately HK$241.9 million for the Orient Town Acquisition. Such amount to the extent of HK$240 million was used to satisfy the Shareholders' Loan and the remaining balance of HK$1.9 million was used as expenses incurred for the Orient Town Acquisition. The remaining sum of HK$645 million of the advance committed would be satisfied by internal resource of the Group.

21. LOAN RECEIVABLES

	2006	**2005**
	HK$'000	*HK$'000*
Fixed-rate loan receivable	4,635	–
Variable-rate loan receivables	59,314	31,500
	63,949	31,500

Carrying amount analysed for reporting purposes:

Current assets (receivable within 12 months from the balance sheet date)	59,314	31,500
Non-current assets (receivable after 12 months from the balance sheet date)	4,635	–
	63,949	31,500

The fixed rate loan is unsecured, carries interest at 3% per annum and is repayable on 6th October, 2008.

At 31st March, 2006, the Group's loan receivables of HK$59,314,000 and HK$4,635,000 are denominated in Hong Kong dollars and US dollars, respectively. The variable-rate loans are unsecured, carry interest at Hong Kong prime rate plus 2% per annum (2005: Hong Kong prime rate plus 2% per annum) and are repayable on demand.

The fair values of the Group's loan receivables approximate their carrying amounts.

22. INVENTORIES

	2006	**2005**
	HK$'000	*HK$'000*
Raw materials	20,423	16,792
Work in progress	1,018	1,588
Finished goods	49,418	40,900
	70,859	59,280

23. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows credit period ranging from 0 to 30 days to its trade customers.

The following is an analysis of debtors, deposits and prepayments at the balance sheet date:

	2006	**2005**
	HK$'000	*HK$'000*
Trade debtors aged:		
0 – 60 days	19,309	16,336
61 – 90 days	528	11,336
Over 90 days	1,537	–
	21,374	27,672
Refundable earnest money *(Note)*	150,136	–
Other debtors, deposits and prepayments	21,855	10,608
	193,365	38,280

Note:

In June 2005, a wholly-owned subsidiary of the Company and an independent third party (the "Vendor") signed a non-binding letter of intent with a view of negotiating a possible acquisition from the Vendor of 50% of its ownership and interest in certain land located in Macau which is initially intended for redevelopment purposes, at an initial consideration of HK$495 million. Upon signing of the letter of intent, an amount of HK$10 million was paid by the Group as refundable earnest money.

In addition, a further amount of refundable earnest money of HK$140 million was paid by the Group with a view of negotiating possible acquisition of ownership and interest in properties located in the PRC. The amount was fully refunded to the Group subsequent to 31st March, 2006.

No formal agreement in respect of the possible acquisition has been entered into up to the date of the financial statements. In the opinion of the directors of the Company, the possible acquisition may or may not materialise or fully refunded subsequent to 31st March, 2006, therefore, the refundable earnest money is classified as current assets accordingly.

The fair values of the Group's trade and other receivables approximate their corresponding carrying amounts.

24. INVESTMENTS HELD-FOR-TRADING

Investments held-for-trading represent equity securities listed in Hong Kong. The fair values of these securities are determined based on the quoted market bid prices available on the Stock Exchange.

25. INVESTMENTS IN SECURITIES

Investments in securities at 31st March, 2005 are set out below. Upon the application of HKAS 39, the investments in securities were reclassified on 1st April, 2005 to appropriate categories under HKAS 39 (see note 3 for details).

	Other investments
	HK$'000
Equity securities:	
Listed in Hong Kong, at market value	10,289

26. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits

The amount represents deposits pledged to banks to secure general banking facilities granted to the Group.

The deposits carry interest rate of 3.15% (2005: 1.30%) per annum. The fair values of bank deposits approximate their corresponding carrying amounts.

Bank balances and cash

The bank balances carried interest at rate, ranging from 1.30% to 4.00% (2005: ranging from 0.25% to 1.30%) per annum. The fair values of the Group's bank balances and cash approximate their carrying amounts.

27. CREDITORS AND ACCRUED CHARGES

The following is an analysis of creditors and accrued charges at the balance sheet date:

	2006	**2005**
	HK$'000	*HK$'000*
		(restated)
Trade creditors aged:		
0 – 60 days	22,496	20,206
61 – 90 days	21,329	20,037
Over 90 days	8,138	4,470
	51,963	44,713
Other creditors and accrued expenses	18,274	18,059
	70,237	62,772

The fair values of the Group's creditors and accrued charges approximate their corresponding carrying amounts.

28. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		**Present value of minimum lease payments**	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount payable under finance leases:				
Within one year	162	36	143	23
In the second to fifth years inclusive	127	122	96	119
	289	158	239	142
Less: Future finance charges	(50)	(16)	–	–
Present value of lease obligations	239	142	239	142
Less: Amount due within one year shown under current liabilities			(143)	(23)
Amount due after one year			96	119

It is the Group's policy to lease certain motor vehicles and fixtures and equipment under finance leases. The average lease term is approximately four years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 7.5% to 9.2%.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

The directors consider that the carrying amounts of the obligations under finance leases approximate their fair values.

29. PROMISSORY NOTE PAYABLES

The promissory note payables of the Group were unsecured, bore interest at 5.5% per annum and were fully repaid on 6th May, 2005.

30. CONVERTIBLE NOTE PAYABLES

On 23rd February, 2005, the Company issued HK$100 million 2% unsecured convertible notes due 2008 at conversion price of HK$0.42 (subject to adjustment). The convertible notes carry interest at 2% per annum, will mature on 23rd February, 2008 (or the next following business day if it is not a business day) and are transferable but may not be transferred to a connected person of the Company without prior written consent of the Company. The holders of the convertible notes have the rights to convert the convertible notes into shares of HK$0.01 each of the Company at any time during the period from 23rd February, 2005 to 23rd February, 2008. During the year, HK$43.3 million (2005: HK$10 million) and HK$46.7 million (2005: Nil) 2% unsecured convertible notes due 2008 were converted into 103,197,616 (2005: 23,809,520) and 112,698,063 (2005: Nil) ordinary shares of HK$0.01 each in the capital of the Company at conversion prices of HK$0.42 and HK$0.414, respectively, as set out in note 33(4). As at 31st March, 2006, all the HK$100 million 2% unsecured convertible notes due 2008 were fully converted (2005: HK$90 million 2% unsecured convertible notes due 2008 were outstanding).

On 8th April, 2005, the Company entered into seven subscription agreements with seven subscribers. On 20th April, 2005, the Company entered into another two subscription agreements and a placing agreement with two subscribers and a placing agent, respectively. Each of the subscription agreements and the placing agreement were not inter-conditional on each other.

Of the nine subscribers, seven of them were subscribers who were funds managed by global asset management firms (the "Fund Subscribers"), with the remaining two subscribers being Loyal Concept Limited ("Loyal Concept") and Kopola Investment Company Limited ("Kopola"). Pursuant to the subscription agreements, the Fund Subscribers in aggregate, Loyal Concept and Kopola had conditionally agreed to subscribe by cash for HK$956 million unsecured zero coupon convertible notes due 2010 proposed to be issued by the Company pursuant to the subscription agreements (the "2010 Subscription Convertible Notes") with principal amounts of HK$356 million, HK$450 million and HK$150 million, respectively (the "Subscription"). Loyal Concept is an indirect wholly-owned subsidiary of Hanny Holdings Limited ("Hanny"), a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange. Loyal Concept and Hanny were not connected persons of the Company. Kopola was 50% held by Mr. Ho Hau Chong, Norman ("Mr. Ho"), the deputy chairman and non-executive director of the Company, and therefore an associate of Mr. Ho. As Mr. Ho was a connected person of the Company under Rule 14A.11 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), Kopola was regarded as a connected person of the Company.

Pursuant to the placing agreement, the placing agent would procure, on a best effort basis, no less than six placees to subscribe by cash for HK$44 million unsecured zero coupon convertible notes due 2010 proposed to be issued by the Company (the "Placing Convertible Notes") pursuant to the placing agreement with a principal amount of HK$44 million (the "Placing"). The terms of the 2010 Subscription Convertible Notes and Placing Convertible Notes were identical. None of the placees would be the subscribers.

Upon full conversion of the 2010 Subscription Convertible Notes at the initial conversion price of HK$0.44 per ordinary share of HK$0.01 each in the share capital of the Company (subject to adjustment), a total of 2,172,727,272 new ordinary shares, which would fall to be issued by the Company upon the exercise of the conversion rights attached to the 2010 Subscription Convertible Notes, would be issued.

Upon full conversion of the Placing Convertible Notes at the initial conversion price of HK$0.44 per share (subject to adjustment), a total of 100,000,000 new ordinary shares, which would fall to be issued by the Company upon the exercise of the conversion rights attached to the Placing Convertible Notes, would be issued.

The 2010 Subscription Convertible Notes and the Placing Convertible Notes, unless converted prior to their maturity under the conditions specified in the relevant notes documents, will be redeemed at 110% of their principal amounts.

The Subscription and the Placing were completed on 11th August, 2005. The total gross proceeds from the Subscription and the Placing amounted to HK$956 million and HK$44 million, respectively. Therefore, the total gross proceeds from the Subscription and the Placing amounted to HK$1,000 million. After deducting related expenses of approximately HK$11 million, approximately HK$989 million would be used to finance the expansion of the investment property portfolio of the Company.

During the year, HK$21.5 million and HK$2.5 million of the Subscription Convertible Notes and the Placing Convertible Notes were converted respectively into 48,863,636 and 5,681,817 ordinary shares of HK$0.01 each in the capital of the Company at the conversion price of HK$0.44 as set out in note 33(4). The remaining HK$976 million unsecured zero coupon convertible notes due 2010 were outstanding at 31st March, 2006.

The convertible note payables contain two components, liability and equity elements. Upon the application of HKAS 32 "Financial Instruments: Disclosure and Presentation" (see note 3 for details), the convertible note payables were split between the liability and equity elements, on a retrospective basis. The equity element is presented in equity under the heading of "convertible loan notes equity reserve". The effective interest rates of the liability component range from 4.18% to 5.85% (2005: 4.18%).

The movement of the liability component of the convertible note payables for the year is set out below:

	2006	**2005**
	HK$'000	*HK$'000*
Liability component at the beginning of the year	84,983	–
Issue of convertible notes	827,953	109,035
Conversion during the year	(106,590)	(24,407)
Interest charge *(note 9)*	33,372	543
Interest paid	(1,256)	(188)
Liability component at the end of the year	838,462	84,983

Analysed for reporting purposes as:

Current liability	221	180
Non-current liability	838,241	84,803
	838,462	84,983

The fair value of the liability component of the convertible note payables, determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible note at the balance sheet date, approximate their corresponding carrying amount.

31. BANK AND OTHER BORROWINGS

	2006	2005
	HK$'000	*HK$'000*
Bank loans, secured	30,125	37,625
Trust receipt and import loans, secured	15,045	16,582
Other borrowings, unsecured	–	13,564
	45,170	67,771
The maturity profile of the above loans and borrowings is as follows:		
Within one year or on demand	45,170	62,146
More than one year, but not exceeding two years	–	5,625
	45,170	67,771
Less: Amount due within one year shown under current liabilities	(45,170)	(62,146)
Amount due after one year	–	5,625

Bank borrowings comprise	Maturity date	Effective interest rate	Carrying amount 2006	2005
			HK$'000	*HK$'000*
Variable-rate borrowings:				
HIBOR plus 2% secured HK$ bank loan *(notes i and ii)*	10th December, 2006	HIBOR + 2%	5,625	13,125
HIBOR plus 1.75% secured HK$ bank loan *(note ii)*	31st July, 2006	HIBOR + 1.75%	24,500	24,500
			30,125	37,625

Notes:

(i) Repayable in three equal quarterly instalments of HK$1,875,000 each commencing on 10th June, 2006 through 10th December, 2006.

(ii) Interest will be repriced when HIBOR is changed.

Secured trust receipts and import loans are repayable within one year from the balance sheet date and carry interest ranging from HIBOR plus 1% per annum to HIBOR plus 1.75% per annum (2005: from HIBOR plus 1% per annum to HIBOR plus 1.75% per annum). The Group's borrowings are denominated in Hong Kong dollars. Interest is repricing monthly or quarterly.

At 31st March, 2005, the Group's unsecured other borrowings included fixed-rate borrowings of HK$7,940,000 which carried interest at 12% per annum and repaid on 30th May, 2005 and variable-rate borrowings of HK$5,624,000 which were unsecured and carried interest at HIBOR plus 2%. Variable-rate interest was repriced when HIBOR is changed. These borrowings were denominated in Hong Kong dollars.

The directors consider that the carrying amounts of bank and other borrowings approximate their fair values.

32. DEFERRED TAXATION

The followings are the major deferred tax liabilities (asset) recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation *HK$'000*	**Deferred development costs** *HK$'000*	**Tax losses** *HK$'000*	**Total** *HK$'000*
At 1st April, 2004	–	–	–	–
Arising on acquisition of subsidiaries	3,263	–	(3,263)	–
(Credit) charge to income for the year	(730)	353	377	–
At 31st March, 2005 and 1st April, 2005	2,533	353	(2,886)	–
(Credit) charge to income for the year	(2,533)	187	2,346	–
At 31st March, 2006	–	540	(540)	–

At 31st March, 2006, the Group has estimated unused tax losses of HK$682,993,000 (2005: HK$679,816,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$3,086,000 (2005: HK$16,492,000) of such losses. No deferred tax asset has been recognised in respect of the remaining unused tax losses of HK$679,907,000 (2005: HK$663,324,000). Tax losses may be carried forward indefinitely.

At 31st March, 2006, the Group had deductible temporary differences associated with property, plant and equipment of HK$19,402,000 (2005: HK$216,000). No deferred tax asset had been recognised in respect of such deductible temporary differences due to the unpredictability of future profit streams.

33. SHARE CAPITAL

	Number of shares	**Amount** *HK$'000*
Authorised:		
At 1st April, 2004, 31st March, 2005 and 31st March, 2006, at HK$0.01 each	40,000,000,000	400,000
Issued and fully paid:		
At 1st April, 2004, at HK$0.01 each	127,697,656	1,277
Exercise of share options *(note 1)*	1,155,000	12
Issue of shares *(note 2)*	175,000,000	1,750
Conversion of convertible notes *(note 3)*	57,142,851	571
At 31st March, 2005, at HK$0.01 each	360,995,507	3,610
Conversion of convertible notes *(note 4)*	270,441,132	2,704
At 31st March, 2006, at HK$0.01 each	631,436,639	6,314

Notes:

(1) On 19th April, 2004, the Company issued 1,155,000 ordinary shares of HK$0.01 each for consideration of HK$0.207 per share upon exercise of share options granted to an employee. The shares issued rank pari passu with other shares in all respects.

(2) On 15th December, 2004, the Company entered into a share placing agreement with a placing agent for the placing of 150,000,000 new ordinary shares of HK$0.01 each in the capital of the Company at an issue price of HK$0.40 per share, on a best effort basis to not less than six placing share subscribers. On the same date, the Company also entered into a convertible note placing agreement with the placing agent for a placing of HK$100 million 2% convertible notes due 2008 at an initial conversion price of HK$0.42 per share, representing a discount of approximately 8.7% to the closing price of HK$0.46 per share as quoted on the Stock Exchange on 10th December, 2004, on a best effort basis to not less than six convertible note subscribers. The net proceeds of approximately HK$35 million and HK$90 million would be used to finance the repayment of certain short-term borrowings and the expansion of the Group's investment properties portfolio, respectively. The balance of HK$30 million would be used as general working capital. The new shares rank pari passu with other shares in issue in all respects.

On 28th December, 2004, the Company entered into another share placing agreement with a placing agent for a placing of 25,000,000 new ordinary shares of HK$0.01 each in the capital of the Company at an issue price of HK$0.81 per share, representing a discount of 19.0% to the price of HK$1.00 per share as quoted on the Stock Exchange on 23rd December, 2004 on a best effort basis to not less than six placees. The net proceeds of HK$19.25 million would be used as general working capital. These shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 31st August, 2004 and rank pari passu with all the other shares in issue in all respects.

(3) In December 2004 and February 2005, the HK$15,000,000 2% convertible notes due 2006 and the HK$10,000,000 2% convertible notes due 2008 were converted into 33,333,331 and 23,809,520 ordinary shares of HK$0.01 each in the capital of the Company at conversion prices of HK$0.45 and HK$0.42 per share, respectively. The new shares rank pari passu with all the other shares in issue in all respects.

(4) In April 2005, November 2005, February 2006 and March 2006, the HK$20,000,000, HK$6,623,000, HK$16,720,000 and HK$46,657,000 2% convertible notes due 2008 were converted into 47,619,046, 15,769,047, 39,809,523 and 112,698,063 ordinary shares of HK$0.01 each in the capital of the Company at conversion prices of HK$0.42, HK$0.42, HK$0.42 and HK$0.414 per share, respectively. In February 2006 and March 2006, the HK$2,500,000 and HK$21,500,000 unsecured zero coupon convertible notes due 2010 were converted into 5,681,817 and 48,863,636 ordinary shares of HK$0.01 each in the capital of the Company at the conversion price of HK$0.44 per share. The new shares rank pari passu with all other shares in issue in all respects.

34. SHARE OPTIONS

Scheme adopted on 28th February, 1994 (the "1994 Scheme")

The 1994 Scheme, having an original expiry date of 27th February, 2004, was adopted on 28th February, 1994 for the primary purpose of providing incentives to directors and eligible employees.

At 31st March, 2006, no option under the 1994 Scheme was outstanding.

Pursuant to a resolution passed on 26th August, 2002, the 1994 Scheme was early terminated. After the termination of 1994 Scheme, no more share options can be granted under the scheme and the outstanding share options under it are remain exercisable until they expire.

Scheme adopted on 26th August, 2002 (the "2002 Scheme")

Following the termination of the 1994 Scheme in August 2002, the 2002 Scheme was adopted pursuant to a resolution passed on 26th August, 2002 for the primary purpose of providing incentives to eligible persons and will expire on 25th August, 2012. Under the 2002 Scheme, the Board of Directors of the Company may grant share options to the following eligible persons to subscribe for shares in the Company:

(i) employees including executive directors of the Company, its subsidiaries and any companies in which the Company holds any equity interest; or

(ii) non-executive directors of the Company, its subsidiaries and any companies in which the Company holds any equity interest; or

(iii) suppliers or customers; or

(iv) consultants, advisers or agents.

Share options granted should be accepted within 28 days of the date of grant, upon payment of HK$1 per each grant of share options. The exercise price is determined at the highest of: (i) the closing price of the shares on the date of grant of the share option; or (ii) the average closing price of shares on the five trading days immediately preceding the date of grant; or (iii) the nominal value of shares on the date of grant.

Share options may be exercised in accordance with the terms of the 2002 Scheme at any time after the date upon which the option is granted and accepted and prior to the expiry of ten years from that date.

At 31st March, 2006, no option under the 2002 Scheme was outstanding. The maximum number of shares in respect of which share options under the 2002 Scheme may be granted when aggregated with the maximum number of shares in respect of which options may be granted under all the other schemes (the "Scheme Limit") is 10% of shares in issue on the adoption date of the 2002 Scheme. The Scheme Limit may be refreshed by a resolution in shareholders' meeting such that the total number of shares which may be issued upon exercise of all options to be granted under the 2002 Scheme and any other schemes shall not exceed 10% of the shares in issue as at the date of such shareholders' approval. However, the Scheme Limit and any increase in the Scheme Limit shall not result in the number of shares which may be issued upon exercise of all outstanding share options granted under the 2002 Scheme and other schemes exceed 30% of the shares in issue from time to time. No person shall be granted a share option, within 12-month period of the date of grant, exceeds 1% of the shares in issue as at the date of grant.

The following table discloses details of the Company's share options held by employees and movements in such holdings during the year:

Option type	Outstanding at 1.4.2005	Exercised during the year	Cancelled/ Lapsed during the year	Outstanding at 31.3.2006
1994 Scheme	27,300	–	(27,300)	–

Option type	Outstanding at 1.4.2004	Exercised during the year	Cancelled/ Lapsed during the year	Outstanding at 31.3.2005
1994 Scheme	27,300	–	–	27,300
2002 Scheme	1,155,000	(1,155,000)	–	–
	1,182,300	(1,155,000)	–	27,300

There were no share options held by directors during the years ended 31st March, 2006 and 2005 and at 31st March, 2006 and 2005.

For the year ended 31st March, 2005, the market price of the shares was HK$0.33 on the exercise date of the options.

Details of the share options outstanding at 31st March, 2006 and 2005 are as follows:

Date of grant	Exercisable period	Exercise price	Number of shares to be issued upon exercise of the share options	
		HK$	2006	2005
1994 Scheme				
19.6.1997	19th June, 1997 to 18th June, 2007	21.84	–	4,800
2.2.1998	2nd February, 1998 to 1st February, 2008	2.00	–	2,000
17.11.1999	17th November, 1999 to 16th November, 2009	2.34	–	10,500
14.3.2000	14th March, 2000 to 13th March, 2010	6.60	–	10,000
			–	27,300

35. ACQUISITION OF SUBSIDIARIES

In September 2005 and October 2005, the Group acquired 100% of the issued share capital of China-HK International Finance Limited and 100% of the issued share capital of Well Cycle Limited for cash considerations of HK$35,000 and HK$1,266,000, respectively. The transactions have been accounted for using the purchase method of accounting.

In May 2004, the Group acquired 100% of the issued share capital of Tung Fong Hung Investment Limited and its subsidiaries and the remaining 50% of the issued share capital of Pacific Wins Development Ltd. for considerations of HK$42 million and HK$28 million, respectively. The acquisitions have been accounted for using the purchase method of accounting.

The effect of the acquisition is summarised as follows:

	Acquiree's carrying amount and fair value 2006	2005
	HK$'000	*HK$'000*
		(restated)
NET ASSETS ACQUIRED		
Property, plant and equipment	1,264	70,127
Prepaid lease payments	–	1,422
Intangible assets	–	1,264
Inventories	–	60,353
Debtors, deposits and prepayments	33	26,205
Tax recoverable	–	14
Bank balances and cash	4	23,274
Creditors and accrued charges	–	(48,613)
Obligations under a finance lease	–	(149)
Bank and other borrowings	–	(82,698)
	1,301	51,199
Goodwill	–	22,936
Total consideration	1,301	74,135
SATISFIED BY		
Cash	1,301	42,000
Promissory notes	–	13,000
Convertible notes	–	15,000
Legal and professional fees	–	4,135
	1,301	74,135
Net cash outflow arising on acquisition		
Cash consideration	(1,301)	(42,000)
Legal and professional fees	–	(4,135)
Bank balances and cash acquired	4	23,274
	(1,297)	(22,861)

The subsidiaries acquired during the year ended 31st March, 2006 did not make any significant contribution to the turnover or the results of the Group. Had the acquisitions been completed on 1st April, 2005, the contribution to the turnover and the results of the Group from these subsidiaries would be insignificant. The proforma information is for illustrative purposes only and was not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisitions been completed on 1st April, 2005, nor it is intended to be a projection of future results.

The subsidiaries acquired during the year ended 31st March, 2005 contributed HK$275,952,000 to the Group's turnover and a profit of HK$2,888,000 to the Group's results for the period between the date of acquisitions and the balance sheet date.

36. CONTINGENT LIABILITIES

At 31st March, 2006 and 2005, the Group had given an indemnity to the purchaser relating to unrecorded taxation liabilities, if any, and warranties relating to the affairs and businesses of a subsidiary disposed of in the previous year. The maximum aggregate liability of the Group in respect of all claims for breach of the warranties shall, when taken together with the aggregate liability of the Group in respect of all claims under the indemnity, not exceed the sum of HK$60,000,000. All related claims may be brought against the Group up to the expiry of 10 years from 31st March, 1998.

37. CAPITAL COMMITMENTS

	2006	**2005**
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the financial statements in respect of:		
– acquisition of property, plant and equipment	612	2,550
– acquisition of subsidiaries *(Note)*	135,000	–
– loan to a subsidiary to be acquired *(Note)*	80,000	–
– loan to an associate to be acquired *(Note)*	645,000	–
	860,612	2,550
Capital expenditure authorised but not contracted for in respect of:		
– acquisition of property, plant and equipment	194	–
	860,806	2,550

Note: Details of the acquisitions of subsidiaries and associates are set out in notes 20 and 42(a) and (b).

38. OPERATING LEASE COMMITMENTS

The Group as lessee

	2006	**2005**
	HK$'000	*HK$'000*
Property rentals paid by the Group during the year in respect of:		
Minimum lease payments	23,799	19,162
Contingent rents	8,011	3,811
	31,810	22,973

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

	2006	**2005**
	HK$'000	*HK$'000*
Within one year	29,697	19,280
In the second to fifth years inclusive	21,401	18,710
Over five years	16	–
	51,114	37,990

Operating lease payments represent rentals payable by the Group for certain of its office premises and outlets. Leases are negotiated for an average term of three years and rentals are either fixed or, in addition to the fixed rentals, determined based on a fixed percentage of the monthly gross turnover of the outlets, for an average term of three years.

The Group as lessor

The property rental income earned during the year was HK$2,198,000 (2005: HK$98,000).

At 31st March, 2005 and 2006, the Group had no operating lease commitment.

39. PLEDGE OF ASSETS

At 31st March, 2006, the Group's bank and other borrowings were secured by the following:

(a) legal charges over the property, plant and equipment of Jean-Marie Pharmacal Company Limited, a subsidiary of the Company with a carrying value of HK$2,902,000 (2005: HK$11,959,000);

(b) bank deposits of HK$3,000,000 (2005: HK$3,000,000); and

(c) legal charges over the Group's properties held for sale with a carrying value of HK$58,536,000 (2005: HK$58,536,000).

40. RETIREMENT BENEFITS SCHEMES

The Group operates a defined contribution retirement benefits scheme for eligible employees. The assets of the scheme are separately held in funds under the control of trustees.

The cost charged to the consolidated income statement represents contributions payable to the fund by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

At the balance sheet dates, the Group had no significant forfeited contributions, which arose upon employees leaving the retirement benefits scheme and which are available to reduce the contributions payable by the Group in future years.

With effect from 1st December, 2000, the Group has also joined a Mandatory Provident Fund Scheme (the "MPF Scheme") for employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee.

Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. The contributions arising from the MPF Scheme charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme. No forfeited contribution is available to reduce the contribution payable in future years.

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

41. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

Pursuant to the announcement on 20th April, 2005 and the circular dated 23rd May, 2005, on 8th April, 2005, the Company entered into seven subscription agreements with seven subscribers. On 20th April, 2005, the Company entered into another two subscription agreements and a placing agreement with two subscribers and a placing agent, respectively. The nine subscribers and the placing agent agreed to subscribe or place the HK$956 million and HK$44 million unsecured zero coupon convertible notes due 2010, respectively. Each of the subscription agreements and the placing agreement were not inter-conditional on each other. Kopola, one of the subscribers, was a connected person of the Company had subscribed HK$150 million of the notes. Details are set out in note 30.

Kopola had not converted any of its Subscription Convertible Notes during the year ended 31st March, 2006.

Compensation of key management personnel

The remuneration of directors during the year was as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Short-term benefits	3,990	366

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

42. POST BALANCE SHEET EVENTS

Subsequent to 31st March, 2006, the Group has the following significant post balance sheet events:

(a) As stated in the announcement on 7th February, 2006 and the circular dated 26th April, 2006, the Group entered into an acquisition agreement dated 2nd February, 2006 to acquire the entire interest in Everight and loan owed by the Everight Group to Green Label for an aggregate consideration of HK$140 million as set out in note 20(i), of which HK$80 million was satisfied by cash and HK$60 million by the issue of zero coupon convertible notes due on 11th August, 2010. Upon full conversion of the 2010 convertible notes at an initial conversion price of HK$0.44 per share (subject to adjustment), a total of 136,363,636 new ordinary shares would be issued. The acquisition was approved by shareholders in a special general meeting held on 23rd May, 2006 and was completed on 8th June, 2006.

(b) As stated in the announcement dated 3rd April, 2006 and the circular dated 29th May, 2006, the Group entered into an acquisition agreement to acquire 40% of the issued share capital of Orient Town for a cash consideration of HK$280. Pursuant to the acquisition agreement, the Group undertook to advance to Orient Town a loan in the amount of HK$885 million. As further consideration for the Group agreeing to enter into the said acquisition agreement, the vendor of Orient Town had granted the Group an option to purchase all or any of 70 shares of Orient Town (the "Option Shares"), representing 10% of its issued share capital as at 24th May, 2006 as set out in note 20(ii). The acquisition was approved by shareholders in a special general meeting held on 15th June, 2006 and was completed on 15th June, 2006.

Further to the above-mentioned and the announcement dated 26th June, 2006, the Group has given a consent on 19th June, 2006 to Pacific Wish, which holds 60% of the issued share capital of Orient Town (the "Orient Town Shares"), to dispose of 15% of the Orient Town Shares, with an option to acquire a further 10% of the Orient Town Shares (the "Purchaser Option"), to an independent third party and to cancel half of the Option Shares, representing 35 Shares of Orient Town or 5% of its issued share capital. By consenting to the said disposal and cancellation, the Group will be compensated for approximately HK$32.3 million upon exercise of the Purchaser Option.

(c) As stated in the announcement on 28th April, 2006 and the circular dated 22nd May, 2006 (the "Circular"), on 27th April, 2006, the Company entered into seventeen conditional subscription agreements with different subscribers. On the same date, the Company entered into a placing agreement with a placing agent. Each of the subscription agreements and the placing agreement are not inter-conditional on each other.

Of the seventeen subscribers, four of them were fund subscribers who were funds managed by Stark Investments (Hong Kong) Limited ("Stark Investments"), a manager of the fund subscribers (the "Stark Funds"), with the remaining thirteen subscribers being Hanny, ITC Corporation Limited ("ITC") and eleven other note subscribers. Pursuant to the subscription agreements, the Stark Funds, Hanny, ITC and eleven other note subscribers had in aggregate conditionally agreed to subscribe by cash for HK$1,000 million 1% convertible notes due 2011 proposed to be issued by the Company pursuant to the subscription agreements (the "2011 Subscription Convertible Notes") with principal amount of HK$123 million, HK$270 million, HK$30 million and HK$577 million, respectively (the "2011 Subscription"). ITC is a company incorporated in Bermuda with limited liability and its shares are listed on the Stock Exchange. ITC, through its subsidiary, held approximately 24.28% of the issued share capital of Hanny as at 18th May, 2006, the latest practicable date of the Circular. Hanny and the Stark Funds are connected persons of the Company pursuant to the Listing Rules by virtue of its approximately 20.71% and 17.26% interest in the total issued ordinary shares of HK$0.01 each in the share capital of the Company, respectively, as at the date of the subscription agreements entered. Therefore, the subscription of the 2011 Subscription Convertible Notes by Hanny and Stark Funds constituted connected transactions of the Company under the Listing Rules.

Pursuant to the placing agreement, the placing agent would procure, on a best effort basis, no less than six placees to subscribe by cash for up to 833,332,000 new ordinary shares of HK$0.01 each in the share capital of the Company at HK$0.60 per share. The aggregate amount of the placing would be approximately HK$500 million before expenses.

Upon full conversion of the 2011 Subscription Convertible Notes at initial conversion price of HK$0.70 per share (subject to adjustment), a total of 1,428,571,428 new ordinary shares will be issued.

The total gross proceeds from the 2011 Subscription Convertible Notes and the placing mentioned above would be HK$1,000 million and HK$500 million, respectively. Net proceeds of approximately HK$1,468 million will be used to finance the expansion of the investment property portfolio and the existing property development projects of the Company.

The placing and the 2011 Subscription were approved by shareholders in a special general meeting held on 8th June, 2006 and were completed on 14th June, 2006 and 15th June, 2006, respectively.

43. BALANCE SHEET OF THE COMPANY

The balance sheet of the Company at 31st March, 2006 is as follows:

	Note	2006 HK$'000	2005 HK$'000 (restated)
Non-current assets			
Property, plant and equipment		–	3
Investment in subsidiaries		–	–
		–	3
Current assets			
Debtors and prepayments		1,139	221
Loan receivable		10,500	10,500
Amounts due from subsidiaries		1,228,937	104,428
Bank balances and cash		1,018	153,190
		1,241,594	268,339
Current liabilities			
Creditors and accrued charges		1,382	1,421
Promissory note payables		–	6,500
Convertible note payables		221	180
Other borrowings – due within one year		–	7,940
		1,603	16,041
Net current assets		1,239,991	252,298
Total assets less current liabilities		1,239,991	252,301
Non-current liability			
Convertible note payables		838,241	84,803
		401,750	167,498
Capital and reserves			
Share capital		6,314	3,610
Reserves	*(a)*	395,436	163,888
		401,750	167,498

Note:

(a) Reserves

	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Convertible loan notes equity reserve *HK$'000*	Contribution surplus *HK$'000* *(Note)*	Deficit *HK$'000*	Total *HK$'000*
THE COMPANY						
At 31st March, 2004	2,071	646	–	206,177	(144,173)	64,721
Exercise of share options	227	–	–	–	–	227
Recognition of equity component of convertible notes	–	–	3,466	–	–	3,466
Issue of shares	78,500	–	–	–	–	78,500
Conversion of convertible notes	24,182	–	(346)	–	–	23,836
Expenses incurred in connection with issue of shares	(2,623)	–	–	–	–	(2,623)
Loss for the year	–	–	–	–	(4,239)	(4,239)
At 31st March, 2005	102,357	646	3,120	206,177	(148,412)	163,888
Recognition of equity component of convertible notes	–	–	160,914	–	–	160,914
Conversion of convertible notes	110,867	–	(6,981)	–	–	103,886
Loss for the year	–	–	–	–	(33,252)	(33,252)
At 31st March, 2006	213,224	646	157,053	206,177	(181,664)	395,436

Note: The contribution surplus of the Company represents:

(i) the difference between the underlying net assets of the subsidiaries acquired by the Company at the date of the group reorganisation in 1994 less any dividends distributed from the pre-reorganisation reserves and the nominal amount of the Company's share capital issued as consideration for the acquisition; and

(ii) net balance from capital reduction, cancellation of share premium and set-off against the deficit pursuant to the capital reorganisation on 15th April, 2003.

44. SUBSIDIARIES

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

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share/ registered capital	Percentage of issued share/ registered capital held by the Company Directly %	Indirectly %	Principal activities
Advance Tech Limited	Hong Kong	HK$1 ordinary share	–	100	Securities investment
Asia Progress Investments Limited	British Virgin Islands	US$1 ordinary share	–	100	Investment holding
Cheung Tai Hong (B.V.I.) Limited	British Virgin Islands	US$50,000 ordinary shares	100	–	Investment holding
Cheung Tai Hong, Limited	Hong Kong	HK$2,000 ordinary shares	–	100	Securities investment and investment holding
		HK$500,000 non-voting deferred shares *(note 1)*	–	–	
Cheung Tai Hong Management Group Limited	British Virgin Islands	US$1 ordinary share	100	–	Investment holding
Cheung Tai Hong Property Group Limited	British Virgin Islands	US$1 ordinary share	100	–	Investment holding
Cheung Tai Hong Holdings (Motor Vehicle) Limited	Hong Kong	HK$10,000 ordinary shares	–	100	Trading of motorcycles and spare parts
Champion Palace Development Limited	Hong Kong	HK$2 ordinary shares	–	100	Properties holding in the PRC
China-HK International Finance Limited	Hong Kong	HK$2 ordinary shares	–	100	Money lending
Exalt Investment Limited	Hong Kong	HK$10,000 ordinary shares	–	100	Investment holding
Handsworth Investments Limited	British Virgin Islands	US$1 ordinary share	–	100	Investment holding
Jean-Marie Pharmacal Company Limited	Hong Kong	HK$812,600 ordinary shares	–	100	Manufacture and sales of pharmaceutical products
Jean-Marie Pharmacal Management Limited	Hong Kong	HK$2 ordinary shares	–	100	Investment holding

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share/ registered capital	Percentage of issued share/ registered capital held by the Company Directly %	Indirectly %	Principal activities
Jumbo Ever Limited	Hong Kong	HK$2 ordinary shares	–	100	Investment holding
Master Super Development Limited	Hong Kong	HK$100 ordinary shares	–	100	Property holding and sale
Million Orient Limited	Hong Kong	HK$1 ordinary share	–	100	Investment holding
New Smarten Limited	Hong Kong	HK$1 ordinary share	–	100	Investment holding
Pacific Essence Limited	British Virgin Islands	US$1 ordinary share	–	100	Investment holding
Pacific Wins Development Ltd.	British Virgin Islands	US$1,000 ordinary shares	–	100	Investment holding
Sound Advice Investments Limited	British Virgin Islands	US$100 ordinary shares	–	100	Investment holding
South Step Limited	Hong Kong	HK$1 ordinary share	–	100	Property investment and development
Teamate Limited	British Virgin Islands	US$1 ordinary share	–	100	Investment holding
Tung Fong Hung Investment Limited	British Virgin Islands	US$10,000 ordinary shares	–	100	Investment holding
Tung Fong Hung Nominees Limited	British Virgin Islands	US$2 ordinary shares	–	100	Provision of nominee services
Tung Fong Hung (China) Limited	Hong Kong	HK$2 ordinary shares	–	100	Distribution of Chinese medicine and health food
Tung Fong Hung Foods Limited	Hong Kong	HK$2 ordinary shares	–	100	Distribution of health food
Tung Fong Hung Foods Company, B.C. Limited	Canada	CAD360 common	–	100	Distribution of health food
Tung Fong Hung Medicine (BVI) Limited	British Virgin Islands	HK$0.2 ordinary share	–	100	Investment holding
Tung Fong Hung Medicine Company, Limited	Hong Kong	HK$1,001 ordinary shares	–	100	Retailing of Chinese medicine and foodstuffs
Tung Fong Hung Medicine Company (Macau) Limited	Macau	MOP100,000 quota capital	–	100	Retailing of Chinese medicine and foodstuffs

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share/ registered capital	Percentage of issued share/ registered capital held by the Company Directly %	Indirectly %	Principal activities
TFH Management Limited	Hong Kong	HK$2 ordinary shares	–	100	Provision of management services
TFH Manufacturing Company Limited	Hong Kong	HK$2 ordinary shares	–	100	Processing, packaging and distribution of Chinese medicine and foodstuffs
TFH (China) Holdings Limited	Hong Kong	HK$2 ordinary shares	–	100	Investment holding
Top Century International Limited	British Virgin Islands	US$1 ordinary share	–	100	Investment holding
Total Pacific Limited	Hong Kong	HK$2 ordinary shares	–	100	Investment holding
Universal Focus Limited	British Virgin Islands	US$1 ordinary share	–	100	Investment holding
Well Cycle Limited	Hong Kong	HK$2 ordinary shares	–	100	Letting of motor vehicles
廣州市東方紅保健品有限公司	PRC *(note 2)*	HK$2,500,000	–	100	Distribution of Chinese medicine and health food
深圳市東方紅保健品有限公司	PRC *(note 3)*	RMB1,000,000	–	100	Distribution of Chinese medicine and health food
深圳市東方聖恒貿易有限公司	PRC *(note 2)*	RMB2,000,000	–	51	Distribution of Chinese medicine and health food
東方紅(中山)保健食品廠有限公司	PRC *(note 2)*	US$1,000,000	–	100	Processing and wholesaling of health food
黑龍江金保華農業有限公司	PRC *(note 2)*	HK$14,000,000	–	100	Cultivation and sales of potatoes
哈爾濱東方綠種業有限公司	PRC *(note 3)*	RMB1,100,000	–	100	Sales of potatoes seeds

Notes:

(1) The non-voting deferred shares, which are not held by the Group, practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the respective companies nor to participate in any distribution on winding up.

(2) The subsidiaries are wholly-owned foreign enterprises.

(3) The subsidiaries are wholly-owned domestic enterprises.

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

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

45. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into four (2005: three) operating divisions. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Medicine and health food	–	manufacture and trading of medicine and health food
Motorcycles	–	trading of motorcycles and spare parts
Property	–	property development and investment
Securities investment	–	trading of securities

During the year, the Group has classified securities investment as its operating division.

Segment information about these businesses is presented below:

	Medicine and health food *HK$'000*	**Motorcycles** *HK$'000*	**Property** *HK$'000*	**Securities investment** *HK$'000*	**Consolidated** *HK$'000*
INCOME STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006					
Turnover	324,800	11,756	2,198	503,502	842,256
SEGMENT RESULTS	(30,527)	471	1,545	(3,440)	(31,951)
Unallocated corporate income					19,323
Unallocated corporate expenses					(20,984)
Share of results of an associate	(5)	–	–	–	(5)
Finance costs					(36,818)
Loss before taxation					(70,435)
Taxation					(2,657)
Loss for the year					(73,092)

	Medicine and health food HK$'000	Motorcycles HK$'000	Property HK$'000	Securities investment HK$'000	Consolidated HK$'000
BALANCE SHEET AT 31ST MARCH, 2006					
ASSETS					
Segment assets	144,202	1,750	210,264	9,043	365,259
Unallocated corporate assets					1,035,955
Consolidated total assets					1,401,214
LIABILITIES					
Segment liabilities	61,789	312	3,109	–	65,210
Unallocated corporate liabilities					890,171
Consolidated total liabilities					955,381

	Medicine and health food HK$'000	Motorcycles HK$'000	Property HK$'000	Securities investment HK$'000	Unallocated HK$'000	Consolidated HK$'000
OTHER INFORMATION						
Depreciation of property, plant and equipment	10,017	–	–	–	229	10,246
Amortisation of intangible assets	171	–	–	–	–	171
Amortisation of prepaid lease payments	30	–	–	–	–	30
Loss arising from change in fair value of financial assets through profit or loss	–	–	–	1,645	–	1,645
Impairment recognised in respect of goodwill arising from acquisition of subsidiaries	21,885	–	–	–	–	21,885
Impairment loss of property, plant and equipment	25,851	–	–	–	–	25,851
Loss on disposal of property, plant and equipment	544	–	–	–	–	544
Decrease in fair value of investments held-for-trading	–	–	–	4,401	–	4,401
Written-off of intangible assets	299	–	–	–	–	299
Capital additions	9,165	–	–	–	1,116	10,281
Development cost incurred	1,441	–	–	–	–	1,441
Reversal of amount due from an associate	–	–	–	–	(3)	(3)

	Medicine and health food HK$'000	Motorcycles HK$'000	Property HK$'000	Consolidated HK$'000 (restated)
INCOME STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2005				
Turnover	275,952	11,737	91,707	379,396
SEGMENT RESULTS	2,888	542	27,160	30,590
Unallocated corporate income				2,139
Unallocated corporate expenses				(11,090)
Finance costs				(7,554)
Profit before taxation				14,085
Taxation				(1,823)
Profit for the year				12,262
BALANCE SHEET AT 31ST MARCH, 2005				
ASSETS				
Segment assets	218,491	2,019	62,156	282,666
Unallocated corporate assets				195,847
Consolidated total assets				478,513
LIABILITIES				
Segment liabilities	57,986	753	1,636	60,375
Unallocated corporate liabilities				169,334
Consolidated total liabilities				229,709

	Medicine and health food *HK$'000* (restated)	Motorcycles *HK$'000*	Property *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000* (restated)
OTHER INFORMATION					
Depreciation of property, plant and equipment	8,625	–	–	184	8,809
Amortisation of prepaid lease payments	27	–	–	–	27
Amortisation of intangible assets	71	–	–	–	71
Amortisation of goodwill	1,051	–	–	–	1,051
Write-off of intangible assets	645	–	–	–	645
Capital additions	73,205	–	–	3	73,208
Development cost incurred	2,731	–	–	–	2,731
Goodwill	22,936	–	–	–	22,936
Doubtful debt provided (recovered)	1,741	–	–	(12)	1,729
Loss on disposal of investment properties	–	–	3,217	–	3,217
Unrealised holding loss of other investments	–	–	–	4,226	4,226
Release of negative goodwill	–	–	(2,224)	–	(2,224)

Geographical segments

The Group's operations are principally located in Hong Kong, the PRC and other countries including Macau, Canada, Taiwan and Singapore. The Group's administrative functions were carried out in Hong Kong and the PRC.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Sales revenue by geographical market	
	2006 *HK$'000*	**2005** *HK$'000*
Hong Kong	754,026	288,326
PRC	59,818	60,687
Other countries	28,412	30,383
	842,256	379,396

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, intangible assets and goodwill, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment, intangible assets and goodwill	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(restated)
Segment assets				
Hong Kong	890,371	387,351	4,634	97,926
PRC	225,079	78,351	6,091	857
Macau	18,923	–	–	–
Other countries	12,877	12,811	997	92
	1,147,250	478,513	11,722	98,875
Other assets	253,964	–	–	–
	1,401,214	478,513	11,722	98,875

3. MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's turnover for the year ended 31st March, 2006 was approximately HK$842.3 million, representing an increase of 122% as compared with the comparative period of HK$379.4 million. This substantial increase is mainly due to the expansion in the activity of securities investment, being part of the Group's strategy in short term treasury management, which contributed HK$503.5 million to the Group's turnover during the year under review.

During the year, there was an increase in interest expense of HK$29.3 million mainly due to the issue of convertible notes which interest expenses were calculated with reference to the effective interest rate on adoption of new accounting standard. An impairment loss for goodwill of HK$21.9 million has been charged to the income statement. In addition, the Group has carried out a review of the recoverable amount of manufacturing plant and equipment used in medicine and health food segment which resulted in an impairment loss of HK$25.9 million. As a result, the Group incurred a loss for the year of HK$73.1 million. The loss per share for the current year was HK$17.2 cents.

Property Development and Investment

During the year, the Group has been actively looking for investment opportunities in properties. In February 2006, the Group entered into an agreement to acquire the entire issued share capital of Everight Investment Limited ("Everight", together with its subsidiaries "Everight Group") and certain loan owed by Everight to a vendor for an aggregate consideration of HK$140 million, which was to be satisfied as to HK$80 million by cash and HK$60 million by issue of convertible notes. Everight Group is principally engaged in operation of golf club, hotel, resorts and development and management of luxurious residential properties in Lotus Hill, Panyu, Guangdong and Yalong Bay, Sanya, Hainan. The acquisition enables the Group to diversify into the PRC property market and to develop luxurious residential properties in Guangzhou. In addition, the Group can further expand its investment portfolio into hotel and resort facilities. Furthermore, with golfing becoming a popular activity, the operation of golf club, hotel and resort facilities will provide the Group with an additional growing source of revenue. To facilitate the development of luxurious residential properties by Everight Group, in accordance with a shareholders' agreement of a non wholly-owned subsidiary of Everight, the Group agreed to provide a shareholder's loan for the first two years commencing from the date of the shareholders' agreement up to a maximum amount of HK$80 million. The acquisition has been completed in June 2006.

In March 2006, the Group entered into an agreement to acquire 40% of the issued share capital of Orient Town Limited ("Orient Town", together with its subsidiaries "Orient Town Group") for a cash consideration of HK$280, which principal asset is its indirect interest in 14 parcels of leased land in Estrada de Sac Pai Van, Macau. In addition, the Group agreed to advance a shareholder's loan of HK$885 million to Orient Town in order to partially finance its indirect investment in the land. The chance of acquiring significant block of land in Macau at the current location does not come by very often, this acquisition enables the Group to diversify into the property market in Macau and to have an interest in a quality residential properties and service apartments development project of total gross saleable area of approximately 600,000 m^2. The acquisition has been completed in June 2006.

There are 24 residential units and 1 commercial unit at Talon Tower on Connaught Road West remain unsold at 31st March, 2006.

Securities Investment

During the year, the Group has expanded its activity in securities investment with an aim to maximising the short term yield from the surplus cash balances. A net loss of HK$3.4 million was reported for this segment. At the year end, the Group held investments held-for-trading in aggregate of HK$9.0 million, all of which are shares listed in Hong Kong.

Manufacture and Trading of Medicine and Health Food

Since Tung Fong Hung Investment Limited and Jean-Marie Pharmacal Company Limited (collectively the "Medicine Business") were acquired by the Group around end of April 2004, their results for the eleven months ended 31st March, 2005 had been accounted for by the Group in the comparative period. After taking into account this factor, as compared with the comparative period, the segment turnover for the year is HK$324.8 million, increased by 10% from that of 2005. However, due to recognition of an impairment loss in respect of goodwill arising from acquisition of the Medicine Business of HK$21.9 million and an aggregate impairment loss of HK$25.9 million in respect of the manufacturing plant and equipment, this segment incurred a loss of HK$30.5 million as compared with a profit of HK$2.9 million for 2005.

Financial Review

During the year, the entire remaining principal of HK$90 million of the 3-year convertible notes were converted into approximately 215.9 million shares in the Company. To strengthen its resources for expanding the activity in property investment, the Group has further issued 5-year convertible notes in August 2005 to raise HK$1,000 million, which can be converted into shares of the Company at an initial conversion price of HK$0.44 per share and repayable at the fifth anniversary from the issue date (or the next following business day if it is not a business day). Unless they are previously converted, redeemed or purchased and cancelled prior to their maturity, will be redeemed at 110% of their principal amount. In accordance with the new accounting standard adopted by the Group during the year, an amount of HK$160.9 million representing the estimated equity component of the 5-year convertible notes was recorded to increase the reserve of the Group. As a result, after offsetting by the loss of HK$73.1 million incurred for the year, the net asset value of the Group was increased by 79% from HK$248.8 million at 31st March, 2005 to HK$445.8 million at the year end. During the year, an aggregate principal amount of HK$24 million of the 5-year convertible notes was converted into approximately 54.5 million shares in the Company and the outstanding principal amount of the 5-year convertible notes at the year end was HK$976 million.

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. In addition to the above convertible note payables in aggregate of HK$976 million outstanding at the year end, a variety of credit facilities is maintained so as to meet its working capital requirements of the Group. At the end of the year, total bank borrowings amounted to HK$45.2 million, which is repayable within one year.

The net gearing ratio of the Group, calculated with reference to the total bank loans of HK$45.2 million and the fair value of the liability component of convertible note payables of HK$838.5 million, offsetting with the pledged bank deposits and the bank and cash balances of HK$708.5 million, and the Group's shareholders' funds of HK$445 million, was 0.39 at 31st March, 2006.

All the bank borrowings were interest-bearing with reference to Hong Kong inter-bank offer rate or prime rate. The management believes that interest rate remains stable in the capital market and therefore no hedge is to be made against interest rate fluctuation. Most of the assets and liabilities of the Group were denominated in Hong Kong dollars, and hence the Board considers that the Group was not subject to any material exchange rate exposure.

Number of Employees, Remuneration Policies and Share Option Scheme

As at 31st March, 2006, the number of employees was 583 (2005: 515). Employees are remunerated according to their qualifications and experience, job nature and performance, under the pay scales aligned with market conditions. During the year, the Group had also provided other benefits such as medical, insurance cover and retirement schemes to the employees.

Outlook

Due to the opening up of the casino business, tourism in Macau is enjoying a rapid growth which in turn boosts its economy in various sectors. It is generally anticipated that there will be a significant rise in the future population of Macau, which includes certain number of expatriates of the high income cluster. The Macau property market has been strong in all sectors, including residential, shops, office, hotels and industrial properties. Quality residential units, which are currently of limited supply in Macau, will suit the increasing demand for better living conditions of the Macau residents in line with ongoing improvement of their household income. It is expected that the investment in Orient Town Group will contribute a substantial return to the Group in the coming years.

After the acquisition of Everight Group, the development of luxurious residential properties in Guangzhou, an affluent city with rapid growth in its economy in which there is increasing demand of quality residential units, is expected to accelerate the future growth of the Group. In addition, Yalong Bay is one of the preferred destinations for leisure travelling in the PRC which has already been developed into high-end leisure spot, the development of hotel and resort facilities within the golf club in Sanya will contribute considerable recurring revenue to the Group. After the scheduled expansion of the golf course from existing 18 holes to 27 holes and completion of the club house and ancillary facilities, full operation of the golf club in Sanya is expected in late 2006 which will be in time to capture business growth in the coming peak season.

Subsequent to the year end, the Group has further raised in aggregate of approximately HK$1,500 million through the issue of 5-year convertible notes due 2011 and share placing. Having abundant resources, in addition to financing the above property development projects, the Group is actively and cautiously exploring suitable investment opportunities, with its primary focus on the property markets in Macau and its surrounding area.

Pledge of Assets

As at 31st March, 2006, the Group's properties held for sale in an aggregate value of approximately HK$58.5 million, bank balance of HK$3.0 million, and certain property, plant and equipment of a subsidiary of the Company of approximately HK$2.9 million had been pledged to banks and financial institutions to secure general credit facilities granted to the Group.

Contingent Liabilities

As at the year end, the Group had contingent liabilities in respect of a tax indemnity given upon disposal of a subsidiary at HK$60 million.

Securities in Issue

During the year, the Company had issued 112,698,063, 103,197,616 and 54,545,453 ordinary shares upon conversion of convertible notes at the conversion prices of HK$0.414, HK$0.42 and HK$0.44 per share respectively. In addition, share options of 27,300 shares were cancelled or lapsed and there were no share options granted and outstanding at the year end. As at 31st March, 2006, there were 631,436,639 shares in issue.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31st March, 2006.

4. FINANCIAL AND TRADING PROSPECT

The Cotai Strip has been identified by the Government of Macau as being the core district to its policy to increase the size of gaming and tourism industry in Macau. A number of hotels and casinos is scheduled to open in the years 2007 and 2008 which will definitely attract more tourists to visit the area.

Being the first to open on the Cotai Strip and the first integrated resort in Macau, Grand Waldo Hotel will be able to build a loyal customer base before other operators are able to offer alternatives on the Cotai Strip which will enhance the chance of capital appreciation of the property and rental adjustment in the future.

1. INTRODUCTION

As disclosed in the announcement of the Company dated 7th February, 2006 and the Everight Circular, the Group entered into an agreement to acquire the entire issued share capital of Everight and certain loans for an aggregate consideration of HK$140 million. Such consideration was satisfied as to HK$80 million by cash and HK$60 million by issue of convertible notes of the Company pursuant to the terms of the Everight Acquisition.

On completion of the Everight Acquisition on 8th June, 2006, the Company, Everight and certain other parties had entered into a shareholders' agreement, pursuant to which Everight shall be responsible for financing the working capital requirement of Smart Sharp Investment Limited (a subsidiary of Everight) and its subsidiaries for the first two years commencing from the date of such shareholders' agreement up to a maximum amount of HK$80 million.

At present, Everight Group operates two golf clubs, one in Lotus Hill, Panyu, Guangdong and one in Yalong Bay, Sanya, Hainan. The major recurring sources of turnover of Everight Group include green fee, membership subscription, food and beverage sale and accommodation and service income. In addition, 95 villas and 76 apartments have been constructed in Panyu for sale with 12 villas (each subject to long-term lease) remain unsold. Everight intends to carry out development projects in Panyu for sale and in Yalong Bay for rental and/or time share and/or resort facilities, subject to all governmental and regulatory approvals having been obtained. For further details of the Everight Acquisition, please refer to the Everight Circular.

Information of Everight Group required to be disclosed in this circular under the Listing Rules is set out below:

2. THREE-YEAR FINANCIAL SUMMARY

The following is the summary of the audited financial information on Everight Group for the three years ended 31st December, 2005 contained in the Everight Circular:

	Year ended 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Results			
Continuing operations			
Turnover	43,803	46,790	61,337
Cost of sales/services	(13,600)	(9,511)	(16,481)
Gross profit	30,203	37,279	44,856
(Loss) profit before tax	(2,953)	5,525	(10,016)
Taxation	618	(8,105)	(2,619)
Loss for the year from continuing operations	(2,335)	(2,580)	(12,635)
Discontinued operations			
(Loss) profit for the year from discontinued operations	(815)	56	4,129
Loss for the year	(3,150)	(2,524)	(8,506)
Attributable to:			
Equity holders of the parent	(295)	334	(2,949)
Minority interests	(2,855)	(2,858)	(5,557)
	(3,150)	(2,524)	(8,506)
Dividends	Nil	Nil	Nil

	As at 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Assets and liabilities			
Non-current assets	217,662	257,355	302,607
Current assets	59,838	39,812	37,872
Total assets	277,500	297,167	340,479
Current liabilities	113,969	139,170	125,528
Non-current liabilities	29,552	25,959	35,804
Total liabilities	143,521	165,129	161,332
Minority interests	94,956	92,393	108,533
Net assets attributable to the shareholders of Everight	39,023	39,645	70,614

3. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF EVERIGHT GROUP

The following is the reproduction of the audited consolidated financial statements of Everight Group together with the accompanying notes contained in pages 88 to 129 of the Everight Circular:

A. FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENTS

	Notes	Year ended 31st December, 2003 HKD'000	2004 HKD'000	2005 HKD'000
Continuing operations				
Turnover	*6*	43,803	46,790	61,337
Cost of sales/services		(13,600)	(9,511)	(16,481)
Gross profit		30,203	37,279	44,856
Other income	*8*	7,229	7,683	2,929
Administrative expenses		(34,793)	(34,826)	(50,001)
Finance costs	*9*	(5,592)	(4,611)	(7,800)
(Loss) profit before tax	*10*	(2,953)	5,525	(10,016)
Taxation	*12*	618	(8,105)	(2,619)
Loss for the year from continuing operations		(2,335)	(2,580)	(12,635)
Discontinued operations				
(Loss) profit for the year from discontinued operations	*13*	(815)	56	4,129
Loss for the year		(3,150)	(2,524)	(8,506)
Attributable to:				
Equity holders of the parent		(295)	334	(2,949)
Minority interests		(2,855)	(2,858)	(5,557)
		(3,150)	(2,524)	(8,506)
Dividends	*14*	Nil	Nil	Nil

CONSOLIDATED BALANCE SHEETS

	Notes	As at 31st December, 2003	2004	2005
		HKD'000	HKD'000	HKD'000
NON-CURRENT ASSETS				
Property, plant and equipment	16	169,162	202,205	201,871
Prepaid lease payments	17	100,118	98,951	99,091
Pomelo trees	18	4,396	5,276	–
Loan receivables	19	331	140	125
Negative goodwill	20	(56,481)	(50,126)	–
Deferred tax assets	35	136	909	1,520
		217,662	257,355	302,607
CURRENT ASSETS				
Inventories	22	12,353	10,956	4,273
Loan receivables	19	104	93	18
Trade and other receivables	23	13,534	20,204	18,607
Prepaid lease payments	17	2,249	2,274	2,331
Amounts due from customers for contract works	24	5,346	–	–
Amounts due from related companies	25	10	33	172
Amount due from a director	26	175	189	67
Amount due from a minority shareholder of a subsidiary	27	2	2	2
Amount due from a shareholder	28	19	38	33
Tax recoverable		250	251	257
Bank balances and cash	29	25,796	5,772	12,112
		59,838	39,812	37,872
CURRENT LIABILITIES				
Trade and other payables	30	18,173	30,938	39,021
Amount due to ultimate holding company	31	12,690	12,455	–
Amounts due to related companies	25	13,658	15,117	15,837
Amount due to a director	26	3,525	2,233	3,709
Amounts due to minority shareholders of subsidiaries	27	4,776	4,949	4,429
Amount due to a shareholder	28	18	18	18
Unsecured loan from a minority shareholder of a subsidiary	32	–	4,695	3,364
Unsecured loans from related companies	33	1,500	11,502	6,538
Bank and other borrowings – due within one year	34	49,231	43,192	40,423
Tax liabilities		10,398	14,071	12,189
		113,969	139,170	125,528

	Notes	As at 31st December, 2003 HKD'000	2004 HKD'000	2005 HKD'000
NET CURRENT LIABILITIES		(54,131)	(99,358)	(87,656)
TOTAL ASSETS LESS CURRENT LIABILITIES		163,531	157,997	214,951
NON-CURRENT LIABILITIES				
Unsecured loans from related companies	*33*	10,000	5,000	10,837
Bank and other borrowings – due after one year	*34*	18,755	15,023	17,303
Deferred tax liabilities	*35*	797	5,936	7,664
		29,552	25,959	35,804
		133,979	132,038	179,147
CAPITAL AND RESERVES				
Share capital	*36*	47,413	47,413	47,413
Reserves		(8,390)	(7,768)	23,201
Equity attributable to equity holders of the parent		39,023	39,645	70,614
Minority interests		94,956	92,393	108,533
		133,979	132,038	179,147

BALANCE SHEETS

	Notes	As at 31st December, 2003 *HKD'000*	2004 *HKD'000*	2005 *HKD'000*
NON-CURRENT ASSET				
Investments in subsidiaries	*21*	47,403	47,403	47,403
CURRENT ASSETS				
Amount due from a subsidiary		–	–	7,463
CURRENT LIABILITIES				
Other payables		11	22	49
Amount due to a related company	*25*	87	99	110
Amount due to a shareholder	*28*	18	18	18
Bank and other borrowings	*34*	–	–	7,500
		116	139	7,677
NET CURRENT LIABILITIES		(116)	(139)	(214)
		47,287	47,264	47,189
CAPITAL AND RESERVES				
Share capital	*36*	47,413	47,413	47,413
Reserves	*37*	(126)	(149)	(224)
		47,287	47,264	47,189

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the parent					
	Share capital	Translation reserve	Accumulated (losses) profits	Total	Minority interests	Total
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
At 1st January, 2003, originally stated	47,413	–	(5,017)	42,396	98,114	140,510
Effect of changes in accounting policies *(note 2A)*	–	242	(2,969)	(2,727)	–	(2,727)
At 1st January, 2003, restated	47,413	242	(7,986)	39,669	98,114	137,783
Exchange differences arising on translation of foreign operations and expense recognised directly in equity	–	(351)	–	(351)	(303)	(654)
Loss for the year	–	–	(295)	(295)	(2,855)	(3,150)
Total recognised income and expense for the year	–	(351)	(295)	(646)	(3,158)	(3,804)
At 31st December, 2003	47,413	(109)	(8,281)	39,023	94,956	133,979
Exchange differences arising on translation of foreign operations and income recognised directly in equity	–	288	–	288	295	583
Profit (loss) for the year	–	–	334	334	(2,858)	(2,524)
Total recognised income and expense for the year	–	288	334	622	(2,563)	(1,941)
At 31st December, 2004	47,413	179	(7,947)	39,645	92,393	132,038
Effects of changes in accounting policies *(note 2A)*	–	–	31,596	31,596	18,530	50,126
At 1st January, 2005	47,413	179	23,649	71,241	110,923	182,164
Exchange differences arising on translation of foreign operations and income recognised directly in equity	–	2,322	–	2,322	3,167	5,489
Loss for the year	–	–	(2,949)	(2,949)	(5,557)	(8,506)
Total recognised income and expense for the year	–	2,322	(2,949)	(627)	(2,390)	(3,017)
At 31st December, 2005	47,413	2,501	20,700	70,614	108,533	179,147

CONSOLIDATED CASH FLOW STATEMENTS

	Notes	As at 31st December, 2003 HKD'000	2004 HKD'000	2005 HKD'000
OPERATING ACTIVITIES				
Loss for the year		(3,150)	(2,524)	(8,506)
Adjustments for:				
Income tax expense		(618)	8,105	2,619
Interest expenses		5,592	4,611	7,800
Interest income		(224)	(80)	(67)
Depreciation and amortisation of property, plant and equipment		9,531	10,176	12,518
Release of prepaid lease payments to income statement		1,841	1,839	2,112
Release of negative goodwill to income statement		(6,355)	(6,355)	–
Write-off of bad and doubtful debts		112	–	2,135
Write-off of pomelo trees		–	–	490
Allowance for bad and doubtful debts		1,240	1,313	898
Written back of allowance for inventories		–	–	(57)
Loss (gain) arising from changes in fair value less estimated point-of-sale cost of pomelo trees		324	(334)	(2,753)
Loss (gain) on disposal and write-off of property, plant and equipment		97	(40)	78
Gain on disposal of subsidiaries		–	–	(1,991)
Operating cash flows before movements in working capital		8,390	16,711	15,276
Decrease in inventories		6,332	1,536	5,393
Increase in trade and other receivables		(3,618)	(7,983)	(1,438)
Decrease in amounts due from customers for contract works		486	5,346	–
Increase in trade and other payables		313	12,765	8,397
Increase in amounts due from related companies		(10)	(23)	(139)
Decrease (increase) in amount due from a director		221	(14)	122
(Increase) decrease in amount due from a shareholder		(19)	(19)	5
Cash generated from operations		12,095	28,319	27,616
Enterprise income tax paid		(385)	(67)	(3,390)
Interest paid		(5,797)	(5,744)	(6,963)
NET CASH FROM OPERATING ACTIVITIES		5,913	22,508	17,263

	Notes	2003	2004	2005
		As at 31st December,		
		HKD'000	HKD'000	HKD'000
INVESTING ACTIVITIES				
Interest received		224	80	67
Proceeds from disposal of property, plant and equipment		2,663	622	1,472
(Increase in) repayment of loan receivables		(435)	202	90
Purchase of property, plant and equipment		(19,961)	(41,874)	(10,191)
Additions to prepaid lease payments		(4,179)	(997)	(124)
Additions to pomelo trees		(748)	(678)	(172)
Decrease in cash and cash equivalents from disposal of subsidiaries (net of cash and cash equivalents disposed of)	38	–	–	(22)
NET CASH USED IN INVESTING ACTIVITIES		(22,436)	(42,645)	(8,880)
FINANCING ACTIVITIES				
New bank and other borrowings raised		78,477	30,966	14,308
Loan from related companies		10,000	5,002	–
Advance from (repayment to) ultimate holding company		4,653	(235)	(315)
Advance from (repayment to) minority shareholders of subsidiaries		764	173	(520)
Advance from a shareholder		18	–	–
Loan from (repayment to) a minority shareholder of a subsidiary		–	4,695	(1,331)
Repayment of bank and other borrowings		(41,823)	(40,818)	(15,962)
Advance to related companies		(4,525)	–	–
(Repayment to) advance from related companies		(5,314)	1,459	732
(Repayment to) advance from a director		(3,256)	(1,292)	1,476
NET CASH FROM (USED IN) FINANCING ACTIVITIES		38,994	(50)	(1,612)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		22,471	(20,187)	6,771
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		2,771	25,796	5,772
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		554	163	(431)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		25,796	5,772	12,112

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Everight was incorporated on 11th August, 1992 in Hong Kong with limited liability and acts as an investment holding company. The address of the registered office and the principal place of business of Everight is at 7th Floor, First Commercial Building, 33-35 Leighton Road, Hong Kong. Its ultimate holding company is Green Label Investments Limited, a company established in the British Virgin Islands.

The principal activities of the Everight Group are development and operation of golf resort and hotel and property development.

On 8th October, 2004, Hainan Golf Jet Tour Limited, a subsidiary of Everight which was incorporated in Hong Kong, was deregistered. On 31st October, 2005, Everight disposed of the entire interest in Green Farm Limited 綠怡果園有限公司 ("Green Farm"), a company incorporated in Hong Kong on 18th August, 2000 and its subsidiary, 廣東曲江綠怡果園有限公司 ("曲江果園"), a company established in the PRC on 25th October, 1999.

The financial information has been prepared on a going concern basis because the Group, upon completion of the proposed acquisition, has agreed to provide adequate funds to enable the Everight Group to meet its financial obligations, as they fall due for the foreseeable future.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the year ended 31st December, 2005, the Everight Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations ("INTs") (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Everight Group's accounting policies in the following areas that have an effect on how the results for the current and/or prior accounting years are prepared and presented.

Business combinations

In 2005, the Everight Group has applied HKFRS 3 "Business Combinations" which is effective for business combinations for which the agreement date is on or after 1st January, 2005. The principal effects of the application of HKFRS 3 to the Everight Group are summarised below:

Excess of the Everight Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Everight Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Everight Group derecognised all negative goodwill on 1st January, 2005. Corresponding adjustments to the Everight Group's accumulated profits of HKD31,596,000 and minority interest of HKD18,530,000, respectively, have been made.

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Everight Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and building elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see note 2A for the financial impact).

Pomelo trees

In previous years, the pomelo trees under non-current assets were carried at cost less amortisation over their estimated useful life. In accordance with HKAS 41 "Agriculture", they should be measured on initial recognition and at each balance sheet date at its fair value less estimated point-of-sale costs. This adoption of new accounting policy has been applied retrospectively (see note 2A for the financial impact).

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effect of the changes in the accounting policies described in note 2 on the results for the current and prior years are as follows:

	2003	**2004**	**2005**
	HKD'000	*HKD'000*	*HKD'000*
Decrease in negative goodwill released to income	–	–	6,355
(Increase) decrease in fair value of pomelo trees (credited) debited to the income statement	324	(334)	(2,753)

The cumulative effect of the application of the new HKFRSs to the Everight Group's equity on 1st January, 2003 is summarised below:

	As at 1st January, 2003 (originally stated)	**Adjustments**	**As at 1st January, 2003 (restated)**
	HKD'000	*HKD'000*	*HKD'000*
Impact of HKAS 41:			
Accumulated losses	(5,017)	(2,969)	(7,986)
Translation reserve	–	242	242
	(5,017)	(2,727)	(7,744)

The cumulative effect of the application of the new HKFRSs on 31st December, 2003 are summarised below:

	As at 31st December, 2003 (originally stated)	**Adjustments**	**As at 31st December, 2003 (restated)**
	HKD'000	*HKD'000*	*HKD'000*
Impact of HKAS 17:			
Property, plant and equipment	271,529	(102,367)	169,162
Prepaid lease payments	–	102,367	102,367
Impact of HKAS 41:			
Pomelo trees	7,434	(3,038)	4,396
Total effects on assets	278,963	(3,038)	275,925
Accumulated (losses) profits	(4,988)	(3,293)	(8,281)
Translation reserve	(364)	255	(109)
	(5,352)	(3,038)	(8,390)

The cumulative effect of the application of the new HKFRSs on 31st December, 2004 and 1st January, 2005 are summarised below:

	As at 31st December, 2004 (originally stated)	As at 31st December, 2004			As at 1st January, 2005 (restated)
		Adjustments	(restated)	Adjustments	
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Impact of HKAS 17:					
Property, plant and equipment	303,430	(101,225)	202,205	–	202,205
Prepaid lease payments	–	101,225	101,225	–	101,225
Impact of HKAS 41:					
Pomelo trees	7,960	(2,684)	5,276	–	5,276
Impact of HKFRS 3:					
Derecognition of negative goodwill	(50,126)	–	(50,126)	50,126	–
Total effects on assets	261,264	(2,684)	258,580	50,126	308,706
Accumulated (losses) profits	(4,984)	(2,963)	(7,947)	31,596	23,649
Minority interests	92,393	–	92,393	18,530	110,923
Translation reserve	(100)	279	179	–	179
Total effects on equity	87,309	(2,684)	84,625	50,126	134,751

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

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	The effects of changes in foreign exchange rates-net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market-waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

[1] Effective for annual periods beginning on or after 1st January, 2007.
[2] Effective for annual periods beginning on or after 1st January, 2006.
[3] Effective for annual periods beginning on or after 1st December, 2005.
[4] Effective for annual periods beginning on or after 1st March, 2006.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis except for pomelo trees, which are measured at fair values, as explained in the accounting policies set out below. The Financial Information have been prepared in accordance with the following accounting policies which conform with the accounting principles generally accepted in Hong Kong.

Basis of consolidation

The Financial Information incorporates the financial statements of Everight and entities controlled by Everight. Control is achieved where Everight has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

All significant intra-group transactions, balances, income and expenses within the Everight Group are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Everight 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 Everight Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

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

Excess of an acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisitions").

A discount on acquisition arising on an acquisition of a subsidiary for which an agreement date is on or after 1st January, 2005 represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in profit or loss.

As explained in note 2A above, all negative goodwill as at 1st January, 2005 has been derecognised with a corresponding adjustment to the Everight Group's accumulated profits and minority interests.

Interest in subsidiaries

Interests in subsidiaries are included in Everight's balance sheet at cost less any identified impairment loss.

Revenue recognition

Revenue from sale of properties in the ordinary course of business is recognised when the significant risks and rewards of ownership of the properties are transferred to the buyers.

Services income in relation to hotel and golf operations are recognised when the services are provided.

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

Golf membership fees are recognised upon approval of members' applications by the management committee of the golf operations.

Golf subscription fees are recognised on an accrual basis.

Golf membership transfer fees are recognised upon approval of the transfer by the management committee of the golf operations.

Revenue from construction contract is recognised on the percentage of completion method, measured by reference to the estimated total contract costs.

A gain or loss arising in initial recognition of pomelo trees at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sales costs of pomelo trees is dealt with in the income statement when it arises.

A gain or loss arising on initial recognition of pomelos at fair value less estimated point-of-sale costs is dealt with in the income statement when it arises.

Building management fee income is recognised on an appropriate basis over the relevant period in which the services are rendered.

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

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

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

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

Leasehold land and buildings under development for future owner-occupied purpose

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 payments 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. 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).

Construction contracts

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

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

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

Operating leases

Rentals payable under operating leases are charged to the profit or loss on a straight line basis over the terms of the relevant leases. 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.

Pomelo trees

Pomelo trees are on initial recognition and at each balance sheet date measured at their fair values less estimated point-of-sale costs. The fair value of pomelo trees is determined based on market prices of pomelo trees of similar age.

Inventories and pomelos

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

Inventories of unsold properties are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total land and development costs attributable to the unsold properties.

At the point of harvest, pomelos are stated at their fair values less estimated point-of-sale costs. The gain or loss arising from a change in fair value less estimated point-of-sale costs at the point of harvest is included in the profit or loss for the period in which it arises. The fair values of pomelos are determined based on market prices in the local area.

Foreign currencies

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

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

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

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.

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

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as expenses as they fall due.

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 income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Everight Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at 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 difference and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Everight 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 profit will be available to allow all or part of the asset to be recovered.

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

Financial instruments

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

Loans and receivables

The Everight Group's financial assets are classified as loans and receivables. Loans and receivables (including loan receivables, trade and other receivables, amounts due from related companies, amount due from a director, amount due from a minority shareholder of a subsidiary, amount due from a shareholder and bank deposits) 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 are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

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

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

Financial liabilities

Financial liabilities including trade and other payables, amount due to ultimate holding company, amounts due to related companies, amount due to a director, amounts due to minority shareholders of subsidiaries, amount due to a shareholder, unsecured loan from a minority shareholder of a subsidiary, unsecured loans from related companies and bank and other borrowings are subsequently measured at amortised cost, using effective interest rate method.

Equity instruments

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

Derecognition

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

For financial liabilities, they are removed from the Everight Group's balance sheet (i.e. 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 received or receivable is recognised in profit or loss.

Impairment losses

At each balance sheet date, the Everight 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.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such 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.

4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Key sources of estimation uncertainty

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

Depreciation and amortisation of property, plant and equipment

The Everight Group's net book values of property, plant and equipment as at 31st December, 2003, 2004 and 2005 were HKD169,162,000, HKD202,205,000 and HKD201,871,000 respectively. The Everight Group depreciates the property, plant and equipment, after taking into account their estimated residual value, on a straight line basis over their estimated useful lives as set out in note 16. The estimated useful lives and dates that the Everight Group places the assets into productive use reflect the directors' estimate of the periods that the Everight Group intends to derive future economic benefits from the use of the Everight Group's property, plant and equipment.

Allowance on trade receivables

The Everight Group performs ongoing credit evaluations of its customers and adjust credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Everight Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience and any specific customer collection issues that it has identified. While such credit losses have historically been within the Everight Group's expectations and the provisions established, there is no guarantee that it will continue to experience the same credit loss that it has had in the past.

Inventory valuation method

Inventory is valued using the cost method, which values inventory at the lower of cost or net realisable value. Cost is determined using the weighted average method. The estimated net realisable value is generally merchandise selling price less selling expenses. The Everight Group reviews its inventory levels in order to identify slow-moving merchandise and use markdowns to clear merchandise.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Everight Group's major financial instruments include bank deposit, trade receivables and trade payables, unsecured loan from a minority shareholder of a subsidiary, unsecured loans from related companies and bank and other borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Certain bank loans of the Everight Group are denominated in foreign currencies (see note 34). The Everight 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.

Credit risk

The Everight Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st December, 2003, 2004 and 2005 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 Everight Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Everight Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of Everight consider that the Everight Group's credit risk is significantly reduced.

Certain bank balances and cash are denominated in Renminbi (see note 29) which were subject to foreign exchange control. The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

Liquidity risk

The Everight Group expects to have the financial support by the Company to maintain continuity of funding.

6. TURNOVER

Turnover represents the net amounts received and receivable for hotel operations, sales of properties, revenue from construction contracts, golf membership fees, golf subscription fees and handling fees, green fees, practice balls and cart rental, food and beverage sales, pro shop sales, building management fee income and sales of pomelos.

	Year ended 31st December,		
	2003	**2004**	**2005**
	HKD'000	*HKD'000*	*HKD'000*
Continuing operations			
Hotel operations	4,499	4,228	7,050
Sales of properties	10,689	8,955	9,027
Revenue from construction contracts	1,057	835	–
Golf membership fees, golf subscription fees and handling fees	7,055	11,847	16,295
Green fees, practice balls and cart rental	16,154	17,660	30,194
Food and beverage sales	6,660	6,627	7,703
Pro shop sales	967	965	1,397
Building management fee income	980	1,001	1,407
Less: Sales and other taxes	(4,258)	(5,328)	(11,736)
	43,803	46,790	61,337
Discontinued operations			
Sales of pomelos	894	605	434
	44,697	47,395	61,771

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Everight Group is currently organised into two operating divisions, namely, property and golf resort and hotel. These divisions are the basis on which the Everight Group reports its primary segment information.

Principal activities are as follows:

Property	–	Property development and sales
Golf resort and hotel	–	Development and operation of golf resort and hotel

The Group was also involved in the production and sales of pomelos. That operation was discontinued on 31st October, 2005 (see note 13).

For the year ended 31st December, 2003

	Continuing operations				Discontinued operations	
	Property	Golf resort and hotel	Others	Sub-total	Production and sales of pomelo	Total
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
TURNOVER						
External sales	10,949	31,797	1,057	43,803	894	44,697
RESULTS						
Segment results	(4,417)	1,034	(13)	(3,396)	(815)	(4,211)
Unallocated corporate expenses				(320)	–	(320)
Release of negative goodwill to income statement				6,355	–	6,355
Finance costs				(5,592)	–	(5,592)
Loss before tax				(2,953)	(815)	(3,768)
Taxation				618	–	618
Loss for the year				(2,335)	(815)	(3,150)
ASSETS						
Segment assets	12,535	283,654	5,346	301,535	6,058	307,593
Negative goodwill				(56,481)	–	(56,481)
Unallocated corporate assets				26,331	57	26,388
Total assets						277,500
LIABILITIES						
Segment liabilities	2,786	14,774	71	17,631	542	18,173
Unallocated corporate liabilities				125,348	–	125,348
Total liabilities						143,521
OTHER INFORMATION						
Write-off of bad and doubtful debts	–	112	–	112	–	112
Allowance for bad and doubtful debts	–	1,240	–	1,240	–	1,240
Release of prepaid lease payments to income statement	–	1,841	–	1,841	–	1,841
Capital expenditure	83	24,249	–	24,332	13	24,345
Depreciation and amortisation	19	9,323	–	9,342	189	9,531
Loss on disposal and write-off of property, plant and equipment	–	–	46	46	51	97
Loss arising from changes in fair value less estimated point-of-sale costs of pomelo trees	–	–	–	–	324	324

For the year ended 31st December, 2004

	Continuing operations				Discontinued operations	
	Property	Golf resort and hotel	Others	Sub-total	Production and sales of pomelo	Total
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
TURNOVER						
External sales	9,351	36,604	835	46,790	605	47,395
RESULTS						
Segment results	(623)	4,335	86	3,798	56	3,854
Unallocated corporate expense				(17)	–	(17)
Release of negative goodwill to income statement				6,355	–	6,355
Finance costs				(4,611)	–	(4,611)
Profit before tax				5,525	56	5,581
Taxation				(8,105)	–	(8,105)
(Loss) profit for the year				(2,580)	56	(2,524)
ASSETS						
Segment assets	11,208	321,720	3	332,931	7,162	340,093
Negative goodwill				(50,126)	–	(50,126)
Unallocated corporate assets				6,937	263	7,200
Total assets						297,167
LIABILITIES						
Segment liabilities	1,759	28,631	61	30,451	487	30,938
Unallocated corporate liabilities				134,191	–	134,191
Total liabilities						165,129
OTHER INFORMATION						
Allowance for bad and doubtful debts	–	1,313	–	1,313	–	1,313
Release of prepaid lease payments to income statement	–	1,839	–	1,839	–	1,839
Capital expenditure	28	43,970	–	43,998	6	44,004
Depreciation and amortisation	30	9,971	–	10,001	175	10,176
Gain arising from changes in fair value less estimated point-of-sale costs of pomelo trees	–	–	–	–	334	334

For the year ended 31st December, 2005

	Continuing operations				Discontinued operations	
	Property	Golf resort and hotel	Others	Sub-total	Production and sales of pomelo	Total
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
TURNOVER						
External sales	9,476	51,861	–	61,337	434	61,771
RESULTS						
Segment results	(5,353)	3,206	(103)	(2,250)	2,138	(112)
Unallocated corporate income				34	–	34
Gain on disposal of subsidiaries				–	1,991	1,991
Finance costs				(7,800)	–	(7,800)
(Loss) profit before tax				(10,016)	4,129	(5,887)
Taxation				(2,619)	–	(2,619)
(Loss) profit for the year				(12,635)	4,129	(8,506)
ASSETS						
Segment assets	6,692	319,624	36	326,352	–	326,352
Unallocated corporate assets				14,127	–	14,127
Total assets						340,479
LIABILITIES						
Segment liabilities	2,507	36,428	86	39,021	–	39,021
Unallocated corporate liabilities				122,311	–	122,311
Total liabilities						161,332
OTHER INFORMATION						
Write-off of bad and doubtful debts	–	2,135	–	2,135	–	2,135
Allowance for bad and doubtful debts	–	898	–	898	–	898
Release of prepaid lease payments to income statement	–	2,112	–	2,112	–	2,112
Capital expenditure	58	10,149	–	10,207	108	10,315
Depreciation and amortisation	30	12,328	–	12,358	160	12,518
Loss on disposal and write-off of property, plant and equipment	–	78	–	78	–	78
Gain arising from changes in fair value less estimated point-of-sale costs of pomelo trees	–	–	–	–	2,753	2,753

Geographical segments

During the Relevant Periods, over 90% of the Everight Group's operations and assets are located in the PRC and therefore no geographical segments is presented.

8. OTHER INCOME

	Continuing operations Year ended, 31st December,			Discontinued operations Year ended 31st December,			Total Year ended 31st December,		
	2003	2004	2005	2003	2004	2005	2003	2004	2005
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Interest income	224	80	67	–	–	–	224	80	67
Gain on disposal of property, plant and equipment	–	40	–	–	–	–	–	40	–
Release of negative goodwill to income statement	6,355	6,355	–	–	–	–	6,355	6,355	–
Written back of allowance for inventories	–	–	57	–	–	–	–	–	57
Others	650	1,208	2,805	69	33	36	719	1,241	2,841
	7,229	7,683	2,929	69	33	36	7,298	7,716	2,965

9. FINANCE COSTS

	Continuing operations Year ended, 31st December,			Discontinued operations Year ended 31st December,			Total Year ended 31st December,		
	2003	2004	2005	2003	2004	2005	2003	2004	2005
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Interest on:									
Bank borrowings wholly repayable within five years	2,282	2,752	3,473	–	–	–	2,282	2,752	3,473
Bank borrowings not wholly repayable within five years	205	1,133	–	–	–	–	205	1,133	–
Other borrowings not wholly repayable within five years	1,829	867	2,741	–	–	–	1,829	867	2,741
Loans from related parties wholly repayable within five years	1,481	992	1,586	–	–	–	1,481	992	1,586
Total borrowing costs	5,797	5,744	7,800	–	–	–	5,797	5,744	7,800
Less: amount capitalised	(205)	(1,133)	–	–	–	–	(205)	(1,133)	–
	5,592	4,611	7,800	–	–	–	5,592	4,611	7,800

Borrowing costs capitalised during each of the two years ended 31st December, 2004 arose on the general borrowing pool and are calculated by applying capitalisation rate of 6.34% to expenditure on qualifying assets.

10. (LOSS) PROFIT BEFORE TAX

	Continuing operations Year ended, 31st December,			Discontinued operations Year ended 31st December,			Total Year ended 31st December,		
	2003	2004	2005	2003	2004	2005	2003	2004	2005
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
(Loss) profit before tax has been arrived at after charging (crediting):									
Staff costs, included directors' emoluments *(note 11)*	14,282	19,351	17,479	210	125	97	14,492	19,476	17,576
Retirement benefit scheme contributions	73	78	116	–	–	–	73	78	116
Total staff costs	14,355	19,429	17,595	210	125	97	14,565	19,554	17,692
Less: amount capitalised	(1,057)	(3,719)	(162)	–	–	–	(1,057)	(3,719)	(162)
	13,298	15,710	17,433	210	125	97	13,508	15,835	17,530
Auditors' remuneration	248	203	262	20	29	24	268	232	286
Release of prepaid lease payments to income statement	2,254	2,274	2,301	–	–	–	2,254	2,274	2,301
Less: amount capitalised	(413)	(435)	(189)	–	–	–	(413)	(435)	(189)
	1,841	1,839	2,112	–	–	–	1,841	1,839	2,112
Write-off of pomelo trees	–	–	–	–	–	490	–	–	490
Write-off of bad and doubtful debts	112	–	2,135	–	–	–	112	–	2,135
Allowance for bad and doubtful debts	1,240	1,313	898	–	–	–	1,240	1,313	898
Cost of inventories recognised as an expense	7,968	3,591	8,554	839	105	300	8,807	3,696	8,854
Depreciation and amortisation of property, plant and equipment	9,342	10,001	12,358	189	175	160	9,531	10,176	12,518
(Gain) loss arising from changes in fair value less estimated point-of-sale cost of pomelo trees	–	–	–	324	(334)	(2,753)	324	(334)	(2,753)
Loss on deregistration of a subsidiary	–	45	–	–	–	–	–	45	–
Loss on disposal and write-off of property, plant and equipment	46	–	78	51	–	–	97	–	78

11. DIRECTORS' AND EMPLOYEES' REMUNERATIONS

Directors' remuneration

The emoluments paid or payable to each of the two (2003 and 2004: two) directors were as follows:

	Lai Tsan Tung, David	**Chan Jink Chou, Eric**	**2003 Total**
	HKD'000	*HKD'000*	*HKD'000*
Fees	–	–	–
Other emoluments			
Salaries and other benefits	1,200	53	1,253
	1,200	53	1,253

	Lai Tsan Tung, David	**Chan Jink Chou, Eric**	**2004 Total**
	HKD'000	*HKD'000*	*HKD'000*
Fees	–	–	–
Other emoluments			
Salaries and other benefits	600	79	679
	600	79	679

	Lai Tsan Tung, David	**Chan Jink Chou, Eric**	**2005 Total**
	HKD'000	*HKD'000*	*HKD'000*
Fees	325	175	500
Other emoluments			
Salaries and other benefits	650	80	730
	975	255	1,230

Employees' emoluments

The five highest paid individuals include two (2003 and 2004: one) directors of Everight, details of whose emoluments are set out above. Emoluments of the remaining three (2003 and 2004: four) highest paid individuals are as follows:

	Year ended 31st December,		
	2003	**2004**	**2005**
	HKD'000	*HKD'000*	*HKD'000*
Salaries and other benefits	1,402	1,482	1,243
Contributions to retirement benefit schemes	24	32	10
	1,426	1,514	1,253

The emoluments of each of the above highest paid individuals in the Everight Group during the Relevant Periods were below HKD1,000,000.

During the Relevant Periods, no emoluments were paid by the Everight Group to any of the directors of Everight or the five highest paid individuals as an inducement to join or upon joining the Everight Group or as compensation for loss of office. None of the directors has waived any emoluments during the Relevant Periods.

12. TAXATION

	Continuing operations Year ended, 31st December,			Discontinued operations Year ended 31st December,			Total Year ended 31st December,		
	2003	**2004**	**2005**	**2003**	**2004**	**2005**	**2003**	**2004**	**2005**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
The (credit) charge comprises:									
Enterprise Income Tax in the PRC	577	3,739	1,502	–	–	–	577	3,739	1,502
Deferred tax *(note 35)*	(1,195)	4,366	1,117	–	–	–	(1,195)	4,366	1,117
	(618)	8,105	2,619	–	–	–	(618)	8,105	2,619

No provision for Hong Kong Profits Tax has been made as the Everight Group's profit neither arised in, nor derived from, Hong Kong.

The provision for the PRC Enterprise Income Tax is calculated at a range of 15% to 33% of the estimated assessable profits for the year determined in accordance with the relevant income tax rules and regulations in the PRC.

Details of deferred tax liabilities are set out in note 35.

The tax (credit) charge for the Relevant Periods can be reconciled to the (loss) profit before tax per the consolidated income statement as follows:

	2003	**2004**	**2005**
	HKD'000	*HKD'000*	*HKD'000*
(Loss) profit before tax			
– Continuing operations	(2,953)	5,525	(10,016)
– Discontinued operations	(815)	56	4,129
	(3,768)	5,581	(5,887)
Tax at the income tax rate of 33%	(1,243)	1,842	(1,943)
Tax effect of expenses not deductible for tax purpose	1,697	7,018	3,022
Tax effect of income not taxable for tax purpose	(2,655)	(2,288)	(726)
Tax effect of tax losses/deductible temporary differences not recognised	1,346	3,024	1,092
Utilisation of tax losses previously not recognised	–	(740)	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	237	(751)	1,174
Tax (credit) charge for the year	(618)	8,105	2,619

The State Administration of Taxation in the PRC promulgated a circular to all local tax authorities requiring them to levy land appreciation tax on property developers. During the Relevant Periods, certain subsidiaries of Everight are subject to land appreciation tax in the PRC in respect of sales of properties. In the opinion of the directors, based on the opinion from the legal advisors, Everight Group is unlikely to receive demands from the local tax authorities for the payment of land appreciation tax in respect of sales of properties. The Everight Group has not, however, been able to secure written confirmation of the local tax authorities, and the directors consider the chance that land appreciation tax might be levied is less than probable. Accordingly, no provisions for land appreciation tax have been made in the Financial Information. Should such levies take place, the land appreciation tax attributable to Everight Group will amount to approximately HKD3,442,000, HKD5,235,000 and HKD5,952,000 as at 31st December, 2003, 2004 and 2005, respectively.

13. DISCONTINUED OPERATIONS

In October 2005, the directors resolved to dispose of the Everight Group's entire interest in Green Farm and its subsidiary (the "Green Farm Group") which was engaged in production and sale of pomelos. The disposal was completed on 31st October, 2005, on which date control of the Green Farm Group was passed to the acquirer.

The (loss) profit for each of two years ended 31st December, 2004 and the period ended 31st October, 2005 from the discontinued operations are analysed as follows:

	Year ended 31st December, 2003	Year ended 31st December, 2004	Period ended 31st October, 2005
	HKD'000	*HKD'000*	*HKD'000*
(Loss) profit of discontinued operations for the year/period *(note 13(a))*	(815)	56	2,138
Gain on disposal of subsidiaries *(note 38)*	–	–	1,991
	(815)	56	4,129

(a) Income statement

The results of the discontinued operations for each of two years ended 31st December, 2004 and the period ended 31st October, 2005 are as follows:

	Year ended 31st December, 2003	Year ended 31st December, 2004	Period ended 31st October, 2005
	HKD'000	*HKD'000*	*HKD'000*
Sales of pomelos	894	605	434
Cost of pomelo sold	(894)	(605)	(434)
(Loss) gain arising from changes in fair value less estimated point-of-sale costs of pomelo trees	(324)	334	2,753
Other income	69	33	36
Administrative expenses	(560)	(311)	(651)
(Loss) profit before tax	(815)	56	2,138
Income tax expense	–	–	–
(Loss) profit for the year/period	(815)	56	2,138

(b) Cash flow statement

The cash flows of the discontinued operations for each of two years ended 31st December, 2004 and the period ended 31st October, 2005 are as follows:

	Year ended 31st December,		Period ended 31st October,
	2003	**2004**	**2005**
	HKD'000	*HKD'000*	*HKD'000*
Net cash used in operating activities	(127)	(410)	(1,189)
Net cash used in investing activities	(758)	(684)	(108)
Net cash from financing activities	1,264	980	1,002
Net increase (decrease) in cash and cash equivalents	379	(114)	(295)

(c) Fair value of pomelos

Fair value and saleable output of pomelos are analysed as follows:

	Year ended 31st December,		Period ended 31st October,
	2003	**2004**	**2005**
	HKD'000	*HKD'000*	*HKD'000*
Fair values less estimated point-of-sale costs	635	933	–
	Kg	*Kg*	*Kg*
Saleable output	495,000	722,708	–

14. DIVIDENDS

No dividends were paid or proposed by Everight during the Relevant Periods, nor has any dividend been proposed since 31st December, 2005.

15. EARNINGS PER SHARE

No calculation of earnings per share for the Relevant Periods is presented as the information is considered not meaningful for the purpose of this report.

16. PROPERTY, PLANT AND EQUIPMENT

	Golf resort, hotel properties and buildings *HKD'000*	Leasehold improvements *HKD'000*	Plant, equipment and fixtures *HKD'000*	Motor vehicles *HKD'000*	Utensils *HKD'000*	Construction in progress *HKD'000*	Total *HKD'000*
Everight Group							
COST							
At 1st January, 2003	169,863	2,493	30,888	6,645	1,067	27,428	238,384
Exchange adjustments	(765)	(7)	(271)	(27)	(5)	–	(1,075)
Additions	10	–	4,278	742	–	15,136	20,166
Transfer from prepaid lease payments	–	–	–	–	–	413	413
Disposals and write-off	(82)	(1,764)	(590)	(1,991)	–	–	(4,427)
At 31st December, 2003	169,026	722	34,305	5,369	1,062	42,977	253,461
Exchange adjustments	402	1	64	7	1	–	475
Additions	–	–	2,821	514	–	39,672	43,007
Transfer from prepaid lease payments	–	–	–	–	–	435	435
Transfer	59,468	–	–	–	–	(59,468)	–
Disposals and write-off	(141)	–	(572)	(432)	–	–	(1,145)
At 31st December, 2004	228,755	723	36,618	5,458	1,063	23,616	296,233
Exchange adjustments	5,433	14	907	201	25	452	7,032
Additions	1,059	72	1,452	446	–	7,162	10,191
Transfer from prepaid lease payments	–	–	–	–	–	189	189
Disposals and write-off	(220)	–	(114)	(821)	–	(1,219)	(2,374)
Disposal of subsidiaries *(note 38)*	(978)	(569)	(335)	(164)	–	–	(2,046)
At 31st December, 2005	234,049	240	38,528	5,120	1,088	30,200	309,225
DEPRECIATION AND AMORTISATION							
At 1st January, 2003	46,778	1,024	24,425	3,505	1,066	–	76,798
Exchange adjustments	(227)	(3)	(112)	(16)	(5)	–	(363)
Provided for the year	7,478	84	1,349	620	–	–	9,531
Eliminated on disposals and write-off	–	(932)	(274)	(461)	–	–	(1,667)
At 31st December, 2003	54,029	173	25,388	3,648	1,061	–	84,299
Exchange adjustments	76	–	34	5	1	–	116
Provided for the year	8,231	62	1,373	510	–	–	10,176
Eliminated on disposals and write-off	(37)	–	(137)	(389)	–	–	(563)
At 31st December, 2004	62,299	235	26,658	3,774	1,062	–	94,028
Exchange adjustments	1,601	6	607	136	25	–	2,375
Provided for the year	10,045	63	2,004	406	–	–	12,518
Eliminated on disposals and write-off	(59)	–	(50)	(715)	–	–	(824)
Disposal of subsidiaries *(note 38)*	(353)	(171)	(148)	(71)	–	–	(743)
At 31st December, 2005	73,533	133	29,071	3,530	1,087	–	107,354
NET BOOK VALUES							
At 31st December, 2003	114,997	549	8,917	1,721	1	42,977	169,162
At 31st December, 2004	166,456	488	9,960	1,684	1	23,616	202,205
At 31st December, 2005	160,516	107	9,457	1,590	1	30,200	201,871

The above items of property, plant and equipment are depreciated, after taking into account their estimated residual value, on a straight-line basis as follows:

Golf resort, hotel properties and buildings	5–20 years
Leasehold improvements	6–20 years
Plant, equipment and fixtures	3–15 years
Motor vehicles	5–12 years
Utensils	3–5 years

All the Everight Group's golf resort, hotel properties, buildings and construction in progress are situated in the PRC and are held under medium term land use rights.

At 31st December, 2005 the Everight Group has pledged hotel properties having a net book value of HKD18,851,000 (2003: HKD21,171,000; 2004: HKD19,806,000) to secure general banking facilities granted to the Everight Group.

At 31st December, 2005, included in construction in progress are staff costs capitalised of HKD162,000 and prepaid lease payments capitalised of HKD189,000.

At 31st December, 2003 and 2004, included in construction in progress are net interest capitalised of HKD205,000 and HKD1,133,000, respectively, staff costs capitalised of HKD1,057,000 and HKD3,719,000, respectively, and prepaid lease payments capitalised of HKD413,000 and HKD435,000, respectively.

17. PREPAID LEASE PAYMENTS

	Everight Group		
	2003	**2004**	**2005**
	HKD'000	*HKD'000*	*HKD'000*
Balance at beginning of the year	100,901	102,367	101,225
Exchange adjustments	(459)	135	2,374
Additions	4,179	997	124
Released for the year	(2,254)	(2,274)	(2,301)
Balance at the end of the year	102,367	101,225	101,422
Less: Amount to be released to consolidated income statement within one year	(2,249)	(2,274)	(2,331)
Non-current portion	100,118	98,951	99,091

The carrying amount represented prepayment for medium-term land use rights situated in the PRC.

18. POMELO TREES

	Everight Group As at 31st December,		
	2003	**2004**	**2005**
	HKD'000	*HKD'000*	*HKD'000*
Reconciliation of carrying amounts of pomelo trees:			
Carrying amount at 1st January	3,967	4,396	5,276
Exchange adjustments	(19)	7	90
Additions	748	678	172
Write-off	–	–	(490)
(Loss) gain arising from changes in fair value less estimated point-of-sale costs	(300)	195	2,753
Disposal of subsidiaries	–	–	(7,801)
Carrying amount at 31st December	4,396	5,276	–
Quantities of pomelo trees	39,103	39,103	–

19. LOAN RECEIVABLES

	Everight Group As at 31st December,		
	2003	**2004**	**2005**
	HKD'000	*HKD'000*	*HKD'000*
Loan receivables	435	233	143
Less: Amount due within one year shown under current assets	(104)	(93)	(18)
Amount due after one year	331	140	125

The loans are secured, bear interest at prevailing market rate in the PRC and are receivable by half-yearly instalments over 10 years from the drawn down date of the loans. The directors consider that the carrying amounts of loan receivables approximate their fair values at the respective balance sheet dates.

20. NEGATIVE GOODWILL

	Everight Group
	HKD'000
GROSS AMOUNT	
At 1st January, 2003, 31st December, 2003 and 31st December, 2004	63,550
Derecognised upon the application of HKFRS 3	(63,550)
At 31st December, 2005	–
RELEASE TO INCOME	
At 1st January, 2003	714
Released in the year	6,355
At 31st December, 2003	7,069
Released in the year	6,355
At 31st December, 2004	13,424
Derecognised upon the application of HKFRS 3	(13,424)
At 31st December, 2005	–
CARRYING AMOUNTS	
At 31st December, 2003	56,481
At 31st December, 2004	50,126
At 31st December, 2005	–

The negative goodwill was released to income on straight-line basis over 10 years. As explained in note 2, all negative goodwill arising on acquisitions prior to 1st January, 2005 was derecognised as a result of the application of HKFRS 3.

21. INVESTMENTS IN SUBSIDIARIES

	As at 31st December,		
	2003	**2004**	**2005**
	HKD'000	*HKD'000*	*HKD'000*
Unlisted shares, at cost	47,403	47,403	47,403

22. INVENTORIES

	Everight Group As at 31st December,		
	2003	**2004**	**2005**
	HKD'000	*HKD'000*	*HKD'000*
Properties held for sale	10,335	8,692	3,293
Pomelos	38	366	–
Finished goods	1,084	1,058	661
Consumables	896	840	319
	12,353	10,956	4,273

23. TRADE AND OTHER RECEIVABLES

Everight Group

Everight Group generally allows an average credit period of 60 to 180 days to its trade customers.

The aged analysis of the Everight Group's trade receivables as at each of the balance sheet dates are as follows:

	As at 31st December,		
	2003	**2004**	**2005**
	HKD'000	*HKD'000*	*HKD'000*
Trade receivables:			
0–30 days	4,833	6,880	2,833
31–60 days	315	380	84
61–90 days	297	505	83
91–180 days	326	653	604
181–365 days	2,730	2,004	21
1 to 2 years	759	5,394	6,443
Over 2 years	95	186	5,223
	9,355	16,002	15,291
Other receivables:			
Advances to staff	50	88	19
Deposits and prepayments	2,365	3,065	2,508
Others	1,764	1,049	789
	4,179	4,202	3,316
	13,534	20,204	18,607

The directors consider that the carrying amounts of trade and other receivables approximate their fair values at the respective balance sheet dates.

24. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

	Everight Group		
	As at 31st December,		
	2003	**2004**	**2005**
	HKD'000	*HKD'000*	*HKD'000*
Contracts in progress at the balance sheet date:			
Contract costs incurred	5,472	6,174	–
Recognised profits less recognised losses	1,584	1,784	–
	7,056	7,958	–
Less: Progress billings	(1,710)	(7,958)	–
	5,346	–	–

25. AMOUNTS DUE FROM/TO RELATED COMPANIES

		Everight Group		
		As at 31st December,		
Name of related company	*Notes*	**2003**	**2004**	**2005**
		HKD'000	*HKD'000*	*HKD'000*
Amounts due from related companies:				
Belair Farm Limited	*(i)*	10	10	10
Green Farm	*(i)*	–	–	2
Lotus Hill Golf Resort Limited	*(i)*	–	23	–
番禺高爾夫球協會	*(v)*	–	–	160
		10	33	172

The above amounts are unsecured, interest-free and have no fixed repayment terms.

Maximum amount outstanding during the Relevant Periods are as follows:

	Everight Group		
	As at 31st December,		
	2003	**2004**	**2005**
	HKD'000	*HKD'000*	*HKD'000*
Belair Farm Limited	10	10	10
Green Farm	–	–	2
Lotus Hill Golf Resort Limited	–	23	–
番禺高爾夫球協會	–	–	160
	10	33	172

		Everight Group			Everight		
		As at 31st December,			As at 31st December,		
Name of related company	*Notes*	**2003**	**2004**	**2005**	**2003**	**2004**	**2005**
		HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Amounts due to related companies:							
Evervan Holdings Limited ("Evervan")	*(ii)*	133	789	884	–	–	–
Green Valley Golf & Turf Contractors Ltd.	*(vii)*	3,915	3,172	472	–	–	–
L.F. Sam (HK) Ltd.	*(iii)*	577	1,453	1,549	–	–	–
Lotus Hill Golf Resort Limited	*(i)*	29	–	474	–	–	–
Mr. Chang Rong Wu	*(iv)*	4,311	4,543	11,976	87	99	110
廣州市廣榮鞋業有限公司	*(ii)*	4,671	5,019	–	–	–	–
番禺高爾夫球協會	*(v)*	22	141	–	–	–	–
曲江果園	*(vi)*	–	–	482	–	–	–
		13,658	15,117	15,837	87	99	110

Notes:

(i) Mr. Lai Tsan Tung, David and Mr. Chan Jink Chou, Eric, directors and ultimate shareholders of Everight, are also the directors and shareholders of the related company.

(ii) Mr. Chang Rong Wu, a director of subsidiaries of Everight, is also a director and a shareholder of the related company.

(iii) Mr. Chan Jink Chou, Eric, a director and an ultimate shareholder of Everight, is also a director and a shareholder of the related company.

(iv) A director of subsidiaries of Everight.

(v) Mr. Lai Tsan Tung, David, a director and an ultimate shareholder of Everight, is the chairman of the association.

(vi) Belair Farm Limited is the sole shareholder of 曲江果園 in which Mr. Lai Tsan Tung, David, a director and an ultimate shareholder of Everight, is also a director and a shareholder of the related company.

(vii) Mr. Lai Tsan Tung, David, a director and an ultimate shareholder of Everight, is also a director and a shareholder of the related company.

The above amounts are unsecured and have no fixed repayment terms. The amount of HKD11,907,000 is bearing interest at rates ranging from 5.25% to 8% per annum (2003: HKD9,058,000 at rates ranging from 5.25% to 12% per annum; 2004: HKD9,933,000 at rates ranging from 5.25% to 8% per annum). The remaining balance of HKD3,930,000 (2003: HKD4,600,000; 2004: HKD5,184,000) is interest-free.

The directors consider that the carrying amounts of the amounts due from/to the related companies approximate their fair values.

26. AMOUNT DUE FROM/TO A DIRECTOR

	Everight Group		
	As at 31st December,		
	2003	**2004**	**2005**
	HKD'000	*HKD'000*	*HKD'000*
Amount due from a director:			
Name of director			
Mr. Chan Jink Chou, Eric	175	189	67

Maximum amount outstanding during the Relevant Periods are as follows:

	Everight Group		
	As at 31st December,		
	2003	**2004**	**2005**
	HKD'000	*HKD'000*	*HKD'000*
Mr. Chan Jink Chou, Eric	175	189	189

Amount due to a director:

Name of director			
Mr. Lai Tsan Tung, David	3,525	2,233	3,709

The amount due from a director is unsecured, interest-free and has no fixed terms of repayment. The amount due to a director of HKD3,984,000 bears interest at 6.9% to 8% (2003: HKD3,984,000 at 6.9% – 12%; 2004: HKD3,984,000 at 6.9% – 8%) per annum and has no fixed terms of repayment.

The directors consider that the carrying amounts of the amount due from/to a director approximate their fair values at the respective balance sheet dates.

27. AMOUNTS DUE FROM/TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

The amounts are unsecured, interest-free and have no fixed terms of repayment. The directors consider that the carrying amounts of the amounts due from/to minority shareholders of subsidiaries approximate their fair values.

28. AMOUNT DUE FROM/TO A SHAREHOLDER

The amount is unsecured, interest-free and has no fixed terms of repayment. The directors consider that the carrying amount of the amount due from/to a shareholder approximates its fair value.

29. BANK BALANCES AND CASH

Out of bank balances and cash, the following amounts were held in the PRC and were subject to foreign exchange control.

	Everight Group		
	As at 31st December,		
	2003	**2004**	**2005**
	HKD'000	*HKD'000*	*HKD'000*
Bank balances and cash	25,323	5,542	11,770

The carrying amounts of bank balances and cash approximate their fair values at the respective balance sheet dates.

30. TRADE AND OTHER PAYABLES

Everight Group

The aged analysis of the Everight Group's trade payables as at each of the balance sheet dates are as follows:

	As at 31st December,		
	2003	**2004**	**2005**
	HKD'000	*HKD'000*	*HKD'000*
Trade payables:			
0-30 days	3,594	561	598
31-60 days	199	349	340
61-90 days	583	553	351
91-180 days	302	867	720
181-365 days	92	172	45
1 year – 2 years	180	213	133
Over 2 years	525	316	303
	5,475	3,031	2,490
Other payables:			
Accruals	2,529	3,966	3,189
Deposits received	1,325	1,107	1,198
Receipt in advance	1,691	7,924	10,158
Construction cost payable	315	3,779	2,950
Other tax payable	6,239	10,192	17,207
Others	599	939	1,829
	12,698	27,907	36,531
	18,173	30,938	39,021

The directors consider that the carrying amounts of trade and other payables approximate their fair values at the respective balance sheet dates.

31. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

At 31st December, 2003 and 2004, the amount of the Everight Group was unsecured, interest-free and had no fixed terms of repayment. The directors consider that the carrying amount of amount due to ultimate holding company approximate its fair value. During the year ended 31st December, 2005, the amount due to ultimate holding company was settled by setting off against certain amounts due from related companies.

32. UNSECURED LOAN FROM A MINORITY SHAREHOLDER OF A SUBSIDIARY

The loan of the Everight Group is borrowed from 番禺市旅遊總公司 which is a minority shareholder of a subsidiary. The loan is unsecured, bears interest at prevailing market rate in the PRC and is repayable on demand. The directors consider that the carrying amount of unsecured loan from a minority shareholder of a subsidiary approximates its fair value at respective balance sheet dates.

33. UNSECURED LOANS FROM RELATED COMPANIES

		Everight Group As at 31st December,		
Name of related companies	*Notes*	**2003**	**2004**	**2005**
		HKD'000	*HKD'000*	*HKD'000*
Evervan	*(i)*	10,000	15,000	15,837
番禺高爾夫球協會	*(ii)*	1,500	1,502	1,538
		11,500	16,502	17,375

The unsecured loan are repayable as follows:			
Within one year	1,500	11,502	6,538
More than one year, but not exceeding two years	10,000	5,000	10,837
	11,500	16,502	17,375
Less: Amount due within one year shown under current liabilities	(1,500)	(11,502)	(6,538)
Amount due after one year	10,000	5,000	10,837

Notes:

(i) At 31st December, 2003 and 2004, a loan of HKD10,000,000 was unsecured, bearing interest at 8% per annum and was repayable by two instalments of HKD5,000,000 each on 16th April, 2005 and 15th May, 2005, respectively. In addition, at 31st December, 2004, a loan of HKD5,000,000 is unsecured, bearing interest at 6% per annum and is repayable on 27th May, 2006.

At 31st December, 2005, a loan of HKD10,837,000 is unsecured, bearing interest at 6% per annum and is repayable on 15th May, 2007. The remaining loan of HKD5,000,000 is unsecured, bearing interest at 6% per annum and is repayable on 27th May, 2006.

(ii) The loan is unsecured, bearing interest at 6% per annum and has no fixed terms of repayment.

The directors consider that the carrying amounts of unsecured loans from related companies approximate their fair values at respective balance sheet dates.

34. BANK AND OTHER BORROWINGS

	Everight Group			Everight		
	As at 31st December,			As at 31st December,		
	2003	**2004**	**2005**	**2003**	**2004**	**2005**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Bank loans, secured	67,986	56,338	49,024	–	–	–
Other loans, unsecured	–	1,877	8,702	–	–	7,500
	67,986	58,215	57,726	–	–	7,500
The borrowings are repayable as follows:						
Within one year	49,231	43,192	40,423	–	–	7,500
More than one year, but not exceeding two years	3,751	3,755	9,613	–	–	–
More than two years, but not exceeding five years	11,253	9,390	7,690	–	–	–
Over five years	3,751	1,878	–	–	–	–
	67,986	58,215	57,726	–	–	7,500
Less: Amount due within one year shown under current liabilities	(49,231)	(43,192)	(40,423)	–	–	(7,500)
Amount due after one year	18,755	15,023	17,303	–	–	–

At the respective balance sheet dates, the carrying amounts of the borrowings of the Everight Group are denominated in Renminbi except for a loan of HKD7,500,000 at 31st December, 2005 which is denominated in Hong Kong dollars.

The exposure of the Everight Group's fixed-rate borrowings and the contractual maturity dates are as follows:

	As at 31st December,		
	2003	**2004**	**2005**
	HKD'000	*HKD'000*	*HKD'000*
Fixed-rate borrowings:			
Within one year	49,231	43,192	32,923
In more than one year but not more than two years	3,751	3,755	9,613
In more than two years but not more than three years	3,751	3,130	2,563
In more than three years but not more than four years	3,751	3,130	2,563
In more than four years but not more than five years	3,751	3,130	2,564
Over five years	3,751	1,878	–
	67,986	58,215	50,226

In addition, at 31st December, 2005, the Everight Group and Everight have variable-rate borrowing of HKD7,500,000 which carries interest at Hong Kong prime rate plus 2%.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Everight Group's borrowings are as follows:

	As at 31st December,		
	2003	**2004**	**2005**
Effective interest rate:			
Fixed-rate borrowings	5.58% to 6.34%	5.58% to 7.33%	6.34% to 60.00%
Variable-rate borrowings	–	–	9.75%

The directors consider that the carrying amounts of bank loans approximate their fair values at the respective balance sheet dates.

35. DEFERRED TAX LIABILITIES (ASSETS)

The following are the major deferred tax liabilities (assets) recognised by the Everight Group and movements thereon during the Relevant Periods:

	Accelerated tax depreciation	**Tax losses**	**Total**
	HKD'000	*HKD'000*	*HKD'000*
At 1st January, 2003	2,671	(815)	1,856
(Credit) charge to income statement for the year *(note 12)*	(1,874)	679	(1,195)
At 31st December, 2003	797	(136)	661
Charge (credit) to income statement for the year *(note 12)*	5,139	(773)	4,366
At 31st December, 2004	5,936	(909)	5,027
Charge (credit) to income statement for the year *(note 12)*	1,293	(176)	1,117
At 31st December, 2005	7,229	(1,085)	6,144

The Everight Group had estimated unused tax losses of HKD34,201,000, HKD33,007,000 and HKD30,351,000 at 31st December, 2003, 2004 and 2005, respectively, available for offset against future profits. A deferred tax asset has been recognised in respect of HKD907,000, HKD6,060,000 and HKD7,233,000 of such losses for the years ended 31st December, 2003, 2004 and 2005, respectively. No deferred tax asset has been recognised in respect of the remaining tax losses due to the unpredictability of future profit streams. Tax losses of HKD4,748,000, HKD7,019,000 and HKD9,073,000, respectively, at 31st December, 2003, 2004 and 2005 may be carried forward indefinitely. The remaining tax losses will be expired within 5 years from the respective balance sheet dates.

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

	As at 31st December,		
	2003	**2004**	**2005**
	HKD'000	*HKD'000*	*HKD'000*
Deferred tax assets	136	909	1,520
Deferred tax liabilities	(797)	(5,936)	(7,664)
	(661)	(5,027)	(6,144)

36. SHARE CAPITAL

	As at 31st December, 2003, 2004 and 2005 *HKD'000*
Authorised:	
50,000,000 ordinary shares of HKD1 each	50,000
Issued and fully paid:	
47,412,692 ordinary shares of HKD1 each	47,413

37. RESERVES

	Accumulated losses *HKD'000*
THE COMPANY	
At 1st January, 2003	(118)
Loss for the year	(8)
At 31st December, 2003	(126)
Loss for the year	(23)
At 31st December, 2004	(149)
Loss for the year	(75)
At 31st December, 2005	(224)

38. DISPOSAL OF SUBSIDIARIES

As explained in note 13, in October 2005, the Everight Group discontinued its production and sale of pomelo operations as a result of the disposal of its entire interest in the Green Farm Group for a consideration of HKD1. The net assets of the Green Farm Group at the date of disposal were as follows:

	HKD'000
Net assets disposed of:	
Property, plant and equipment	1,303
Pomelo trees	7,801
Inventories	1,347
Other receivables	2
Bank balances and cash	22
Trade and other payables	(314)
Amount due to ultimate holding company	(12,140)
Amount due to a related company	(12)
	(1,991)
Gain on disposal of subsidiaries	1,991
	–
Net cash outflow arising on disposal:	
Cash consideration received	–
Bank balances and cash disposed of	(22)
	(22)

The impact of the Green Farm Group on the Everight's results and cash flows in the current and prior periods is disclosed in note 13.

39. OPERATING LEASE COMMITMENTS

The Everight Group as lessee:

Minimum lease payments paid under operating leases during the Relevant Periods:

	Year ended 31st December,		
	2003	**2004**	**2005**
	HKD'000	*HKD'000*	*HKD'000*
Premises	275	122	223

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

	As at 31st December,		
	2003	**2004**	**2005**
	HKD'000	*HKD'000*	*HKD'000*
Within one year	225	346	89
In the second to fifth years inclusive	437	581	–
Over five years	12,497	12,390	–
	13,159	13,317	89

Operating lease payments represent rentals payable by the Everight Group for certain of its premises. Leases are negotiated and rentals are fixed for an average term ranging from 2 to 50 years.

40. CAPITAL COMMITMENT

At 31st December, 2005, the Everight Group had capital expenditure of HKD5,194,000 (2003: HKD8,718,000; 2004: HKD3,984,000) in respect of the construction of properties contracted for but not provided in the financial information.

41. PLEDGE OF ASSETS

At the respective balance sheet dates, the Everight Group had the following assets pledged to banks to secure the general banking facilities granted to the Everight Group:

	As at 31st December,		
	2003	**2004**	**2005**
	HKD'000	*HKD'000*	*HKD'000*
Prepaid lease payments	45,209	44,225	66,529
Hotel properties	21,171	19,806	18,851
	66,380	64,031	85,380

42. RETIREMENT BENEFIT SCHEMES

In accordance with the relevant PRC rules and regulations, the Everight Group is required to establish a defined contribution plan managed by the relevant local government authority in the PRC and to make contributions for their eligible employees.

With effect from 1st December, 2000, the Everight Group has also joined a Mandatory Provident Fund Scheme (the "MPF Scheme") for employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Everight Group in funds under the control of an independent trustee.

Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Everight Group with respect to the MPF Scheme is to make the required contributions under the scheme. The contributions arising from the MPF Scheme charged to the income statement represent contributions payable to the funds by the Everight Group at rates specified in the rules of the scheme. No forfeited contribution is available to reduce the contribution payable in future years.

43. RELATED PARTY DISCLOSURES

(a) Related party transactions

During the Relevant Periods, the Everight Group had the following significant transactions with related parties:

Related parties	*Notes*	**Nature of transactions**	**Year ended 31st December, 2003**	**2004**	**2005**
			HKD'000	*HKD'000*	*HKD'000*
Director:					
Mr. Lai Tsan Tung, David		Interest expense	21	247	308
Related companies:					
Mr. Chang Rong Wu	*(i)*	Interest expense	694	619	1,277
蓮花山房地產開發公司	*(ii)*	Commission fee	47	19	42
番禺高爾夫球協會	*(iii)*	Interest expense	75	135	91
番禺市旅遊總公司	*(ii)*	Interest expense	870	–	374
		Management fee paid	479	282	285
		Waive of interest expense	–	678	566
Evervan	*(iv)*	Interest expense	536	857	931
Magnum Company Limited	*(v)*	Management fee paid	480	240	435
Lotus Hill Golf Resort Limited	*(vi)*	Management fee paid	120	119	79
L.F. Sam (HK) Ltd.	*(v)*	Interest expense	–	–	190

Notes:

(i) A director of subsidiaries of Everight.

(ii) Minority shareholders of subsidiaries of Everight.

(iii) Mr. Lai Tsan Tung, David, a director and an ultimate shareholder of Everight, is the chairman of the association.

(iv) Mr. Chang Rong Wu, a director of subsidiaries of Everight, is also a director and a shareholder of the related company.

(v) Mr. Chan Jink Chou, Eric, a director and an ultimate shareholder of Everight, is also a director and a shareholder of the related company.

(vi) Mr. Lai Tsan Tung, David and Mr. Chan Jink Chou, Eric, directors and ultimate shareholders of Everight, are also directors and shareholders of the related company.

In addition to the above, Everight disposed of its entire interest in the Green Farm Group to Belair Farm Limited for a consideration of HKD1.

Compensation of key management personnel

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

	Year ended 31st December,		
	2003	2004	2005
	HKD'000	*HKD'000*	*HKD'000*
Short-term benefits	1,253	679	1,230
Post-employment benefits	–	–	–
Other long-term benefits	–	–	–
	1,253	679	1,230

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

(b) Details of the balances with related parties as at the respective balance sheet dates are set out on the consolidated balance sheets and in notes 25, 26, 27, 28, 31, 32 and 33.

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Everight or any of the companies comprising the Everight Group in respect of any period subsequent to 31st December, 2005.

4. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP IMMEDIATELY AFTER COMPLETION OF THE EVERIGHT ACQUISITION

Set out below is the unaudited pro forma financial information of the Group immediately after completion of the Everight Acquisition ("Everight Completion") extracted from the Everight Circular:

A. Introduction

The accompanying unaudited pro forma financial information of the Group as enlarged by the Everight Acquisition has been prepared to illustrate the effect of the Everight Acquisition. The consideration for the Everight Acquisition will be settled as to HK$80 million by cash and as to HK$60 million by issue of the Notes.

The unaudited pro forma combined balance sheet of the Group as enlarged by the Everight Acquisition is prepared based upon the unaudited consolidated balance sheet of the Group as at 30th September, 2005, which has been extracted from the interim report of the Company for the six months ended 30th September, 2005 and the audited consolidated balance sheet of the Everight Group as at 31st December, 2005 as extracted from the accountants' report set out in Appendix II to the Everight Circular as if the Everight Acquisition has been completed on 30th September, 2005.

The unaudited pro forma combined income statement and cash flow statement of the Group as enlarged by the Everight Acquisition are prepared based on the audited consolidated income statement and cash flow statement of the Group for the year ended 31st March, 2005 as extracted from the annual report of the Company for the year ended 31st March, 2005, and the audited consolidated income statement and cash flow statement of the Everight Group for the year ended 31st December, 2005 as extracted from the accountants' report set out in Appendix II to the Everight Circular as if the Everight Acquisition has been completed on 1st April, 2004.

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards ("HKAS") and Hong Kong Financial Reporting Standards which are applicable to accounting periods beginning on or after 1st January, 2005 (hereinafter collectively referred to the "new HKFRSs").

For the purpose of preparing the unaudited pro forma combined income statement and cash flow statement of the Group as enlarged by the Everight Acquisition for the year ended 31st March, 2005, the financial information of the Group have been restated where appropriate using the new HKFRSs. The restatement adjustments are summarised in note 3 below.

The unaudited pro forma financial information is prepared to provide information on the Group as enlarged by the Everight Acquisition as a result of completion of the Everight Acquisition. As it is prepared for illustrative purposes only, it does not purport to represent what the results or financial position of the Group as enlarged by the Everight Acquisition are on the completion of the Everight Acquisition.

B. Unaudited pro forma combined balance sheet of the Group after Everight Completion

	The Group as at 30th September, 2005	Everight Group as at 31st December, 2005	Combined	Pro forma adjustment *(Note 1)*	Pro forma adjustment *(Note 2)*	The Group after Everight Completion
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS						
Properties, plant and equipment	62,666	201,871	264,537			264,537
Prepaid lease payments	1,350	99,091	100,441			100,441
Intangible assets	3,043	–	3,043			3,043
Goodwill	10,885	–	10,885	53,772		64,657
Loan receivables		125	125			125
Deferred tax assets	–	1,520	1,520			1,520
	77,944	302,607	380,551	53,772	–	434,323
CURRENT ASSETS						
Inventories	73,377	4,273	77,650			77,650
Loan receivables	49,814	18	49,832			49,832
Debtors, deposits and prepayments	429,610	18,607	448,217			448,217
Prepaid lease payments	30	2,331	2,361			2,361
Properties held for sale	58,547	–	58,547			58,547
Investments held for trading	53,052	–	53,052			53,052
Financial assets at fair value through profit or loss	26,840	–	26,840			26,840
Amount due from related parties	–	172	172			172
Amount due from a director of Everight	–	67	67			67
Amount due from minority shareholders of subsidiaries	–	2	2	15,614		15,616
Amount due from a shareholder of Everight	–	33	33			33
Tax recoverable	–	257	257			257
Pledged bank deposits	3,000	–	3,000			3,000
Bank balances and cash	669,511	12,112	681,623	(80,000)	(7,500)	594,123
	1,363,781	37,872	1,401,653	(64,386)	(7,500)	1,329,767

	The Group as at 30th September, 2005 HK$'000	Everight Group as at 31st December, 2005 HK$'000	Combined HK$'000	Pro forma adjustment (Note 1) HK$'000	Pro forma adjustment (Note 2) HK$'000	The Group after Everight Completion HK$'000
CURRENT LIABILITIES						
Creditors and accrued charges	77,145	39,021	116,166		(26)	116,140
Amounts due to related companies		15,837	15,837			15,837
Amount due to director of Everight		3,709	3,709			3,709
Amount due to minority shareholders of subsidiaries		4,429	4,429			4,429
Amount due to a shareholder of Everight		18	18			18
Obligation under a finance lease due within one year	33	–	33			33
Unsecured loan from a minority shareholder of a subsidiary	–	3,364	3,364			3,364
Unsecured loans from related companies	–	6,538	6,538			6,538
Bank and other borrowings due within one year	49,053	40,423	89,476		(7,500)	81,976
Convertible note payables	353	–	353			353
Tax liabilities	62	12,189	12,251			12,251
	126,646	125,528	252,174	–	(7,526)	244,648
NET CURRENT ASSETS (LIABILITIES)	1,237,135	(87,656)	1,149,479	(64,386)	26	1,085,119
NON-CURRENT LIABILITIES						
Obligations under a finance lease due after one year	91	–	91			91
Unsecured loans from related companies	–	10,837	10,837			10,837
Bank and other borrowings due after one year	1,875	17,303	19,178			19,178
Convertible note payables	901,333	–	901,333	49,247		950,580
Deferred tax liabilities		7,664	7,664			7,664
	903,299	35,804	939,103	49,247	–	988,350
	411,780	179,147	590,927	(59,861)	26	531,092
CAPITAL AND RESERVES						
Share capital	4,086	47,413	51,499	(47,413)		4,086
Reserves	406,770	23,201	429,971	(12,448)	26	417,549
Equity attributable to equity holders of the parent	410,856	70,614	481,470	(59,861)	26	421,635
Minority interests	924	108,533	109,457	–		109,457
	411,780	179,147	590,927	(59,861)	26	531,092

C. Unaudited pro forma combined income statement of the Group after Everight Completion

	The Group for the year ended 31st March, 2005 (Originally stated) *HK$'000*	Adjustments on adoption of new HKFRSs *(Note 3)* *HK$'000*	The Group for the year ended 31st March, 2005 (Restated) *HK$'000*	Everight Group for the year ended 31st December, 2005 *HK$'000*	Combined *HK$'000*	Pro forma adjustment *(Note 2)* *HK$'000*	Pro forma adjustment *(Note 4)* *HK$'000*	The Group after Everight Completion *HK$'000*
Continuing operations								
Turnover	379,396		379,396	61,337	440,733			440,733
Cost of sales/services	(259,478)		(259,478)	(16,481)	(275,959)			(275,959)
Gross profit	119,918	–	119,918	44,856	164,774			164,774
Other income	2,139		2,139	2,929	5,068			5,068
Gain on disposal of investments in securities	30		30	–	30			30
Doubtful debts provided	(1,729)		(1,729)	–	(1,729)			(1,729)
Distribution costs	(57,942)		(57,942)	–	(57,942)			(57,942)
Administrative expenses	(34,215)	2,500	(31,715)	(50,001)	(81,716)			(81,716)
Other operating expenses	(567)		(567)	–	(567)			(567)
Amortisation of goodwill	(1,051)		(1,051)	–	(1,051)			(1,051)
Unrealised holding loss on other investments	(4,226)		(4,226)	–	(4,226)			(4,226)
Loss on disposal of investment properties	(3,217)		(3,217)	–	(3,217)			(3,217)
Finance costs	(7,379)	(176)	(7,555)	(7,800)	(15,355)	26	(2,955)	(18,284)
Profit (loss) before taxation	11,761	2,324	14,085	(10,016)	4,069	26	(2,955)	1,140
Taxation	(1,823)		(1,823)	(2,619)	(4,442)			(4,442)
Profit (loss) for the year from continuing operations	9,938	2,324	12,262	(12,635)	(373)	26	(2,955)	(3,302)
Discontinued operations								
Profit for the year from discontinued operations	–	–	–	4,129	4,129	–	–	4,129
Profit (loss) for the year	9,938	2,324	12,262	(8,506)	3,756	26	(2,955)	827
Attributable to:								
Equity holders of the parent	9,938	2,324	12,262	(2,949)	9,313	26	(2,955)	6,384
Minority interests	–	–	–	(5,557)	(5,557)	–	–	(5,557)
	9,938	2,324	12,262	(8,506)	3,756	26	(2,955)	827

D. Unaudited pro forma combined cash flow statement of the Group after Everight Completion

	The Group for the year ended 31st March, 2005 *(Note 3)*	Everight Group for the year ended 31st December, 2005	Combined	Pro forma adjustment *(Note 1)*	Pro forma adjustment *(Note 2)*	The Group after Everight Completion
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES						
Cash generated from operations	98,125	27,616	125,741			125,741
Overseas taxation paid	(768)	(3,390)	(4,158)			(4,158)
Interest paid	(4,261)	(6,963)	(11,224)			(11,224)
Net cash from operating activities	93,096	17,263	110,359	–	–	110,359
INVESTING ACTIVITIES						
Interest received	296	67	363			363
Proceeds from disposal of investment properties	4,983	–	4,983			4,983
Proceeds from disposal of investment in securities	1,903	–	1,903			1,903
Proceeds from disposal of property, plant and equipment	476	1,472	1,948			1,948
(Repayment) raise of loan receivables	(31,500)	90	(31,410)			(31,410)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	(22,861)	–	(22,861)	(74,228)		(97,089)
Purchase of property, plant and equipment	(3,081)	(10,191)	(13,272)			(13,272)
Increase in pledged bank deposits	(3,000)	–	(3,000)			(3,000)
Development cost incurred	(1,467)	–	(1,467)			(1,467)
Additions to prepaid lease payments	–	(124)	(124)			(124)
Additions of pomelo trees	–	(172)	(172)			(172)
Decrease in cash and cash equivalents from disposal of subsidiaries	–	(22)	(22)			(22)
Net cash used in investing activities	(54,251)	(8,880)	(63,131)	(74,228)	–	(137,359)

	The Group for the year ended 31st March, 2005 *(Note 3)* *HK$'000*	Everight Group for the year ended 31st December, 2005 *HK$'000*	Combined *HK$'000*	Pro forma adjustment *(Note 1)* *HK$'000*	Pro forma adjustment *(Note 2)* *HK$'000*	The Group after Everight Completion *HK$'000*
FINANCING ACTIVITIES						
Proceeds from issue of convertible notes	100,000	–	100,000			100,000
New bank and other borrowings raised	96,225	14,308	110,533		(7,500)	103,033
Proceeds from issue of shares	80,489	–	80,489			80,489
Advance from related companies	–	732	732			732
Repayment of bank and other borrowings	(205,596)	(15,962)	(221,558)			(221,558)
Advance from a director of Everight	–	1,476	1,476			1,476
Expenses paid in connection with issue of shares	(2,623)	–	(2,623)			(2,623)
Repayment of obligation under a finance lease	(16)	–	(16)			(16)
Repayment to minority shareholders of subsidiaries	–	(520)	(520)			(520)
Repayment to a minority shareholder of a subsidiary	–	(1,331)	(1,331)			(1,331)
Repayment to Green Label	–	(315)	(315)			(315)
Net cash generated by financing activities	68,479	(1,612)	66,867	–	(7,500)	59,367
Net increase (decrease) in cash and cash equivalents	107,324	6,771	114,095	(74,228)	(7,500)	32,367
Cash and cash equivalents at beginning of the year	80,136	5,772	85,908	(5,772)		80,136
Effect of foreign exchange rate changes	520	(431)	89	–		89
Cash and cash equivalents at end of the year, represented by bank balances and cash	187,980	12,112	200,092	(80,000)	(7,500)	112,592

E. Notes:

(1) These represent the elimination of the capital and reserves of Everight upon the Everight Acquisition for a total consideration of HK$140 million which is to be financed by internal cash resources of approximately HK$80 million and issue of the Notes of approximately HK$60 million, respectively. With reference to the net asset value of Everight attributable to shareholders of Everight as at 31st December, 2005 of HK$70,614,000, representing share capital of HK$47,413,000 and reserves of HK$23,201,000, and the vendors' indemnity for the tax provision of HK$15,614,000 attributable to the Group in case assessment is received from the relevant tax authority, goodwill of HK$53,772,000 arises on the Everight Acquisition. After the Everight Acquisition, the vendors will become minority shareholders of subsidiaries.

As at 1st January, 2005, Everight Group had cash and cash equivalents of HK$5,772,000, which was assumed to be acquired by the Group upon Everight Acquisition and therefore for presentation purpose, such amount is deducted from the cash consideration.

In accordance with HKAS 32, the liability component and the equity component of the Notes should be separately accounted for. The liability component is included in non-current liabilities while the equity component is included in shareholder's equity. Both liability and equity components are stated at fair values. If there are any transaction costs involved, they would usually be allocated to the liability and equity components of the Notes based on the proportion of their respective fair value. For the purpose of compiling this unaudited pro forma combined balance sheet of the Group as enlarged by the Everight Acquisition, the fair value of the liability component of the Notes as at 30th September, 2005 is HK$49,247,000 estimated by the Company using the effective interest method and the fair value of the equity component of the Notes as at 30th September, 2005 is HK$10,753,000 (included in the adjustment to reserves). The final fair value of the liability component of the Notes at the completion date may be different to the amount of HK$49,247,000 million as at 30th September, 2005.

(2) These represent the elimination of the loan advanced by the Group to Everight as at 31st December, 2005 of HK$7.5 million (of which HK$3 million and HK$4.5 million were drawn down on 5th December, 2005 and 28th December, 2005 respectively) upon consolidation of the Everight Group to the Group and the relevant interest of HK$26,000 accrued from the dates of drawdown to 31st December, 2005.

(3) These represent (i) a decrease in administrative expenses of approximately HK$2.5 million, representing the issue expenses incurred for the 2005 February Note setoff against the equity component and liability component of the 2005 February Note on a pro-rata basis; and accordingly, (ii) an increase in interest expenses of approximately HK$176,000 on the liability component of the 2005 February Note for the year ended 31st March, 2005 as if the new HKFRSs were adopted. The adoption of the new HKFRSs did not result in any pro forma adjustments on the cash flow statement of the Group.

(4) This represents the estimated interest expenses accrued on the liability component of the Notes issued as part of the consideration for the Everight Acquisition as set out in note 1 above, assuming an effective interest rate of 6.0% per annum, which represents estimated fair market interest rate of bank loan or non-convertible bond currently for the Group.

5. FINANCIAL AND TRADING PROSPECT OF EVERIGHT GROUP

Yalong Bay in Sanya is one of the preferred destinations for leisure traveling in the PRC, in particular for the northerners during the winter season. After the scheduled expansion of the golf course from existing 18 holes to 27 holes and completion of the club house and ancillary facilities, full operation of the Sanya Golf Club is expected in late 2006 which will be in time to capture business growth in the peak season.

Yalong Bay has already been developed into a high-end leisure spot with numerous international well-known hotels being established. The development of hotel and resort facilities within the Sanya Golf Club is in the conceptual design stage. It is currently planned that around 70 to 80 quality, single-storey and low-density villas will be built to provide private and perfect vacation hide-away for golfers and guests. The management of Everight anticipates that the package sale of room accommodation and enjoyment of golfing will be well received by the vacationers which will contribute considerable recurring revenue for the future growth of Everight Group.

Additional lighting facility has lately been completed in the Lotus Hill Golf Club so as to expand its capacity for night-golfing to generate additional revenue. The lease term of the Lotus Hill Golf Club will expire by mid-2007. In light of the established track record and relationship, the management of Everight is confident on the renewal of the lease upon its expiry.

Guangzhou is an affluent city with rapid growth in its economy and there are increasing demands for quality residential units. Application for the development of additional villas in Panyu is in progress. It is planned that 70 to 80 luxurious villas will be built by phases for sale which will accelerate the future growth of Everight Group.

1. INTRODUCTION

As disclosed in the announcement of the Company dated 3rd April, 2006 and the Orient Town Circular, Million Orient Limited ("Million Orient"), a wholly-owned subsidiary of the Company, entered into an agreement to acquire 40% of the issued share capital of Orient Town for a cash consideration of HK$280, being the nominal value of the 280 shares of Orient Town to be acquired. Such consideration was satisfied by cash pursuant to the terms of the Orient Town Acquisition. The principal asset of Orient Town is its indirect shareholding interest in Concordia which is the owner of 14 parcels of land situated in Estrada de Seac Pai Van, Macau (澳門路環聯生填海區) (the "Property").

As further consideration for Million Orient agreeing to enter into the agreement in respect of the Orient Town Acquisition, the vendor had granted Million Orient a call option (the "Call Option") pursuant to which Million Orient had the right to require the vendor, from time to time within the exercise period, to sell all or any part of 70 shares of Orient Town held by the vendor (the "Option Shares") to Million Orient or its nominee at the aggregate nominal value of the Option Shares.

Pursuant to the agreement in respect of the Orient Town Acquisition, Million Orient undertook to advance to Orient Town by way of shareholder's loan in the amount of HK$885 million for financing part of the working capital requirement of Orient Town which would be principally be used for the Concordia Acquisition. The Orient Town Acquisition was completed on 15th June, 2006 and the shareholder's loan of HK$885 million was advanced by the Group to Orient Town.

On 26th June, 2006, the Directors announced that on 19th June, 2006, Million Orient granted a consent to the vendor to dispose of 105 shares of Orient Town to an independent third party (the "Disposal") with an option to acquire additional 70 shares of Orient Town (the "Purchaser Option"). Upon the Purchaser Option being exercised, 35 Option Shares would be cancelled (the "Cancellation"). By consenting to the Disposal and the Cancellation, the Group was compensated for approximately HK$32.3 million upon such independent third party purchaser having exercised the Purchaser Option.

2. FINANCIAL SUMMARY

The following is the summary of the audited consolidated financial information on Orient Town for the period from 1st June, 2005 (date of incorporation) to 31st December, 2005 contained in the Orient Town Circular:

CONSOLIDATED INCOME STATEMENT

For the period from 1st June, 2005 (date of incorporation) to 31st December, 2005

	HK$'000
Turnover	–
Interest income	79
Gain on partial disposal of interest in a subsidiary	78,875
Administrative expenses	(1,031)
Finance costs	(11,010)
Forfeited deposit paid on acquisition of XLM	(30,000)
Profit for the period	36,913

	As at 31st December, 2005
Assets and liabilities	
Non-current assets	623,236
Current assets	168,665
Total assets	791,901
Current liabilities	754,987
Net assets	36,914

3. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ORIENT TOWN GROUP

The following is the reproduction of the audited financial statements of Orient Town Group together with the accompanying notes contained in pages 30 to 44 of the Orient Town Circular:

A. FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT

For the period from 1st June, 2005 (date of incorporation) to 31st December, 2005

	Notes	*HK$'000*
Turnover		–
Interest income		79
Gain on partial disposal of interest in a subsidiary	*7*	78,875
Administrative expenses		(1,031)
Finance costs	*8*	(11,010)
Forfeited deposit paid on acquisition of XLM	*9*	(30,000)
Profit for the period	*10*	36,913

CONSOLIDATED BALANCE SHEET

As at 31st December, 2005

	Notes	*HK$'000*
NON-CURRENT ASSETS		
Available-for-sale investment	*13*	13,236
Deposits paid for the acquisition of additional interest in an investee	*15*	610,000
		623,236
CURRENT ASSETS		
Other receivables	*16*	17,752
Amount due from a minority shareholder of a subsidiary	*18*	68,875
Loan to an investee	*19*	82,036
Bank balances and cash	*20*	2
		168,665
CURRENT LIABILITIES		
Other payables	*21*	2,213
Loan from ultimate holding company	*22*	356,024
Loans from minority shareholders of a subsidiary	*23*	396,750
		754,987
NET CURRENT LIABILITIES		(586,322)
		36,914
CAPITAL AND RESERVE		
Share capital	*24*	1
Accumulated profit		36,913
		36,914

BALANCE SHEET

As at 31st December, 2005

	Notes	*HK$'000*
NON-CURRENT ASSETS		
Investment in a subsidiary	*14*	1
CURRENT ASSETS		
Other receivables	*16*	250
Amount due from a subsidiary	*17*	319,230
Amount due from a minority shareholder of a subsidiary	*18*	68,875
Loan to an investee	*19*	6,750
		395,105
CURRENT LIABILITIES		
Other payables	*21*	2,179
Loan from ultimate holding company	*22*	356,009
		358,188
NET CURRENT ASSETS		36,917
		36,918
CAPITAL AND RESERVE		
Share capital	*24*	1
Accumulated profit	*25*	36,917
		36,918

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 1st June, 2005 (date of incorporation) to 31st December, 2005

	Share capital	Accumulated profit	Total
	HK$'000	*HK$'000*	*HK$'000*
Issue of shares at the time of incorporation and subsequent changes	1	–	1
Profit for the period	–	36,913	36,913
At 31st December, 2005	1	36,913	36,914

CONSOLIDATED CASH FLOW STATEMENT

For the period from 1st June, 2005 (date of incorporation) to 31st December, 2005

	Notes	*HK$'000*
OPERATING ACTIVITIES		
Profit for the period		36,913
Adjustments for:		
Interest income		(79)
Interest expense		11,010
Gain on partial disposal of interest in a subsidiary		(78,875)
Forfeited deposit paid on acquisition of XLM		30,000
Operating cash flows before working capital		(1,031)
Other receivables		(17,752)
Other payables		189
NET CASH USED IN OPERATING ACTIVITIES		(18,594)
INVESTING ACTIVITIES		
Deposits paid for acquisition of additional interest in an investee		(610,000)
Acquisition of a subsidiary	*26*	(93,248)
Deposit paid on acquisition of XLM		(30,000)
Proceeds from partial disposal of interest in a subsidiary		10,000
Interest received		79
NET CASH USED IN INVESTING ACTIVITIES		(723,169)
FINANCING ACTIVITIES		
Loans from minority shareholders of a subsidiary		396,750
Loan from ultimate holding company		345,014
Proceed from issue of share capital		1
CASH FROM FINANCING ACTIVITIES		741,765
NET INCREASE IN CASH AND CASH EQUIVALENTS AND CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash		2

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

Orient Town was incorporated in Hong Kong with limited liability and acts as an investment holding company. The address of the registered office and the principal place of business of Orient Town is 15th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong. Its parent and ultimate parent company is Pacific Wish Limited, a company established in the British Virgin Islands.

The Financial Information is presented in Hong Kong dollars, which is the same as the functional currency of Orient Town.

The Financial Information has been prepared on a going concern basis because, upon completion of the proposed acquisition, Orient Town Group should have adequate funds to enable it to meet its financial obligations as they fall due for the foreseeable future because:

(i) Cheung Tai Hong undertakes to advance a shareholder loan of HK$885 million to Orient Town Group to finance its acquisition of 77.1% interest in Empresa De Fomento Industrial E Comercial Concórdia, S.A. ("Concordia") (the "Concordia Acquisition"), details as set out in note 27; and

(ii) Pursuant to a shareholders' agreement of Best Profit, the existing shareholders of Best Profit shall not demand repayment of their shareholders' loans unless approved by the directors of Best Profit. In addition, the existing shareholders of Best Profit agree to provide fund to finance the Concordia Acquisition and advance further shareholders' loans up to HK$200,000,000 to Best Profit for the payment of additional land premium payable by Concordia upon renewal of the lease term of the Land.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

Orient Town Group has not early applied the following new HKFRSs, Hong Kong Accounting Standards ("HKAS(s)") and interpretations ("INTs") that have been issued by the HKICPA but are not yet effective. The directors of Orient Town anticipate that the application of these standards or interpretations will have no material impact on Financial Information of Orient Town Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	The effects of changes in foreign exchange rates – net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]
HK(IFRIC) – INT 8	Scope of HKFRS 2[5]
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives[6]

[1] Effective for accounting periods beginning on or after 1st January, 2007.
[2] Effective for accounting periods beginning on or after 1st January, 2006.
[3] Effective for accounting periods beginning on or after 1st December, 2005.
[4] Effective for accounting periods beginning on or after 1st March, 2006.
[5] Effective for accounting periods beginning on or after 1st May, 2006.
[6] Effective for accounting periods beginning on or after 1st June, 2006.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis and in accordance with HKFRSs issued by the HKICPA.

Basis of consolidation

The Financial Information incorporates the financial information of Orient Town and its subsidiaries.

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

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

All significant intra-group transactions, balances, income and expenses within Orient Town Group are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from Orient Town 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 Orient Town Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Interests in subsidiaries

Interests in subsidiaries are included in Orient Town's balance sheet at cost less any identified impairment loss.

Revenue recognition

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.

Foreign currencies

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

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

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

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.

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

Taxation

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the 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 difference and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where Orient Town 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 profit will be available to allow all or part of the asset to be recovered.

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

Financial instruments

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

Financial assets

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

Loans and receivables

Loans and receivables (including loan to an investee, other receivables, amount due from a minority shareholder of a subsidiary, amount due from a subsidiary, bank deposits and deposits paid for the acquisition of additional interest in an investee) 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 are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories of financial asset.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not be reversed in subsequent periods.

Financial liabilities and equity

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

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

Financial liabilities

Financial liabilities including other payables, loans from ultimate holding company and minority shareholders of a subsidiary, are subsequently measured at amortised cost, using effective interest method.

Equity instruments

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

Derecognition

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

For financial liabilities, they are removed from Orient Town Group's balance sheet (i.e. 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 is recognised in profit or loss.

Impairment losses

At each balance sheet date, Orient Town 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.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such 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 periods. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Impairment on available-for-sale investment

Management considered in determining whether the available-for-sale investment is impaired depends on the value in use of the Land which the investee held. The lease term of the Land was expired, and the investee is in the process of applying a new concession or renewal of the lease term, which management considered that the application will be successful and the recoverable amount of the Land would be higher than the cost of investment. No impairment is therefore recognised.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Orient Town Group's major financial instruments include available-for-sale investment, loan to an investee, bank deposits, other receivables, other payables, loans from minority shareholders of a subsidiary and loan from ultimate holding company. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Available-for-sale investment and loan to an investee of Orient Town Group are denominated in foreign currencies. Orient Town Group currently does not have a foreign currency hedging policy in respect of foreign currency assets. However, management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Credit risk

Orient Town Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st December, 2005 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 Orient Town Group has set up necessary monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Orient Town consider that Orient Town Group's credit risk is significantly reduced.

Liquidity risk

Upon completion of the Concordia Acquisition, Orient Town Group expects to have the financial support by its shareholders to maintain its continuity of funding.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

No geographical segment information is presented as the activity of Orient Town Group during the Relevant Period was carried out in Macau and all assets and liabilities of Orient Town Group were located in Macau at the balance sheet date.

No business segment information is presented as there was no operation during the Relevant Period.

7. GAIN ON PARTIAL DISPOSAL OF INTEREST IN A SUBSIDIARY

It represents the gain on disposal of 30% interest in Best Profit to two independent third parties during the Relevant Period.

8. FINANCE COSTS

	HK$'000
Interest on loan from ultimate holding company	11,010

9. FORFEITED DEPOSIT PAID ON ACQUISITION OF XLM

During the period, Orient Town paid HK$30 million as a deposit on acquisition of XLM. However, the deposit paid was forfeited upon the cancellation of the acquisition by Orient Town and XLM was acquired by Best Profit subsequently.

10. PROFIT FOR THE PERIOD

	HK$'000
Profit for the period has been arrived at after charging:	
Auditors' remuneration	40
Directors' remuneration	–

11. TAXATION

No provisions for Hong Kong Profits Tax has been made in the Financial Information as there is no estimated assessable profit for the Relevant Period.

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

	HK$'000
Profit before taxation	36,913
Tax at Hong Kong Profits Tax rate	6,460
Tax effect of income that is not taxable in determining taxable profit	(13,817)
Tax effect of expenses that are not deductible in determining taxable profit	7,357
Tax expense for the period	–

There was no significant unrecognised deferred taxation at the balance sheet date or during the Relevant Period.

12. DIVIDENDS

No dividends were paid or declared by Orient Town during the Relevant Period.

13. AVAILABLE-FOR-SALE INVESTMENT

The available-for-sale investment represents the investment of 5.9% equity interest in Concordia, a private company incorporated in Macau. The investment is measured at cost less impairment at the balance sheet date because the directors of Orient Town are of the opinion that its fair value cannot be measured reliably.

The sole business of Concordia is its investment in 14 parcels of leased land, which is located on the northwest side of Coloane, Macau. Concordia had been granted the lease for developing the land for residential, commercial or hotel use. The lease expired in 2000. Concordia is in the course of obtaining a new concession or renewal from the Government of Macau for an extension of the lease term of the land for 25 years commencing from its expiry in 2000.

14. INVESTMENT IN A SUBSIDIARY

	HK$'000
Unlisted shares, at cost	1

15. DEPOSITS PAID FOR THE ACQUISITION OF ADDITIONAL INTEREST IN AN INVESTEE

In October 2005, Orient Town Group entered into an agreement to acquire an additional 77.1% interest in Concordia from independent third parties, for an aggregate consideration of HK$1,850 million. A deposit of HK$610 million had been paid by Orient Town Group at 31st December, 2005.

The directors consider that the carrying amount approximates its fair value at the balance sheet date.

16. OTHER RECEIVABLES

It represents the refundable deposits held by solicitors for the Concordia Acquisition. The directors consider that the carrying amounts of other receivables approximate their fair values at the balance sheet date.

17. AMOUNT DUE FROM A SUBSIDIARY

The amount due from a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

The directors consider that the carrying amount approximate its fair value at the balance sheet date.

18. AMOUNT DUE FROM A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amount is unsecured, interest-free and is repayable on demand.

The directors consider that the carrying amount approximates its fair value at the balance sheet date.

19. LOAN TO AN INVESTEE

	Orient Town Group *HK$'000*	**Orient Town** *HK$'000*
Loan to Concordia	82,036	6,750

The amount is unsecured, interest-free and is repayable on demand.

The directors consider that the carrying amount of loan receivable approximates its fair value at the balance sheet date.

20. BANK BALANCES AND CASH

Bank balance and cash are held in Macau. The directors consider that the carrying amount of bank balances and cash approximates its fair value at the balance sheet date.

21. OTHER PAYABLES

	Orient Town Group *HK$'000*	**Orient Town** *HK$'000*
Accruals	213	179
Consideration payable for acquisition of a subsidiary	2,000	2,000
	2,213	2,179

The directors consider that the carrying amounts of other payables approximate their fair values at the balance sheet date.

22. LOAN FROM ULTIMATE HOLDING COMPANY

The amount is unsecured, bearing interest at prime rate for Hong Kong dollars quoted by The Hongkong and Shanghai Banking Corporation Limited, and has no fixed terms of repayment. The directors consider that the carrying amount of the loan approximates its fair value at the balance sheet date.

23. LOANS FROM MINORITY SHAREHOLDERS OF A SUBSIDIARY

The amounts are unsecured, interest-free and have no fixed terms of repayment. The directors consider that the carrying amounts of the loans from minority shareholders of a subsidiary approximate their fair values at the balance sheet date.

24. SHARE CAPITAL

	Authorised	**Issued and fully paid**
	HK$	*HK$*
Ordinary shares of HK$1 each	10,000	700
Shown in the Financial Information as		HK$1,000

Orient Town was incorporated with an authorised share capital of HK$10,000. At the time of incorporation, 1 share of HK$1 each was issued at par to the subscriber to provide the initial capital to Orient Town.

On 16th September, 2005 and 21st December, 2005, Orient Town issued 1 share and 698 shares of HK$1 each at par respectively. The shares were issued for the purpose of raising additional capital to finance expansion and rank pari passu in all respects with the then shares in issue.

25. ACCUMULATED PROFIT OF ORIENT TOWN

	HK$'000
Profit for the period and at 31st December, 2005	36,917

26. ACQUISITION OF A SUBSIDIARY

During the Relevant Period, Orient Town has acquired the entire issued capital of Best Profit and Best Profit has acquired 99% of the issued capital of XLM for HK$95,250,000, both of which have been accounted for by purchase method of accounting.

The net assets acquired in the transaction are as follows:

	Acquiree's carrying amount before combination	Fair value adjustment	Total
	HK$'000	*HK$'000*	*HK$'000*
Available-for-sale investment	5,900	7,336	13,236
Loan to an investee	82,036	–	82,036
Bank balance and cash	2	–	2
Other payables	(24)	–	(24)
	87,914	7,336	
Total consideration, satisfied by cash			95,250

Net cash outflow arising on acquisition:

Total cash consideration	(95,250)
Cash consideration payable	2,000
Cash consideration paid	(93,250)
Cash and cash equivalents acquired	2
	(93,248)

The revenue and results of Orient Town Group for the Relevant Period contributed by the subsidiary acquired are insignificant.

27. CAPITAL COMMITMENT

During the Relevant Period, Orient Town Group, through XLM, entered into an agreement with an independent third party (for itself and on behalf of certain shareholders of Concordia) (the "Concordia Vendors") in relation to the acquisition of 77.1% of the issued share capital of Concordia and their shareholders' loans to Concordia for approximately HK$1,850 million (subject to adjustment of the shareholders' loans). As at 31st December, 2005, a sum of HK$610 million was paid as deposits and the remaining of approximately HK$1,240 million will be payable by instalments, with the final instalment payable on 26th May, 2006. The deposits paid are refundable if the Concordia Vendors did not transfer the interest in Concordia to Orient Town Group. As the acquisition was completed after the latest practicable date for the purpose of the Circular, in the opinion of the directors, it was impracticable to quantify the amounts recognised at the acquisition date for each class of Concordia's assets, liabilities and contingent liabilities.

In accordance with a shareholder's agreement of Best Profit, all shareholders of Best Profit agreed to advance in proportion of their respective shareholding up to HK$200 million to Best Profit for the designated purpose of the extension of lease term of the Land held by Concordia.

28. RELATED PARTY DISCLOSURES

(a) Related party transactions

During the Relevant Period, Orient Town Group paid interest of HK$11,010,000 to its ultimate holding company.

In addition, Best Profit acquired the entire interest in XLM from Goal Oriental Finance Inc. which is beneficially owned by the family member of Mr. Fred Ma, a director of Orient Town, at a consideration of approximately HK$95 million. Before Best Profit's acquisition in XLM, Orient Town paid HK$30 million to Goal Oriental Finance Inc. as a deposit for its acquisition in XLM. The deposit paid was forfeited upon the cancellation of its acquisition during the period.

(b) Details of the balances with related parties as at the balance sheet date are set out on the consolidated balance sheet and in notes 18, 19, 22 and 23.

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Orient Town or any of the companies comprising Orient Town Group in respect of any period subsequent to 31st December, 2005.

4. AUDITED FINANCIAL STATEMENTS OF CONCORDIA

The following is the reproduction of the audited financial statements of Concordia together with the accompanying notes contained in pages 47 to 63 of the Orient Town Circular:

A. FINANCIAL INFORMATION

INCOME STATEMENTS

		Year ended 31st December,		
		2003	**2004**	**2005**
	Notes	*MOP'000*	*MOP'000*	*MOP'000*
Gain on debt restructuring	*7*	72,961	–	–
Interest income		712	714	234
Administrative expenses		(19,241)	(15,695)	(17,827)
Finance costs	*8*	(94,826)	(94,503)	(44,687)
Loss before taxation		(40,394)	(109,484)	(62,280)
Taxation	*9*	–	–	–
Loss for the year	*10*	(40,394)	(109,484)	(62,280)

BALANCE SHEETS

		As at 31st December,		
		2003	**2004**	**2005**
	Notes	*MOP'000*	*MOP'000*	*MOP'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*12*	7,180	5,837	–
Prepaid lease payments	*13*	–	–	–
		7,180	5,837	–
CURRENT ASSETS				
Loans to related companies	*14*	37,475	38,189	15,763
Bank balances and cash	*15*	63	47	74
		37,538	38,236	15,837
CURRENT LIABILITIES				
Other payables	*16*	219,408	233,821	249,078
Loans from related parties	*17*	293,588	340,059	322,738
Loans from shareholders	*18*	1,236,142	1,304,697	1,327,175
Bank loans – due within one year	*19*	20,600	–	114,424
		1,769,738	1,878,577	2,013,415
NET CURRENT LIABILITIES		(1,732,200)	(1,840,341)	(1,997,578)
TOTAL ASSETS LESS CURRENT LIABILITIES		(1,725,020)	(1,834,504)	(1,997,578)
NON-CURRENT LIABILITIES				
Bank loans – due after one year	*19*	118,110	118,110	–
		(1,843,130)	(1,952,614)	(1,997,578)
CAPITAL AND RESERVES				
Share capital	*20*	100,000	100,000	100,000
Reserves		(1,943,130)	(2,052,614)	(2,097,578)
		(1,843,130)	(1,952,614)	(1,997,578)

STATEMENTS OF CHANGES IN EQUITY

	Share capital	Capital reserve	Accumulated losses	Total
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
	(Note 20)	*(Note 21)*		
At 1st January, 2003	100,000	3,000	(1,905,736)	(1,802,736)
Loss for the year	–	–	(40,394)	(40,394)
At 31st December, 2003	100,000	3,000	(1,946,130)	(1,843,130)
Loss for the year	–	–	(109,484)	(109,484)
At 31st December, 2004	100,000	3,000	(2,055,614)	(1,952,614)
Effect of changes in accounting policies *(see Note 2)*	–	–	17,316	17,316
At 1st January, 2005 as restated	100,000	3,000	(2,038,298)	(1,935,298)
Loss for the year	–	–	(62,280)	(62,280)
At 31st December, 2005	100,000	3,000	(2,100,578)	(1,997,578)

CASH FLOW STATEMENTS

	Year ended 31st December,		
	2003	**2004**	**2005**
	MOP'000	*MOP'000*	*MOP'000*
OPERATING ACTIVITIES			
Loss for the year	(40,394)	(109,484)	(62,280)
Adjustments for:			
Interest income	(712)	(714)	(234)
Interest expense	94,826	94,503	44,687
Depreciation of property, plant and equipment	223	72	–
Loss on disposal of property, plant and equipment	5,180	789	2,337
Gain on debt restructuring	(72,961)	–	–
Operating cash flows before working capital changes	(13,838)	(14,834)	(15,490)
Increase in other payables	13,595	14,413	15,257
Cash used in operations	(243)	(421)	(233)
Interest paid	(5,150)	–	–
NET CASH USED IN OPERATING ACTIVITIES	(5,393)	(421)	(233)
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment	2,265	1,030	–
Purchase of property, plant and equipment	–	(548)	–
NET CASH FROM INVESTING ACTIVITIES	2,265	482	–
FINANCING ACTIVITIES			
Loans advanced from related parties	41,220	20,523	260
Repayment of bank loans	(38,110)	(20,600)	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	3,110	(77)	260
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(18)	(16)	27
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	81	63	47
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	63	47	74

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PREPARATION OF FINANCIAL INFORMATION

Concordia was incorporated in Macau with limited liability and engaged in property development. The address of the registered office and principal place of business of Concordia is Rua de Pequim ns 244 e 246 Macau Finance Centre 11 Andar I e J em Macau.

The Financial Information is presented in Macau Pataca, which is the same as the functional currency of Concordia.

On 5th October, 2005, certain shareholders of Concordia (the "Concordia Vendors") have entered into a sale and purchase agreement (the "Concordia Agreement") with San Lun Mang Investimentos, Limitada ("XLM"), a shareholder of Concordia, to dispose of:

(i) their shareholdings in Concordia, representing 77.1% issued share capital of Concordia;

(ii) their loans and interest receivables due from Concordia of an aggregate amount of approximately MOP1,013 million as at 31st December, 2005 (the "First Sale Loan"); and

(iii) the Second Sale Loan as defined below.

The completion of the Concordia Agreement (the "Concordia Completion") is scheduled on 26th May, 2006. As a condition of the Concordia Agreement, the Concordia Vendors will prior to the Concordia Completion advance an additional amount of approximately MOP700 million (the "Second Sale Loan") to Concordia to procure Concordia to fully settle all its liabilities except for the First Sale Loan and certain loans and interest thereof due to the shareholders of Concordia, other than the Concordia Vendors, as at 31st December, 2005.

Pursuant to a shareholder agreement of Best Profit Holdings Limited ("Best Profit") (the "Shareholder Agreement"), which holds 99% issued share capital of XLM, entered into on 23rd December, 2005, all the shareholders of Best Profit agreed to provide the required funding to XLM to complete the Concordia Agreement. The shareholders further agreed, after the Concordia Completion, to provide in aggregate not more than MOP200 million as the working capital of Best Profit and its subsidiaries including Concordia, mainly for obtaining the new concession or renewal from the Government of Macau for an extension of lease term of the leasehold land, details of which are set out in Note 13.

As at 31st December, 2005, Concordia had net current liabilities of approximately MOP1,998 million. Unless upon the Concordia Completion, Concordia shall be in doubt in repaying its liabilities as shown on the balance sheet as at 31st December, 2005 as they fall due. Accordingly, the Financial Information has not been prepared on a going concern basis.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing this report and for the year ended 31st December, 2005, Concordia has applied, for the first time, a number of new HKFRSs, Hong Kong Accounting Standards ("HKAS(s)") issued by the HKICPA that are effective for the accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and statement of changes in equity. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to Concordia's accounting policies in the following areas that have an effect on how the results for the current/or prior accounting years are prepared and presented.

Financial assets and financial liabilities other than debt and equity securities

Prior to the application of HKAS 39 "Financial instruments: Recognition and Measurement", interest-free non-current bank loan was stated at the nominal amount. HKAS 39 requires all financial assets and financial liabilities to be measured at fair value on initial recognition. Such interest-free loan is measured at amortised cost determined using the effective interest method at subsequent balance sheet dates. Concordia has applied the relevant transitional provisions in HKAS 39. As a result of this change in the accounting policy, the carrying amount of the loan as at 1st January, 2005 has been decreased by MOP17,316,000 in order to state the loan at amortised cost in accordance with HKAS 39. Concordia's accumulated losses as at 1st January, 2005 has been decreased by MOP17,316,000. Loss for the year ended 31st December, 2005 has been increased by MOP13,630,000 due to the recognition of imputed interest expense (see below for financial impact).

The effects of the changes in the accounting policies described above on the results for the Relevant Periods are as follows:

	2003	2004	2005
	MOP'000	*MOP'000*	*MOP'000*
Imputed interest expense on non-current interest-free bank loan and increase in loss for the year	–	–	13,630

The cumulative effects of the application of the new HKFRSs on 1st January, 2005 are summarised below:

	As at 31st December 2004 (originally stated)	Adjustments	As at 1st January, 2005 (restated)
	MOP'000	*MOP'000*	*MOP'000*
Balance sheet items			
Impact of HKAS 39:			
Non-current interest-free bank loan and total effect on liabilities	118,110	(17,316)	100,794
Accumulated losses and total effect on equity	2,055,614	(17,316)	2,038,298

There is no financial impact on Concordia's equity on 1st January, 2003 and 2004.

Concordia has not early applied the following new standards and interpretations that have been issued by the HKICPA but are not yet effective. The directors of Concordia anticipate that the application of these standards or interpretations will have no material impact on its Financial Information.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]

HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 financial reporting in hyperinflationary economies[4]
HK(IFRIC) – INT 8	Scope of HKFRS 2[5]
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives[6]

1 Effective for accounting periods beginning on or after 1st January, 2007.
2 Effective for accounting periods beginning on or after 1st January, 2006.
3 Effective for accounting periods beginning on or after 1st December, 2005.
4 Effective for accounting periods beginning on or after 1st March, 2006.
5 Effective for accounting periods beginning on or after 1st May, 2006.
6 Effective for accounting periods beginning on or after 1st June, 2006.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost basis and in accordance with HKFRSs issued by HKICPA. All HKFRSs effective for the accounting period beginning on 1st January, 2005 together with the relevant transitional provisions have been adopted in preparing the Financial Information.

Revenue recognition

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the 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 assets net carrying amount.

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.

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the terms 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 terms on a straight-line basis.

Foreign currencies

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as 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.

Taxation

Taxation represents the sum of the tax currently payable and deferred taxation.

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial information 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 the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and accumulated impairment loss.

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

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

Leasehold land under development for future owner-occupied purpose

When the leasehold land are in the course of development for production, rental or for administrative purposes, it is classified as prepaid lease payments and amortised over a straight-line basis over the lease terms. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction.

Impairment

At each balance sheet date, Concordia 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.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such 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.

Financial instruments

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

Financial assets

Concordia's financial assets are classified into loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of financial assets are set out below.

Loans and receivables

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

Financial liabilities and equity

Financial liabilities and equity instruments issued by Concordia 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 Concordia after deducting all of its liabilities.

Financial liabilities

Financial liabilities including bank borrowings, other payables and loans from related parties and shareholders are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

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

For financial liabilities, they are removed from Concordia's balance sheet (i.e. 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 is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Allowance on loans to related companies

Concordia performs ongoing credit evaluations of its related companies, as determined by the review of their current credit information. Concordia continuously monitors collections and maintains a provision for estimated credit losses based upon its historical experience and any specific collection issues that it has identified. While such credit losses have historically been within Concordia expectations and the provisions established, there is no guarantee that it will continue to experience the same credit loss that it has had in the past.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Major financial instruments comprise bank and other borrowings and shareholders' loans. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manners.

Interest rate risk

Concordia's exposure to interest rate risks relates primarily to the debt obligations, including bank and other borrowings and shareholders' loan. Concordia has not entered into any interest rate hedging contracts or any other derivative financial instrument. However, management monitors the related interest rate exposure closely and consider hedging significant interest rate exposures should the need arise.

Credit risk

With respect to credit risk arising from the other financial assets of Concordia which comprise cash and cash equivalents and loans to related companies, the exposure to credit risk arising from default of the counter parties is limited as the counter parties have good relationships with Concordia and Concordia does not expect to incur a significant loss for uncollected advances/deposits from these entities.

Liquidity risk

Concordia's objective is to maintain a balance between continuity of funding and the flexibility through the use of bank and other borrowings. Unless upon the Concordia Completion, Concordia shall be in doubt in repaying its liabilities as they fall due.

6. BUSINESS AND GEOGRAPHICAL SEGMENT

No geographical segment information is presented as all the activities of Concordia during the Relevant Periods were carried out in Macau and all assets and liabilities of Concordia were located in Macau at the balance sheet dates.

No business segment information is presented for Relevant Periods as there was no operation during the Relevant Periods.

7. GAIN ON DEBT RESTRUCTURING

In 2003, Concordia entered into certain debt restructuring agreements with banks to reduce its liabilities as owed to the banks. The reduction in the liabilities was recognised as a gain on debt restructuring in the period it arose. The details of the debt restructuring are set out in note 19.

8. FINANCE COSTS

	Year ended 31st December,		
	2003	**2004**	**2005**
	MOP'000	*MOP'000*	*MOP'000*
Interest on:			
Bank borrowings wholly repayable within five years	5,941	–	13,630
Loans from related companies	20,517	25,948	8,579
Loans from shareholders	68,368	68,555	22,478
	94,826	94,503	44,687

9. TAXATION

No provision for Macau Complementary tax or Hong Kong Profits Tax had been made for the Relevant Periods as Concordia had no assessable profits.

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

	2003	**2004**	**2005**
	MOP'000	*MOP'000*	*MOP'000*
Loss before taxation	(40,394)	(109,484)	(62,280)
Tax at Macau Complementary tax rate	(6,362)	(17,244)	(7,474)
Tax effect of income that is not taxable in determining taxable profit	(11,603)	(112)	(28)
Tax effect of expenses that are not deductible in determining taxable profit	17,965	17,356	7,502
Tax charge for the year	–	–	–

There were no significant deferred taxation for the Relevant Periods or at the respective balance sheet dates.

10. LOSS FOR THE YEAR

	Year ended 31st December,		
	2003	**2004**	**2005**
	MOP'000	*MOP'000*	*MOP'000*
Loss for the year has been arrived at after charging:			
Directors' remuneration	–	–	–
Other staff costs	132	132	91
Total staff costs	132	132	91
Auditors' remuneration	15	15	8
Depreciation of property, plant and equipment	223	72	–
Loss on disposal of property, plant and equipment	5,180	789	2,337

11. DIVIDEND

No dividend has been paid by Concordia during the Relevant Periods.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings MOP'000	Leasehold improvements MOP'000	Motor vehicles MOP'000	Furniture, fixtures and equipment MOP'000	Total MOP'000
COST					
At 1st January, 2003	16,849	1,366	1,300	1,136	20,651
Disposals	(8,430)	–	–	–	(8,430)
At 31st December, 2003	8,419	1,366	1,300	1,136	12,221
Additions	–	489	–	59	548
Disposals	(1,819)	(1,366)	(1,300)	(1,136)	(5,621)
At 31st December, 2004	6,600	489	–	59	7,148
Disposals	(6,600)	(489)	–	(59)	(7,148)
At 31st December, 2005	–	–	–	–	–
DEPRECIATION					
At 1st January, 2003	2,151	1,229	1,300	1,123	5,803
Provided for the year	73	137	–	13	223
Eliminated on disposals	(985)	–	–	–	(985)
At 31st December, 2003	1,239	1,366	1,300	1,136	5,041
Provided for the year	72	–	–	–	72
Eliminated on disposals	–	(1,366)	(1,300)	(1,136)	(3,802)
At 31st December, 2004	1,311	–	–	–	1,311
Provided for the year	–	–	–	–	–
Eliminated on disposals	(1,311)	–	–	–	(1,311)
At 31st December, 2005	–	–	–	–	–
NET BOOK VALUES					
At 31st December, 2003	7,180	–	–	–	7,180
At 31st December, 2004	5,289	489	–	59	5,837
At 31st December, 2005	–	–	–	–	–

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

Buildings	2%
Leasehold improvements	20%
Motor vehicles	20%
Furniture, fixtures and equipment	20%

The buildings were situated in Macau.

13. PREPAID LEASE PAYMENTS

In 1975, Concordia was granted by the Government of Macau a piece of leasehold land with a lease term of twenty-five years. In 1993, Concordia further entered into an agreement (the "Agreement") with the Government of Macau in which Concordia could retain a portion of the leasehold land for developing for commercial, hotel and residential use (the "Land"). Amongst the conditions of the Agreement, Concordia was required to complete the site formation and road construction on the land, surrender the remaining portion of the land to the Government of Macau, pay land rent and land premium in aggregate of MOP662 million by instalments to the Government of Macau. At 31st December, 2005, part of the land rent, land premium and interest accrued thereon of approximately MOP249 million payable to the Government of Macau has been overdue (the "Overdue Amount") and not yet been settled by Concordia. Based on a written reply from the Government of Macau in October 2003, the approval for the renewal of lease term of the Land will be considered after submission of a proposal for settlement of the Overdue Amount and a development plan for the Land to the Government of Macau. Concordia is in the course of obtaining a new concession or renewal from the Government of Macau for an extension of the lease term of the Land for twenty five years commencing from its expiry in 2000.

Up to the expiry of the lease term in 2000, constructions cost, expenses and borrowing costs capitalised for the development of the Land was fully amortised and charged to accumulated losses at 31st December, 2000. Construction cost, expenses and borrowing costs in relation to the development of the Land subsequent to the expiry of the lease term are recognised in the income statement in the period in which they are incurred.

14. LOANS TO RELATED COMPANIES

	As at 31st December,		
	2003	**2004**	**2005**
	MOP'000	*MOP'000*	*MOP'000*
新創興國際投資有限公司			
– interest bearing at 14.4% per annum	2,884	2,884	2,884
– interest-free	6,058	6,475	6,611
集平實業有限公司			
– interest bearing at 14.4% per annum	2,060	2,060	2,060
– interest-free	3,813	4,110	4,208
粵中發展有限公司 - interest-free	22,660	22,660	–
	37,475	38,189	15,763

The above companies have common shareholders or directors with Concordia.

The loans to related companies were unsecured and were repayable on demand.

The directors consider that the carrying amounts of loans to related companies approximate their fair values at the respective balance sheet dates.

15. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by Concordia and short-term bank deposits with an original maturity of three months or less. The carrying amounts of these assets approximate their fair values at the respective balance sheet dates.

The credit risk on liquid funds is limited because the counterparties are banks with good reputations.

16. OTHER PAYABLES

	As at 31st December,		
	2003	**2004**	**2005**
	MOP'000	*MOP'000*	*MOP'000*
Government land premium payable	140,782	140,782	140,782
Government interest payable	74,836	88,335	102,679
Government land rent and interest payable	3,790	4,704	5,617
	219,408	233,821	249,078

According to the Agreement, Concordia was required to pay the land rent, land premium and interest accrued thereon to the Government of Macau. The balances are overdue and have to be settled before obtaining a new concession or renewal from the Government of Macau for an extension of the lease term of the Land.

The directors consider that the carrying amounts of other payables approximate their fair values at the respective balance sheet dates.

17. LOANS FROM RELATED PARTIES

	As at 31st December,		
	2003	**2004**	**2005**
	MOP'000	*MOP'000*	*MOP'000*
粵中發展有限公司	165,538	200,772	179,766
中山市財政局	74,646	81,675	83,980
實利地產置業發展有限公司	9,170	10,404	10,808
岐江(澳門)發展有限公司	44,234	47,208	48,184
	293,588	340,059	322,738

The above parties have common shareholders or directors with Concordia.

At 31st December, 2003 and 2004, except for the balance with 粵中發展有限公司 of MOP716,000 and MOP1,410,000, respectively, which were interest-free, the loans from related parties were unsecured, bore interest at 14.4% per annum and were repayable on demand. All balances at 31st December, 2005 are interest-free.

The directors consider that the carrying amounts of loans to related parties approximate their fair values at the respective balance sheet dates.

18. LOANS FROM SHAREHOLDERS

	As at 31st December,		
	2003	**2004**	**2005**
	MOP'000	*MOP'000*	*MOP'000*
澳信聯實業有限公司	441,745	466,200	474,218
吳鋼	198,357	209,332	212,930
新興中發展有限公司	297,513	313,975	319,372
崔樂奇	7,346	7,753	7,886
XLM	–	–	77,545
吳漢疇	114,871	121,373	39,005
Orient Town Limited	–	–	6,955
志濠投資有限公司	24,487	25,842	26,287
姚開	8,571	9,045	9,200
孫觀	143,252	151,177	153,777
	1,236,142	1,304,697	1,327,175

The amounts were unsecured, bore interest at 14.4% per annum at 31st December, 2003 and 2004 and were repayable on demand. The amounts are interest-free at 31st December, 2005.

The directors consider that the carrying amounts of loans from shareholders approximate their fair values at the respective balance sheet dates.

19. BANK LOANS

	As at 31st December,		
	2003	**2004**	**2005**
	MOP'000	*MOP'000*	*MOP'000*
The borrowings are repayable as follows:			
Within one year	20,600	–	114,424
More than one year but not exceeding two years	–	118,110	–
More than two years but not exceeding five years	118,110	–	–
	138,710	118,110	114,424
Less: Amount due within one year shown under current liabilities	(20,600)	–	(114,424)
Amount due after one year	118,110	118,110	–

At the respective balance sheet dates, all the bank loans of Concordia were secured by certain of its interest in leasehold land as set out in note 13.

The carrying amounts of the bank loans are denominated in the following currencies:

	As at 31st December,		
	2003	**2004**	**2005**
	MOP'000	*MOP'000*	*MOP'000*
Hong Kong dollars	58,710	38,110	36,921
Macau Patacas	80,000	80,000	77,503
	138,710	118,110	114,424

For the year ended 31st December, 2003, the average and effective interest rate of the bank loans was 11.3%. For the period from March 2003 to December 2005, the banks ceased to charge any interest, details of which are set out below. The imputed interest rate of the bank loans for the year ended 31st December, 2005 was 12.6%.

The fair value of the above borrowings estimated by discounting their future cash flows at the prevailing market borrowing rates at the respective balance sheet dates for similar borrowings are as follows:

	As at 31st December,		
	2003	**2004**	**2005**
	MOP'000	*MOP'000*	*MOP'000*
Fair value	109,388	100,794	114,424

On 7th March, 2003, Concordia had entered into an agreement with a bank in which:

a. Concordia gave the bank an unconditional right to sell on its behalf certain leasehold land pledged against the loan facilities granted by the bank;

b. Concordia paid HK$30,000,000 (equivalent to approximately MOP30,900,000) as partial principal repayment of loans which is charged at fixed interest rate of 12.6% and HK$5,000,000 (equivalent to approximately MOP5,150,000) as full settlement of the interest payable to the bank of MOP56,943,000 in September 2003;

c. Concordia would fully repay the remaining loan principal of HK$37,000,000 (equivalent to approximately MOP38,110,000) and MOP80,000,000 to the bank on or before 7th March, 2006, in an aggregate of approximately MOP118,110,000; and

d. The bank would not charge any interest on the remaining loan principal and not to exercise its unconditional right to sell the leasehold land on behalf of Concordia before 7th March, 2006.

In addition, on 18th December, 2003, Concordia had also entered into an agreement with another bank in which the bank agreed to waive a portion of its loan and interest due from Concordia such that the total outstanding amount was reduced from MOP48,978,000 to HK$27,000,000 (equivalent to approximately MOP27,810,000) on the conditions that:

a. Concordia repaid HK$7,000,000 (equivalent to approximately MOP7,210,000) to the bank on the date of the agreement; and

b. Concordia repaid the remaining HK$20,000,000 (equivalent to approximately MOP20,600,000) to the bank before 30th April, 2004 by two equal instalments.

The bank loan was fully repaid in 2004.

20. SHARE CAPITAL

	Number of shares	Amount
		MOP'000
Quota shares of MOP1,000 each:		
Authorised, issued and fully paid	100,000	100,000

21. CAPITAL RESERVE

The capital reserve represents the excess amount contributed by the shareholders of Concordia over its issued share capital at the date of allotment.

22. MAJOR NON-CASH TRANSACTIONS

During the year ended 31st December, 2005, the loan from a related party was settled by the disposal of a property at an agreed value of MOP3,500,000 and offsetting the loan due to the same related party of MOP22,660,000.

23. PLEDGE OF ASSETS

At each of the balance sheet dates, the banking facilities granted by the banks to Concordia were secured by certain leasehold land of Concordia which has no carrying value.

24. RELATED PARTY DISCLOSURES

During the Relevant Periods, Concordia had the following transactions with related parties:

	Year ended 31st December,		
Name of related parties	**2003**	**2004**	**2005**
	MOP'000	*MOP'000*	*MOP'000*
Interest charge:			
粵中發展有限公司	10,378	14,710	4,895
中山市財政局	6,553	7,029	2,305
岐江（澳門）發展有限公司	2,966	2,975	975
實利地產置業發展有限公司	621	1,234	405
澳信聯實業有限公司	24,388	24,455	8,018
吳鋼	10,944	10,974	3,598
新興中發展有限公司	16,418	16,463	5,397
崔樂奇	405	406	133
Goal Oriental Finance Inc.	–	–	1,311
吳漢疇	6,484	6,502	821
志濠投資有限公司	1,351	1,355	444
姚開	473	474	156
孫觀	7,904	7,926	2,599
	88,885	94,503	31,057

Name of related parties	**Year ended 31st December, 2003**	**2004**	**2005**
	MOP'000	*MOP'000*	*MOP'000*
Interest income:			
集平實業有限公司	297	298	97
新創興國際投資有限公司	415	416	137
	712	714	234
Sale proceeds on disposal of property, plant and equipment:			
粵中發展有限公司	–	–	3,500

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Concordia in respect of any period subsequent to 31st December, 2005.

5. UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE GROUP IMMEDIATELY AFTER COMPLETIONS OF THE ORIENT TOWN ACQUISITION AND THE CONCORDIA ACQUISITION

Set out below is the unaudited pro forma financial information of the Group immediately after completions of the Orient Town Acquisition ("Orient Town Completion") and the Concordia Acquisition ("Concordia Completion") as extracted from the Orient Town Circular:

A. Introduction

The accompanying unaudited pro forma financial information on the Group has been prepared to illustrate the effect of the Orient Town Acquisition. The consideration for the Orient Town Acquisition of HK$280 payable upon Orient Town Completion and the advance of HK$885 million by Million Orient Limited to Orient Town to be made on the later of the date of the Orient Town Completion or 12th May, 2006 (or such other date as may be agreed by Million Orient Limited and Orient Town) will be settled by cash from internal resources of the Group.

The unaudited pro forma combined balance sheet of the Group immediately after the Orient Town Completion and the Concordia Completion is prepared based on the unaudited consolidated balance sheet of the Group at 30th September, 2005, as extracted from the interim report of the Company for the six months ended 30th September, 2005, and the unaudited pro forma combined balance sheet of Orient Town Group as at 31st December, 2005 as extracted from section (1) in Appendix V of the Orient Town Circular, as if the Orient Town Acquisition and the Concordia Acquisition have been completed on 31st December, 2005.

The unaudited pro forma combined income statement and cash flow statement of the immediately after the Orient Town Completion and the Concordia Completion Group are prepared based on the audited income statement and cash flow statement of the Group for the year ended 31st March, 2005 and the unaudited income statement and cash flow statement of Orient Town Group as extracted from section (1) in Appendix V of the Orient Town Circular, as if Orient Town has been incorporated on, and the Orient Town Acquisition and Concordia Acquisition have been completed on, 1st April, 2004.

The unaudited pro forma financial information is prepared to provide information on the Group as a result of completions of the Orient Town Acquisition and the Concordia Acquisition. As it is prepared for illustrative purpose only, it does not purport to represent what the results or financial position of the Group are on completions of the Orient Town Acquisition and the Concordia Acquisition.

B. Unaudited pro forma combined balance sheet of the Group immediately after the Orient Town Completion and the Concordia Completion

	The Group as at 30th September, 2005	**Pro forma adjustment** *(Note 2)*	**Pro forma adjustment** *(Note 3)*	**The Group after Orient Town Completion and Concordia Completion**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Property, plant and equipment	62,666			62,666
Prepaid lease payments	1,350			1,350
Intangible assets	3,043			3,043
Interest in an associate	–	14,766		14,766
Loan receivable from an associate	–		885,000	885,000
Goodwill	10,885			10,885
	77,944	14,766	885,000	977,710
CURRENT ASSETS				
Inventories	73,377			73,377
Debtors, deposits and prepayments	429,610		(240,000)	189,610
Loan receivables	49,814			49,814
Prepaid lease payments	30			30
Properties held for sale	58,547			58,547
Investments in securities	53,052			53,052
Financial assets at fair value through profit or loss	26,840			26,840
Pledged bank deposits	3,000			3,000
Bank balances and cash	669,511		(645,000)	24,511
	1,363,781	–	(885,000)	478,781

	The Group as at 30th September, 2005	Pro forma adjustment *(Note 2)*	Pro forma adjustment *(Note 3)*	The Group after Orient Town Completion and Concordia Completion
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
CURRENT LIABILITIES				
Creditors and accrued charges	77,145			77,145
Tax payable	62			62
Obligations under a finance lease due within one year	33			33
Convertible notes payable	353			353
Bank and other borrowings due within one year	49,053			49,053
	126,646	–	–	126,646
NET CURRENT ASSETS	1,237,135	–	(885,000)	352,135
NON-CURRENT LIABILITIES				
Obligations under a finance lease due after one year	91			91
Bank and other borrowings due after one year	1,875			1,875
Convertible note payables	901,333			901,333
	903,299	–	–	903,299
NET ASSETS	411,780	14,766	–	426,546
CAPITAL AND RESERVES				
Share capital	4,086			4,086
Reserves	406,770	14,766		421,536
Equity attributable to equity holders of the parent	410,856	14,766	–	425,622
Minority interests	924			924
	411,780	14,766	–	426,546

C. Unaudited pro forma combined income statement of the Group immediately after the Orient Town Completion and the Concordia Completion

	The Group for the year ended 31st March, 2005 (Originally stated)	Adjustments on adoption of new HKFRSs *(Note 1)*	The Group for the year ended 31st March, 2005 (Restated)	Pro forma adjustment *(Note 4)*	The Group after Orient Town Completion and Concordia Completion
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	379,396		379,396		379,396
Cost of sales	(259,478)		(259,478)		(259,478)
Gross profit	119,918	–	119,918	–	119,918
Other income	2,139		2,139		2,139
Gain on disposal of investments in securities	30		30		30
Doubtful debts provided	(1,729)		(1,729)		(1,729)
Distribution costs	(57,942)		(57,942)		(57,942)
Administrative expenses	(34,215)	2,500	(31,715)		(31,715)
Other operating expenses	(567)		(567)		(567)
Amortisation of goodwill	(1,051)		(1,051)		(1,051)
Unrealised holding loss on other investments	(4,226)		(4,226)		(4,226)
Loss on disposal of investment properties	(3,217)		(3,217)		(3,217)
Share of result of an associate	–		–	4,843	4,843
Finance costs	(7,379)	(176)	(7,555)		(7,555)
Profit before taxation	11,761	2,324	14,085	4,843	18,928
Taxation	(1,823)		(1,823)		(1,823)
Profit for the year	9,938	2,324	12,262	4,843	17,105

D. Unaudited pro forma combined cash flow statement of the Group immediately after the Orient Town Completion and the Concordia Completion

	The Group for the year ended 31st March, 2005	Pro forma adjustment *(Note 3)*	The Group after Orient Town Completion and Concordia Completion
	HK$'000	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES			
Cash generated from operations	98,125		98,125
Overseas taxation paid	(768)		(768)
Interest paid	(4,261)		(4261)
Net cash from operating activities	93,096	–	93,096
INVESTING ACTIVITIES			
Interest received	296		296
Proceeds from disposal of investment properties	4,983		4,983
Proceeds from disposal of investment in securities	1,903		1,903
Proceeds from disposal of property, plant and equipment	476		476
Repayment of loan receivables	(31,500)		(31,500)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	(22,861)		(22,861)
Purchase of property, plant and equipment	(3,081)		(3,081)
Increase in pledged bank deposits	(3,000)		(3,000)
Development cost incurred	(1,467)		(1,467)
Advance to an associate	–	(885,000)	(885,000)
Net cash used in investing activities	(54,251)	(885,000)	(939,251)

	The Group for the year ended 31st March, 2005 *HK$'000*	Pro forma adjustment *(Note 3)* *HK$'000*	The Group after Orient Town Completion and Concordia Completion *HK$'000*
FINANCING ACTIVITIES			
Proceeds from issue of convertible notes	100,000		100,000
New bank and other borrowings raised	96,225		96,225
Proceeds from issue of shares	80,489		80,489
Repayment of bank and other borrowings	(205,596)		(205,596)
Expenses paid in connection with issue of shares	(2,623)		(2,623)
Repayment of obligation under a finance lease	(16)		(16)
Net cash generated by financing activities	68,479	–	68,479
Net increase (decrease) in cash and cash equivalents	107,324	(885,000)	(777,676)
Cash and cash equivalents at beginning of the year	80,136		80,136
Effect of foreign exchange rate changes	520		520
Cash and cash equivalents at end of the year, represented by bank balances and cash	187,980	(885,000)	(697,020) *(Note 5)*

E. Notes:

(1) The adjustments represent (i) a decrease in administrative expenses of approximately HK$2.5 million, representing the issue expenses incurred for the 2005 February Note setoff against the equity component and liability component of the 2005 February Note on a pro-rata basis; and accordingly, (ii) an increase in interest expenses of approximately HK$176,000 on the liability component of the 2005 February Note for the year ended 31st March, 2005 as if the new HKFRSs were adopted. The adoption of the new HKFRSs did not result in any pro forma adjustments on the consolidated cash flow statement of the Group.

(2) For the preparation of the unaudited pro forma combined balance sheet of the Group immediately after Orient Town Completion and Concordia Completion, it is assumed that the Orient Town Completion had taken place on 30th September, 2005. The adjustments represent the recognition of interest in an associate which is stated at the share of net asset value of Orient Town Group pursuant to the acquisition of 40% equity interest of the issued share capital of Orient Town for a cash consideration of HK$280. A discount on acquisition of approximately HK$14.8 million arises on the Orient Town Acquisition, representing the difference between the Consideration and the 40% share of net asset value of enlarged Orient Town Group of HK$36,914,000 as at 31st December, 2005. In accordance with HKFRS 3 "Business Combination" issued by The Hong Kong Institute of Certified Public Accountants, such negative goodwill is recognised in the income statement immediately.

For the preparation of the unaudited pro forma combined income statement, it is assumed that the Orient Town Completion had taken place on the later of 1st April, 2004 or the date of incorporation of Orient Town. Orient Town was incorporated on 1st June, 2005, on which date its net asset value was equal to its issued share capital. Since the cash consideration of HK$280 represents 40% of the nominal value of the share capital of Orient Town, there is no discount on acquisition to be recognised in the income statement.

(3) The adjustments represent the shareholder's loan of HK$885 million to be advanced to Orient Town according to the agreement regarding the Orient Town Acquisition, of which HK$645 million will be payable in cash from internal resources of the Group on the later of the date of the Orient Town Completion or 12th May, 2006 (or such other date as may be agreed between Million Orient Limited and Orient Town), and the remaining HK$240 million will be satisfied by utilisation of earnest money paid by the Group.

(4) The adjustments represent share of results of Orient Town Group of a net profit HK$4.8 million, calculated with reference to the 40% equity interest to be acquired by the Group and the pro forma combined net profit of enlarged Orient Town Group of HK$12.1 million.

(5) Since the pro forma combined cash flow statement of the Group immediately after Orient Town Completion and Concordia Completion is prepared as if the Orient Town Completion had taken place on 1st April, 2004, there would be a cash shortfall of approximately HK$697 million on 31st March, 2005 as shown in the unaudited pro forma combined cash flow statement of the Group immediately after Orient Town Completion and Concordia Completion. In 2005 August, HK$988.9 million was raised from issuing the 2005 August Note received by the Group, details of which had been disclosed in the interim report of the Group for the six months ended 30th September, 2005.

6. FINANCIAL AND TRADING PROSPECT OF ORIENT TOWN GROUP

The core business of Concordia is holding of the Property, the lease of which expired in 2000. The legal adviser of the Company in respect of Macau law is of the view that the Government of Macau will grant the renewal of the lease on the Property (the "Renewal") to Concordia, subject to the settlement of overdue land premium, interest accrued thereon and additional premium payable on renewal. Upon detailed investigation by the legal adviser of the Company in respect of Macau law, no matter, event or circumstance or impediment (whether legal or otherwise) is noted which may hinder, affect or delay Concordia from obtaining the Renewal. In light of the legal opinion from the Company's Macau legal adviser and the latest progress of negotiation with the Government of Macau, the Directors are optimistic on the Renewal which is expected to be obtained within six months upon submission of the settlement proposal and the development plan.

The total gross area of the Property is 208,490 m^2 with a total construction site area of 55,652 m^2. It is preliminarily planned that luxurious residential properties including service apartments with carparks and club house facilities of gross saleable area of approximately 600,000 m^2 will be built on the site by phases principally for sale. Most of the construction cost is expected to be financed by banking facilities. The development plan is in conceptual design stage and has not been submitted to the Government of Macau.

Due to the recent opening up of the casino business, tourism in Macau is enjoying a rapid growth which in turn boosts its economy in various sectors. It is generally anticipated that there will be a significant rise in the future population of Macau, which includes certain number of expatriates of the high income cluster. The Macau property market has been strong on all sectors, including residential, shops, office, hotels and industrial properties. In this respect, quality residential units, which are currently of limited supply in Macau, will suit the increasing demand for better living conditions of the Macau residents in line with the ongoing improvement of their household income. The Directors believe that the investment in Concordia will contribute a substantial return to Orient Town.

1. ACCOUNTANTS' REPORT OF MORE PROFIT

The following is the text of report, prepared for inclusion in this circular, received from Deloitte Touche Tohmatsu, the independent reporting accountants.

Deloitte.
德勤

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

7th December, 2006

The Directors
Macau Prime Properties Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding More Profit International Limited ("More Profit") for the period from 25th August, 2006 (date of incorporation) to 31st October, 2006 (the "Relevant Period") for inclusion in the circular dated 7th December, 2006 issued by Macau Prime Properties Holdings Limited ("MPP") (the "Circular") in connection with the proposed subscription (the "Subscription") of 4,000 new ordinary shares of US$1 each in More Profit and the provision of a shareholder's loan to More Profit upon completion of the Subscription (the "Advance").

More Profit was incorporated as a private limited liability company in the British Virgin Islands on 25th August, 2006. No audited financial statements have been prepared for More Profit since the date of incorporation because there are no statutory audit requirements.

For the purpose of this report, the director of More Profit has prepared the management accounts of More Profit in accordance with Hong Kong Financial Reporting Standards ("HKFRS(s)") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the Relevant Period (the "Underlying Financial Statements"). We have carried out independent audit procedures in accordance with Hong Kong Standards on Auditing issued by the HKICPA on the Underlying Financial Statements. We have examined the Underlying Financial Statements for the Relevant Period in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountants" as recommended by the HKICPA.

The Financial Information of More Profit for the Relevant Period set out in this report has been prepared from the Underlying Financial Statements. The preparation of the Underlying Financial Statements is the responsibility of the director of More Profit. The directors of MPP are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon give, for the purpose of this report, a true and fair view of the state of affairs of More Profit as at 31st October, 2006 and of the results for the period from 25th August, 2006 (date of incorporation) to 31st October, 2006.

A. FINANCIAL INFORMATION

INCOME STATEMENT

For the period from 25th August, 2006 (date of incorporation) to 31st October, 2006

	HK$'000
Turnover	–
Administrative expenses	(6)
Loss for the period	(6)

BALANCE SHEET

At 31st October, 2006

	Notes	*HK$'000*
Non-current assets		
Deposit paid for the acquisition of an interest in a jointly-controlled entity	*7*	200,000
Other deposit		200
		200,200
Current liabilities		
Loan from an immediate holding company	*9*	100,167
Other payables	*8*	100,000
Net current liabilities		200,167
Total assets less current liabilities		33
Capital and reserve		
Share capital	*10*	39
Accumulated loss		(6)
		33

STATEMENT OF CHANGES IN EQUITY

For the period from 25th August, 2006 (date of incorporation) to 31st October, 2006

	Share capital *HK$'000*	Accumulated loss *HK$'000*	Total *HK$'000*
Issued at time of incorporation	39	–	39
Loss for the period	–	(6)	(6)
At 31st October, 2006	39	(6)	33

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

More Profit is a private limited company incorporated on 25th August, 2006 in the British Virgin Islands. The address of the registered office and the principal place of business of More Profit is at 10/F, Cosco Tower, Grand Millennium Plaza, 183 Queen's Road, Central, Hong Kong. Its immediate holding company is Gainventure Holdings Limited, a company incorporated in the British Virgin Islands. Its ultimate holding company is Get Nice Holdings Limited, a company incorporated in the Cayman Islands with its shares listed on The Stock Exchange of Hong Kong Limited.

More Profit acted as an investment holding company during the Relevant Period.

The payments of administrative expenses were settled by the immediate holding company and the issue of share capital was recognised through current account with immediate holding company. A cash flow statement is not presented because More Profit has no cash transactions during the Relevant Period.

The Financial Information has been prepared on a going concern basis because, Dragon Rainbow Limited (a wholly-owned subsidiary of MPP), Gainventure Holdings Limited (its immediate holding company) and Group Success International Limited, who will become the shareholders of More Profit upon completion of the Subscription, according to their respective shareholdings in More Profit, will provide adequate funds to enable More Profit to meet its financial obligations as they fall due for the foreseeable future.

2. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost convention and in accordance with the accounting policies set out below which conform with HKFRSs issued by the HKICPA.

More Profit has not early applied the following new HKFRS, amendment and interpretations ("INT(s)") issued by the HKICPA that have been issued but are not yet effective. The directors of More Profit anticipate that the application of these standards, amendments or interpretations will have no material impact on the Financial Information of More Profit.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment[2]

[1] Effective for annual periods beginning on or after 1st January, 2007.
[2] Effective for annual periods beginning on or after 1st November, 2006.

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 Relevant Period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. More Profit's liability for current tax is calculated using tax rates that have been substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the 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 the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

Impairment

At each balance sheet date, More Profit 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.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such 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.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when More Profit becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial liabilities and equity

Financial liabilities and equity instruments issued by More Profit 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 More Profit after deducting all of its liabilities.

Financial liabilities

Financial liabilities including the other payables and the loan from an immediate holding company are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

More Profit's major financial instruments include other payables and loan from an immediate holding company. Details of these financial instruments are disclosed in the respective notes. The major risk associated with the liquidity position of More Profit is set out below.

Liquidity risk

As shown on More Profit's balance sheet as at 31st October, 2006, More Profit had net current liabilities of approximately HK$200,167,000 at that date. In view of the financial support to be provided by Dragon Rainbow Limited (a wholly-owned subsidiary of MPP), Gainventure Holdings Limited (its immediate holding company) and Group Success International Limited, who will become the shareholders of More Profit upon completion of the Subscription, the director of More Profit is satisfied that More Profit will be able to meet its financial obligations as they fall due for the foreseeable future.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Other than the deposits made for an acquisition of an interest in a jointly-controlled entity, More Profit has not transacted other business during the Relevant Period and accordingly, no business and geographical segment information is presented.

5. LOSS FOR THE PERIOD

During the Relevant Period, no emoluments was paid or payable by More Profit to its director for services rendered or as an inducement to join or upon joining or as compensation for loss of office. The director has not waived any emoluments during the Relevant Period.

6. TAXATION

No provisions for Hong Kong or overseas profits tax has been made as More Profit has no assessable profits in respect of the Relevant Period.

7. DEPOSIT PAID FOR THE ACQUISITION OF AN INTEREST IN A JOINTLY-CONTROLLED ENTITY

Pursuant to the acquisition agreement entered into between More Profit, Fast Profit Investments Limited ("Fast Profit") and Topmore Limited ("Topmore") on 6th October, 2006, Fast Profit and Topmore (the "Vendors") have agreed to sell and More Profit has agreed to acquire (i) 29% and 21% in the issued share capital of Great China Company Limited ("Great China") from Fast Profit and Topmore, respectively; and (ii) the respective interest-free, unsecured shareholders' loans due by Great China to the Vendors, which in aggregate represents 50% of the loans made by the Vendors of Great China and the exact amount of which will be determined upon completion of the acquisition agreement. The consideration for the acquisition was estimated to be approximately HK$897 million, subject to adjustments based on the completion accounts of Great China, but will not exceed an amount of HK$1,250 million. As at 31st October, 2006, More Profit had paid HK$200 million as a deposit for the acquisition of the interest in Great China.

Pursuant to the acquisition agreement, the Vendors shall procure, prior to the completion of the acquisition agreement, the restructuring of Great China to dispose of its subsidiaries, namely Grand Waldo Hotel Limited and Carnival Club Limited (to Fast Profit or its affiliates, as the Vendors presently intended) at net book values, to discharge and settle all liabilities (if any) due from affiliated companies of the Vendors to and from Great China. Upon completion of the restructuring of Great China, its assets will principally comprise a right to use a parcel of land situated in Macau and a hotel complex erected on the land.

8. OTHER PAYABLES

The amounts represent payables due to Dragon Rainbow Limited, a wholly-owned subsidiary of MPP, of HK$80 million and Group Success International Limited of HK$20 million, a 10% shareholder of More Profit upon completion of the Subscription. The amounts are unsecured, non-interest bearing and have no fixed repayment terms. The fair values of other payables at 31st October, 2006 approximate their corresponding carrying amounts.

9. LOAN FROM AN IMMEDIATE HOLDING COMPANY

The amount is unsecured, non-interest bearing and has no fixed repayment terms. The fair value of the loan from an immediate holding company at 31st October, 2006 approximates its carrying amount.

10. SHARE CAPITAL

	Authorised	**Issued and fully paid**
At 25th August, 2006 and 31st October, 2006:		
Ordinary shares of US$1 each	US$50,000	US$5,000
Shown in the balance sheet		HK$39,000

More Profit was incorporated with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. At the time of incorporation, 5,000 shares of US$1 each were issued at par to the subscriber to provide the initial capital to More Profit.

11. CAPITAL COMMITMENT

	At 31st October, 2006 *HK$'000*
Consideration for acquisition of interest in a jointly-controlled entity contracted but not provided for in the financial statements *(note 7)*	1,050,000

B. DISTRIBUTABLE RESERVES

More Profit has no distributable reserves as at 31st October, 2006.

C. DIRECTOR'S AND SUPERVISORS' REMUNERATION

Under the arrangement presently in force, no remuneration is payable by More Profit to its director and supervisors for the period ending 31st December, 2006.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of More Profit have been prepared in respect of any period subsequent to 31st October, 2006.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

2. MANAGEMENT DISCUSSION AND ANALYSIS OF MORE PROFIT

More Profit was incorporated as a special purpose vehicle with the sole business purpose of acquiring 50% equity interest in, and the shareholder's loans to, Great China, which is the owner of the Land and Grand Waldo Hotel. Since its date of incorporation on 25th August, 2006, More Profit has not carried on any other business. In October 2006, More Profit entered into the Acquisition Agreement with the Vendors to purchase the 50% interest in Great China, pursuant to which an amount of HK$200 million has been paid to the Vendors as deposit. Simultaneously, More Profit has also entered into the Subscription Agreement with Dragon Rainbow and Group Success, pursuant to which an aggregate amount of HK$100 million has been received as deposit. Upon Completion, More Profit will be held by Gainventure (its existing sole shareholder) as to 50%, Dragon Rainbow as to 40% and Group Success as to 10%.

Upon Completion, Great China will be accounted for as a jointly-controlled entity by More Profit with reference to its 50% interest in Great China. The principal source of revenue of Great China will be the rental income generated from the leases of Grand Waldo Hotel, which is guaranteed by the Vendors of not less than HK$200 million per annum for the 5 years after completion of the Acquisition Agreement, representing a stable return on More Profit's investment of approximately 8%. In addition, More Profit will participate in the development of the Land but as at the Latest Practicable Date, no intended use has been designated.

1. ACCOUNTANTS' REPORT OF GREAT CHINA

The following is the text of a report, prepared for inclusion in this circular, received from Deloitte Touche Tohmatsu, the independent reporting accountants.

Deloitte.
德勤

德勤‧關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

7th December, 2006

The Directors
Macau Prime Properties Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Great China Company Limited (the "Company") for the period from 20th May, 2003 (date of incorporation of the Company) to 31st December, 2003, each of the two years ended 31st December, 2004 and 2005 and the eight months ended 31st August, 2006 (the "Relevant Period"), for inclusion in the circular of Macau Prime Properties Holdings Limited dated 7th December, 2006 (the "Circular") issued in connection with the proposed subscription of 40% equity interest in More Profit International Limited.

The Company was incorporated in Macau with limited liability and acted as an investment property holding company. As at the date of this report, the Company has the following subsidiaries, all of which are private limited companies having substantially the same characteristics as a private limited company in Hong Kong.

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid quota capital *(Note)*	Attributable equity interest directly held by the Company	Principal activities
Grand Waldo Hotel Limited 金都酒店有限公司	Macau 29th July, 2005	Quota capital MOP1,000,000	100%	Hotel operation
Carnival Club Limited 嘉年華會有限公司	Macau 29th July, 2005	Quota capital MOP1,000,000	100%	Sauna operation

Note: Quota capital represents the Portuguese equivalence of registered capital as Portuguese is the official language of Macau.

No statutory financial statements was issued by the Company and its subsidiaries (collectively known as the "Group") during the Relevant Period. For the purpose of this report, the directors of the Company have prepared financial statements of the Company for the Relevant Period, in accordance with Hong Kong Financial Reporting Standards except for the failure to prepare consolidated financial statements of the Group in accordance with the requirements of Hong Kong Accounting Standard 27 "Consolidated and separate financial statements" ("HKAS 27") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). We have undertaken independent audits of the financial statements in accordance with the Hong Kong Standards on Auditing and given a qualified opinion arising from disagreement about this accounting treatment.

The Financial Information of the Company for the Relevant Period set out in this report has been prepared from the financial statements of the Company (the "Underlying Financial Statements") without adjustment. We have examined the Financial Information of the Company in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of Macau Prime Properties Holdings Limited are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

We planned our work so as to obtain relevant and reliable evidence sufficient to enable us to prepare the financial information to be included in our report and to form an opinion on that information. However, no reliable financial information of the subsidiaries was available and it is impracticable for us to carry out auditing procedures relating to the subsidiaries of the Company and prepare the financial information of the Group in accordance with HKAS 27.

Except for the failure to prepare financial information of the Group on a consolidation basis, in our opinion, the Financial Information together with the notes thereon give, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 31st December, 2003, 2004 and 2005 and 31st August, 2006, and of the results and cash flows of the Company for the Relevant Period.

The comparative income statement, cash flow statement and statement of changes in equity of the Company for the eight months ended 31st August, 2005 together with the notes thereon have been extracted from the Company's financial information for the same period (the "31st August, 2005 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the 31st August, 2005 Financial Information in accordance with the Hong Kong Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKICPA. Our review consisted principally of making enquiries of management and applying analytical procedures to the 31st August, 2005 Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as test of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 31st August, 2005 Financial Information. Except for the failure to prepare financial information of the Group on a consolidation basis, on the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the 31st August, 2005 Financial Information.

A. FINANCIAL INFORMATION

INCOME STATEMENT

		20th May, 2003 (date of incorporation) to 31st December,	**Year ended 31st December,**		**Eight months ended 31st August,**	
		2003	**2004**	**2005**	**2005**	**2006**
	Notes	*MOP*	*MOP*	*MOP*	*MOP* (unaudited)	*MOP*
Revenue	7	–	–	–	–	57,908,677
Property expenses		–	–	–	–	(7,416,000)
Net property income		–	–	–	–	50,492,677
Interest income		–	–	1,662,861	709,791	2,175,145
Administrative expenses		(6,520)	(359,722)	(2,366,031)	(992,153)	(2,645,083)
Increase in fair value of investment property		–	–	–	–	1,393,955,701
Finance costs	8	–	–	–	–	(6,283,177)
(Loss) profit before tax	9	(6,520)	(359,722)	(703,170)	(282,362)	1,437,695,263
Taxation	11(a)	–	–	–	–	(167,274,684)
(Loss) profit for the period/year attributable to equity holders of the Company		(6,520)	(359,722)	(703,170)	(282,362)	1,270,420,579
Dividend	12	–	–	–	–	–

BALANCE SHEET

			31st December,		31st August,
		2003	2004	2005	2006
	Notes	*MOP*	*MOP*	*MOP*	*MOP*
ASSETS AND LIABILITIES					
Non-current assets					
Office equipment	*14*	–	–	66,848	–
Property under development	*15*	–	53,149,031	722,002,013	–
Prepaid lease rentals	*16*	–	1,750,367	1,725,451	–
Investment property	*17*	–	–	–	3,090,000,000
Investments in subsidiaries	*18*	–	–	2,000,000	2,000,000
Prepayments	*19*	–	–	22,924,806	2,571,935
		–	54,899,398	748,719,118	3,094,571,935
Current assets					
Trade and other receivables	*19*	–	–	216,310	33,845,450
Prepaid lease rentals	*16*	–	74,749	24,916	–
Amount due from immediate holding company	*22*	93,480	–	–	–
Amounts due from subsidiaries	*20*	–	–	–	12,894,895
Amount due from a fellow subsidiary	*20*	–	–	–	51,024
Bank balances and cash	*19*	–	2,599	270,663,908	10,541,234
		93,480	77,348	270,905,134	57,332,603
Current liabilities					
Other payables	*21*	–	21,687,081	145,746,084	288,336,562
Amount due to immediate holding company	*22*	–	33,549,494	657,738,060	1,105,767,094
Amounts due to subsidiaries	*20*	–	–	1,251,051	–
Amount due to a fellow subsidiary	*20*	–	6,413	–	14,881,022
Secured bank loan – due within one year	*23*	–	–	34,862,851	69,882,851
		–	55,242,988	839,598,046	1,478,867,529
Net current assets (liabilities)		93,480	(55,165,640)	(568,692,912)	(1,421,534,926)
Total assets less current liabilities		93,480	(266,242)	180,026,206	1,673,037,009

	Notes	31st December, 2003 MOP	31st December, 2004 MOP	31st December, 2005 MOP	31st August, 2006 MOP
Non-current liabilities					
Deferred tax liabilities	*11(c)*	–	–	–	167,274,684
Rental deposits					
– due after one year		–	–	10,360,521	15,358,795
Secured bank loan					
– due after one year	*23*	–	–	170,635,097	220,952,363
		–	–	180,995,618	403,585,842
Net assets (liabilities)		93,480	(266,242)	(969,412)	1,269,451,167
CAPITAL AND RESERVE					
Quota capital	*24*	100,000	100,000	100,000	100,000
Accumulated (losses) profits		(6,520)	(366,242)	(1,069,412)	1,269,351,167
Equity (deficiency) attributable to equity holders of the Company		93,480	(266,242)	(969,412)	1,269,451,167

STATEMENT OF CHANGES IN EQUITY

	Quota capital *MOP*	Accumulated (losses) profits *MOP*	Total *MOP*
Capital issued on date of incorporation	100,000	–	100,000
Loss for the period	–	(6,520)	(6,520)
At 31st December, 2003 and 1st January, 2004	100,000	(6,520)	93,480
Loss for the year	–	(359,722)	(359,722)
At 31st December, 2004 and 1st January, 2005	100,000	(366,242)	(266,242)
Loss for the year	–	(703,170)	(703,170)
At 31st December, 2005 and 1st January, 2006	100,000	(1,069,412)	(969,412)
Profit for the period	–	1,270,420,579	1,270,420,579
At 31st August, 2006	100,000	1,269,351,167	1,269,451,167
At 1st January, 2005	100,000	(366,242)	(266,242)
Loss for the period (unaudited)	–	(282,362)	(282,362)
At 31st August, 2005 (unaudited)	100,000	(648,604)	(548,604)

CASH FLOW STATEMENT

	20th May, 2003 (date of incorporation) to 31st December, 2003	Year ended 31st December, 2004	2005	Eight months ended 31st August, 2005	2006
	MOP	*MOP*	*MOP*	*MOP* (unaudited)	*MOP*
OPERATING ACTIVITIES					
(Loss) profit before tax	(6,520)	(359,722)	(703,170)	(282,362)	1,437,695,263
Adjustments for:					
Depreciation of office equipment	–	–	16,712	3,736	9,352
Finance costs	–	–	–	–	6,283,177
Increase in fair value of investment property	–	–	–	–	(1,393,955,701)
Interest income	–	–	(1,662,861)	(709,791)	(2,175,145)
Loss on disposal of office equipment	–	–	–	–	17,456
Operating cash flows before movements in working capital	(6,520)	(359,722)	(2,349,319)	(988,417)	47,874,402
Increase in trade and other receivables	–	–	(216,310)	(20,000,110)	(33,488,030)
Increase in amounts due from subsidiaries	–	–	–	–	(12,168,690)
Increase in amount due from a fellow subsidiary	–	–	–	–	(51,024)
Increase in other payables	–	1,824,347	1,120,032	55,111	10,013,009
Increase in amounts due to subsidiaries	–	–	1,251,051	–	–
Increase (decrease) in amount due to a fellow subsidiary	–	6,413	(6,413)	(5,317)	14,881,022
Increase in rental deposits	–	–	10,360,521	–	4,998,274
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(6,520)	1,471,038	10,159,562	(20,938,733)	32,058,963
INVESTING ACTIVITIES					
Additions to property under development	–	(33,242,694)	(545,826,314)	(279,775,269)	(527,413,805)
Advances to subsidiaries	–	–	–	–	(1,927,256)
Payments to acquire office equipment	–	–	(83,560)	(44,360)	(9,960)
Payment for prepaid lease rentals	–	(1,868,719)	–	–	(281,554,050)
Interest received	–	–	1,662,861	709,791	2,175,145
Increase in prepayments	–	–	(22,924,806)	–	(348,239)
Investments in subsidiaries	–	–	(2,000,000)	(200,000)	–
NET CASH USED IN INVESTING ACTIVITIES	–	(35,111,413)	(569,171,819)	(279,309,838)	(809,078,165)

	20th May, 2003 (date of incorporation) to 31st December, 2003	Year ended 31st December, 2004	2005	Eight months ended 31st August, 2005	2006
	MOP	*MOP*	*MOP*	*MOP* (unaudited)	*MOP*
FINANCING ACTIVITIES					
Advance from immediate holding company	–	33,549,494	624,188,566	457,556,582	448,029,034
New bank loan raised	–	–	206,000,000	–	103,000,000
Repayments of bank loan	–	–	–	–	(17,510,000)
Interest paid	–	–	–	–	(16,365,006)
Payments for loan arrangement fee	–	–	(515,000)	–	(257,500)
Proceeds from issue of quota capital	6,520	93,480	–	–	–
NET CASH FROM FINANCING ACTIVITIES	6,520	33,642,974	829,673,566	457,556,582	516,896,528
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	–	2,599	270,661,309	157,308,011	(260,122,674)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD/YEAR	–	–	2,599	2,599	270,663,908
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD/YEAR, represented by bank balances and cash	–	2,599	270,663,908	157,310,610	10,541,234

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

The Company is a private limited company incorporated in Macau on 20th May, 2003 with its registered office located at Rua de Xangai, nº175, Edifício Associação Comerical de Macau, 18º andar "B, C & D", em Macau and its principal place of business is in Macau. The immediate holding company of the Company is Fast Profit Investments Limited, a company incorporated in the British Virgin Islands. Its ultimate holding company is Wealth Access Holdings Limited, a company incorporated in the British Virgin Islands.

The Company acts as an investment property holding company. Details of the principal activities of its subsidiaries are set out in note 18.

The financial information is presented in Macau Pataca ("MOP") dollars, which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

The financial information has been prepared on a going concern basis because its ultimate holding company has agreed to provide adequate funds to enable the Company to meet in full its financial obligations as they fall due in the foreseeable future.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") and Interpretations ("INTs") (hereinafter collectively referred to as "new HKFRS") which are either effective for accounting periods beginning on or after 1st January, 2005, 1st December, 2005 or 1st January, 2006. For the purposes of preparing and presenting financial information of the Relevant Period, the Company has adopted all these new and revised HKFRSs.

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

HKAS 1 (Amendment)	Capital disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC)-INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC)-INT 8	Scope of HKFRS 2 [3]
HK(IFRIC)-INT 9	Reassessment of embedded derivatives[4]
HK(IFRIC)-INT 10	Interim financial reporting and impairment[5]

1 Effective for annual periods beginning on or after 1st January, 2007.
2 Effective for annual periods beginning on or after 1st March, 2006.
3 Effective for annual periods beginning on or after 1st May, 2006.
4 Effective for annual periods beginning on or after 1st June, 2006.
5 Effective for annual periods beginning on or after 1st November, 2006.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial information has been prepared in accordance with the following significant accounting policies which conform with HKFRSs issued by the HKICPA except that no consolidated financial information has been prepared in accordance with the requirements of HKAS 27 "Consolidated and Separate Financial Statements".

The financial information has been prepared on the historical cost basis, as modified for the revaluation of investment properties. The principal accounting policies adopted are as follows:

Revenue

Revenue represents the amounts received and receivable from property rental income and building management fee income during the year/period.

Revenue recognition

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Building management fee income is recognised when services are provided.

Interest income 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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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 Company 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.

Foreign currencies

Transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are re-translated 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 re-translation of monetary items, are included in profit or loss for the period/year in which they arise. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in the income statement for the period/year except for differences arising on the re-translation 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.

Retirement benefit costs

Payments to government-managed retirement benefit schemes are charged as expense as they fall due.

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 period/year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company'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 financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Company 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.

Deferred tax is calculated at the tax rates that are expected to apply in the period/year when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement.

Property under development

Property under development is stated at cost less accumulated impairment losses. Cost of property under development includes development expenditure, borrowing costs and other costs directly attributable to the development. No depreciation is provided on property under development. Completed property under development is transferred to investment property.

Prepaid lease rentals

Prepaid lease rentals are payment for acquisition of land. Subsequent to the completion of property under development, prepaid leases rentals are transferred to the investment property.

Office equipment

Office equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of office equipment over their estimated useful lives, using the straight-line method, at 20% per annum.

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

Investment property

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

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

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

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Company 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 Company after deducting all of its liabilities.

Financial liabilities

The Company's financial liabilities (including other payables, amount due to immediate holding company, amount due to a fellow subsidiary, amounts due to subsidiaries and secured bank loan) are generally classified into other financial liabilities and are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company 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 is recognised in profit or loss.

For financial liabilities, they are removed from the Company's balance sheet (i.e. 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.

Impairment

At each balance sheet date, the Company 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.

Where an impairment loss subsequently reverse, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such 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 an 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/year in which they are incurred.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's major financial instruments include trade and other receivables, amounts due from/to subsidiaries, bank balances and cash, other payables, amount due to immediate holding company, amounts due from/to fellow subsidiaries and secured bank loan. 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.

Interest rate risk

The Company's exposure to cash flow interest rate risk relates primarily to a floating-rate bank loan. The interest rate and terms of repayment of bank loan of the Company are disclosed in note 23. The Company currently does not have an interest rate hedging policy. However, the management monitors interest rate change exposure and will consider hedging significant interest rate change exposure should the need arise.

Liquidity risk

The Company has net current liabilities of MOP1,421,534,926 as at 31st August, 2006. The Company is exposed to liquidity risk if it is not able to raise sufficient funds to meet its financial obligations. The Company relies on the support by the ultimate holding company which has agreed to provide adequate funds to enable the Company to meet in full its financial obligations as they fall due for the foreseeable future.

Credit risk

The Company has trade receivables from third parties and subsidiaries of MOP36,559,063 as at 31st August, 2006. The Company is exposed to credit risk if tenants fail to perform their obligations. In order to minimise the credit risk, the Company reviews the recoverable amount of each individual tenant at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amount. Furthermore, the Company has received rental deposits of MOP15,358,795 from tenants as at 31st August, 2006. In this regard, the directors of the Company consider that the Company's credit risk is significantly reduced.

Currency risk

Certain trade receivables, other payables and bank loans of the Company are denominated in Hong Kong dollars. The Company currently does not have a foreign currency hedging policy. However, the exchange rate of MOP dollar against Hong Kong dollar is relative stable and the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

6. SEGMENT INFORMATION

No geographical segment information is presented as all of the activities of the Company during the Relevant Period were carried out in Macau and all of assets and liabilities of the Company were located in Macau at the balance sheet date.

No business segment information is presented for the Relevant Period as the sole business of the Company is the letting of the investment property.

7. REVENUE

	20th May, 2003 (date of incorporation) to 31st December,	Year ended 31st December,		Eight months ended 31st August,	
	2003	2004	2005	2005	2006
	MOP	*MOP*	*MOP*	*MOP* (unaudited)	*MOP*
Rental income	–	–	–	–	45,719,691
Building management fee income	–	–	–	–	12,188,986
	–	–	–	–	57,908,677

The Company commenced the business on letting of the investment property in May 2006.

8. FINANCE COSTS

	20th May, 2003 (date of incorporation) to 31st December, 2003	Year ended 31st December, 2004	2005	Eight months ended 31st August, 2005	2006
	MOP	*MOP*	*MOP*	*MOP* (unaudited)	*MOP*
Interest on bank loan not wholly repayable within five years	–	–	643,750	–	15,721,256
Amortisation of loan arrangement fee	–	–	12,948	–	104,766
Less: amounts capitalised	–	–	(656,698)	–	(9,542,845)
	–	–	–	–	6,283,177

Borrowing costs capitalised during the year/period arose from a specific bank loan.

9. (LOSS) PROFIT BEFORE TAX

	20th May, 2003 (date of incorporation) to 31st December, 2003	Year ended 31st December, 2004	2005	Eight months ended 31st August, 2005	2006
	MOP	*MOP*	*MOP*	*MOP* (unaudited)	*MOP*
(Loss) profit before tax has been arrived at after charging:					
Directors' emoluments	–	–	–	–	–
Staff costs	–	–	1,223,841	334,449	2,176,024
Government managed retirement benefits	–	–	3,375	665	8,910
	–	–	1,227,216	335,114	2,184,934
Less: capitalised in property under development	–	–	(429,182)	–	(1,778,366)
	–	–	798,034	335,114	406,568
Prepaid lease rentals	–	43,603	74,749	49,833	24,916
Less: capitalised in property under development	–	(43,603)	(74,749)	(49,833)	(24,916)
	–	–	–	–	–
Auditors' remuneration	–	–	–	–	–
Depreciation of office equipment	–	–	16,712	3,736	9,352
Loss on disposal of office equipment	–	–	–	–	17,456

The auditors' remuneration, directors' emoluments and part of staff costs for the Relevant Period have been borne by its ultimate holding company. In the opinion of the directors of the Company, it is not practicable to allocate these expenses to the Company on a reasonable basis.

10. EMPLOYEES' EMOLUMENTS

The emoluments of the five highest paid individuals were as follows:

	20th May, 2003 (date of incorporation) to 31st December, 2003	Year ended 31st December, 2004	Year ended 31st December, 2005	Eight months ended 31st August, 2005	Eight months ended 31st August, 2006
	MOP	*MOP*	*MOP*	*MOP* (unaudited)	*MOP*
Employees:					
Salaries and other benefits	–	–	435,668	309,400	356,324

11. TAXATION

(a) INCOME TAX

	20th May, 2003 (date of incorporation) to 31st December, 2003	Year ended 31st December, 2004	Year ended 31st December, 2005	Eight months ended 31st August, 2005	Eight months ended 31st August, 2006
	MOP	*MOP*	*MOP*	*MOP* (unaudited)	*MOP*
Income tax expense comprises:					
Macau Complementary Tax	–	–	–	–	–
Deferred taxation	–	–	–	–	167,274,684
	–	–	–	–	167,274,684

The income tax expense for the period can be reconciled to the (loss) profit before tax per the income statement as follows:

	20th May, 2003 (date of incorporation) to 31st December,	Year ended 31st December,		Eight months ended 31st August,	
	2003	2004	2005	2005	2006
	MOP	*MOP*	*MOP*	*MOP* (unaudited)	*MOP*
(Loss) profit before tax	(6,520)	(359,722)	(703,170)	(282,362)	1,437,695,263
Tax at Macau Complementary Tax rate of 12%	(782)	(43,167)	(84,380)	(33,883)	172,523,431
Tax effect of income not taxable for tax purpose	–	–	–	–	(5,486,363)
Tax effect of tax losses not recognised	782	43,167	84,380	33,883	237,616
Income tax expense	–	–	–	–	167,274,684

(b) PROPERTY TAX

Macau property tax is levied at 16% on property rental income. Pursuant to Decree Law No. 19/78/M enacted by Macau Special Administrative Region of the People's Republic of China (the "Macau SAR"), the Company is exempted from Macau property tax for six years starting from the month following the issuance of occupation permit, subject to approval granted by the Macau Tax Authority. The Company is in the process of obtaining the official document for tax exemption. In the opinion of the directors, the exemption will be granted and no provisions for property tax has been made in the Financial Information. The Macau property tax that would otherwise be payable as at 31st August, 2006 is MOP7,681,000.

(c) DEFERRED TAXATION

The deferred tax liabilities recognised and movements thereon during the Relevant Period are as follows:

	Changes in fair value of investment properties
	MOP
At 20th May, 2003, 31st December, 2003, 1st January, 2004, 31st December, 2004, 1st January, 2005, 31st December, 2005 and 1st January, 2006	–
Charge for the period	167,274,684
At 31st August, 2006	167,274,684

The Company has not recognised deferred tax asset in respect of tax losses of approximately MOP6,500, MOP366,200, MOP1,069,000 and MOP3,049,500 as at 31st December, 2003, 31st December, 2004, 31st December, 2005 and 31st August, 2006, respectively. Deferred tax asset has not been recognised on the tax losses due to the unpredictability of future profits stream. The tax losses can be carried forward for 3 years to offset against future profits.

12. DIVIDEND

No dividends have been paid or declared by the Company during the Relevant Period.

13. (LOSS) EARNINGS PER SHARE

No (loss) earnings per share is presented as the calculation of basic (loss) earnings per share is not meaningful for the purpose of this report.

14. OFFICE EQUIPMENT

	MOP
COST	
At 20th May, 2003, 31st December, 2003, 1st January, 2004, 31st December, 2004 and 1st January, 2005	–
Additions	83,560
At 31st December, 2005 and 1st January, 2006	83,560
Additions	9,960
Disposals	(93,520)
At 31st August, 2006	–
DEPRECIATION	
At 20th May, 2003, 31st December, 2003, 1st January, 2004, 31st December, 2004 and 1st January, 2005	–
Provided for the year	16,712
At 31st December, 2005 and 1st January, 2006	16,712
Provided for the period	9,352
Eliminated on disposals	(26,064)
At 31st August, 2006	–
CARRYING VALUES	
At 31st December, 2003	–
At 31st December, 2004	–
At 31st December, 2005	66,848
At 31st August, 2006	–

15. PROPERTY UNDER DEVELOPMENT

	MOP
COST	
At 20th May, 2003, 31st December, 2003 and 1st January, 2004	–
Additions	53,149,031
At 31st December, 2004 and 1st January, 2005	53,149,031
Additions	668,852,982
At 31st December, 2005 and 1st January, 2006	722,002,013
Additions	690,762,785
Transfer to investment property upon completion	(1,412,764,798)
At 31st August, 2006	–

16. PREPAID LEASE RENTALS

	MOP
COST	
At 20th May, 2003, 31st December, 2003 and 1st January, 2004	–
Additions	1,868,719
At 31st December, 2004, 1st January, 2005, 31st December, 2005 and 1st January, 2006	1,868,719
Additions *(note)*	281,554,050
Transfer to investment property	(283,422,769)
At 31st August, 2006	–
AMORTISATION	
At 20th May, 2003, 31st December, 2003 and 1st January, 2004	–
Released for the year	43,603
At 31st December, 2004 and 1st January, 2005	43,603
Released for the year	74,749
At 31st December, 2005 and 1st January, 2006	118,352
Released for the period	24,916
Transfer to investment property	(143,268)
At 31st August, 2006	–
NET BOOK VALUES	
At 31st December, 2003	–
At 31st December, 2004	1,825,116
At 31st December, 2005	1,750,367
At 31st August, 2006	–

Note:

In May 2006, the Land, Public Works and Transport Bureau of Macau SAR finalised the land premium amount on the Company's property and issued the final payment notice to the Company.

The prepaid lease rentals are on land held under medium-term lease in Macau.

Analysis of prepaid lease rentals is as follow:

	At 31st December,			At 31st August,
	2003	**2004**	**2005**	**2006**
	MOP	*MOP*	*MOP*	*MOP*
Non-current portion	–	1,750,367	1,725,451	–
Current portion	–	74,749	24,916	–
	–	1,825,116	1,750,367	–

17. INVESTMENT PROPERTY

	MOP
VALUATION	
At 20th May, 2003, 31st December, 2003, 1st January, 2004, 31st December, 2004, 1st January, 2005, 31st December, 2005 and 1st January, 2006	–
Transfer from property under development	1,412,764,798
Transfer from prepaid lease rentals	283,279,501
Increase in fair value	1,393,955,701
At 31st August, 2006	3,090,000,000

The Company's investment property is held under a medium-term lease in Macau and is leased out under operating leases. The Company is in the process of obtaining the land certificate of the investment property from the Government of Macau.

The fair value of the Company's investment property at 31st August, 2006 has been arrived at based on a valuation carried out at that day by CB Richard Ellis Limited, an independent valuer not connected with the Company using the market approach. CB Richard Ellis Limited has appropriate qualifications and recent experience in the valuation of properties in the relevant location. The valuation, which conforms to Valuation Standards on Properties published by the Hong Kong Institute of Surveyors, was arrived by reference to sales evidence as available on the market and other relevant information including tenancy details and development proposals.

18. INVESTMENT IN SUBSIDIARIES

	At 31st December, 2003	At 31st December, 2004	At 31st December, 2005	At 31st August, 2006
	MOP	*MOP*	*MOP*	*MOP*
Investment, at cost	–	–	2,000,000	2,000,000

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

Name of subsidiary	Place of incorporation	Issued and fully paid quota capital *(Note)*	Attributable equity interest directly held by the Company	Principal activities
Grand Waldo Hotel Limited 金都酒店有限公司	Macau	Quota capital MOP1,000,000	100%	Hotel operation
Carnival Club Limited 嘉年華會有限公司	Macau	Quota capital MOP1,000,000	100%	Sauna operation

Note: Quota capital represents the Portuguese equivalence of registered capital as Portuguese is the official language of Macau.

The Company has not been prepared consolidated financial information in accordance with the requirements of Hong Kong Accounting Standard 27 "Consolidated and separate financial statements" issued by the HKICPA as in the opinion of the directors of the Company, it would involve expense and delay out of proportion to the value to the members of the Company.

19. OTHER FINANCIAL ASSETS

Trade and other receivables

Trade receivables relate to the leasing of investment property to related companies and third parties. The average credit period is 30 days. The directors consider that the carrying amounts of trade and other receivables approximates to their fair values because of short maturity of these instruments.

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

	At 31st December, 2003	At 31st December, 2004	At 31st December, 2005	At 31st August, 2006
	MOP	*MOP*	*MOP*	*MOP*
Trade receivables				
Up to 30 days	–	–	–	9,901,574
31 – 60 days	–	–	–	8,969,863
61 – 90 days	–	–	–	5,518,936
	–	–	–	24,390,373
Other receivables and prepayments	–	–	23,141,116	12,027,012
	–	–	23,141,116	36,417,385
Less: Prepayments shown as non-current	–	–	(22,924,806)	(2,571,935)
	–	–	216,310	33,845,450

Trade receivables from related companies of approximately MOP29,000 at 31st August, 2006 are aged within 90 days. Certain directors have significant influence in these related companies.

Bank balances and cash

Bank balances and cash comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. These bank deposits carry interest at market rates. The carrying amounts of these assets approximate to their fair values.

20. AMOUNTS DUE FROM/TO SUBSIDIARIES AND A FELLOW SUBSIDIARY

The amounts are unsecured, non-interest bearing and repayable on demand. The directors consider that the carrying amounts approximate to their fair values.

Trade receivables from subsidiaries of approximately MOP12,168,690 at 31st August, 2006 (31.12.2005: Nil, 31.12.2004: Nil, 31.12.2003: Nil) are aged within 90 days. The average credit period is 30 days.

21. OTHER FINANCIAL LIABILITIES

Other payables principally represent amounts payable to construction contractors.

The directors consider that the carrying amounts of other payables approximate to their fair values.

22. AMOUNT DUE FROM/TO IMMEDIATE HOLDING COMPANY

The amounts are unsecured, non-interest bearing and repayable on demand. The directors consider that the carrying amounts approximate to their fair values.

23. SECURED BANK LOAN

The Company has variable-rate bank loan. The bank loan is denominated in Hong Kong dollar and its contractual maturity dates are as follows:

	At 31st December,			At 31st August,
	2003	**2004**	**2005**	**2006**
	MOP	*MOP*	*MOP*	*MOP*
Within one year	–	–	35,020,000	70,040,000
In more than one year but not more than two years	–	–	70,040,000	70,040,000
In more than two years but not more than three years	–	–	70,040,000	70,040,000
In more than three years but not more than four years	–	–	30,900,000	70,040,000
In more than four years but not more than five years	–	–	–	11,330,000
	–	–	206,000,000	291,490,000
Unamortised loan arrangement fee	–	–	(502,052)	(654,786)
	–	–	205,497,948	290,835,214
Less: Amount due within one year shown under current liabilities	–	–	(34,862,851)	(69,882,851)
Amount due after one year	–	–	170,635,097	220,952,363

The effective interest rate on the Company's variable-rate bank loan is as follows:

	Year ended 31st December, 2003	2004	2005	Eight months ended 31st August, 2006
Effective interest rate	–	–	7.5%	7.96%

The bank loan is secured by the Company's property interest in Macau with an aggregate net book value as set out below:

	At 31st December, 2003 *MOP*	2004 *MOP*	2005 *MOP*	At 31st August, 2006 *MOP*
Property under development	–	–	722,002,013	–
Prepaid lease rentals	–	–	1,750,367	–
Investment property	–	–	–	3,090,000,000
	–	–	723,752,380	3,090,000,000

The directors consider that the carrying amount of the bank loan approximates to its fair value.

24. QUOTA CAPITAL

	At 31st December, 2003 *MOP*	At 31st December, 2004, 31st December, 2005 & 31st August, 2006 *MOP*
Authorised and issued	100,000	100,000
Paid	6,520	100,000

25. OPERATING LEASES

The Company as lessee

	20th May, 2003 (date of incorporation) to 31st December, 2003 *MOP*	Year ended 31st December, 2004 *MOP*	2005 *MOP*	Eight months ended 31st August, 2005 *MOP* (unaudited)	2006 *MOP*
Minimum lease payments made under operating leases during the period/year in respect of rented premises	–	–	148,520	98,880	98,880

At the balance sheet date, the commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	At 31st December, 2003	At 31st December, 2004	At 31st December, 2005	At 31st August, 2006
	MOP	*MOP*	*MOP*	*MOP*
Within one year	–	–	148,320	107,120
In the second to fifth years inclusive	–	–	86,520	28,840
	–	–	234,840	135,960

Operating lease payments represent rentals payable by the Company for certain of its office properties and staff quarters. Leases are negotiated for a term of one to two years and rentals are fixed over the lease terms.

The Company as lessor

The investment properties held have committed tenants for 1 to 8 years.

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

	At 31st December, 2003	At 31st December, 2004	At 31st December, 2005	At 31st August, 2006
	MOP	*MOP*	*MOP*	*MOP*
Within one year	–	–	32,912,129	75,705,890
In the second to fifth years inclusive	–	–	229,140,143	296,463,392
After five years	–	–	228,470,946	270,678,887
	–	–	490,523,218	642,848,169

26. CAPITAL COMMITMENTS

	At 31st December, 2003	At 31st December, 2004	At 31st December, 2005	At 31st August, 2006
	MOP	*MOP*	*MOP*	*MOP*
Capital expenditure contracted for but not provided in the Financial Information in respect of properties under development	–	266,820,367	222,271,831	–

27. RELATED PARTY DISCLOSURES

During the Relevant Period, the Company entered into the following transactions with related parties:

	20th May, 2003 (date of incorporation) to 31st December,	Year ended 31st December,		Eight months ended 31st August,	
	2003	**2004**	**2005**	**2005**	**2006**
	MOP	*MOP*	*MOP*	*MOP* (unaudited)	*MOP*
Rental and building management fee income					
subsidiaries	–	–	–	–	44,684,570
related companies	–	–	–	–	470,364
	–	–	–	–	45,154,934
Building management fee paid to a subsidiary	–	–	–	–	7,416,000
Proceeds on disposal of office equipment from a subsidiary	–	–	–	–	50,000

Rental deposits of approximately MOP658,000 at 31st August, 2006 (31.12.2005: Nil, 31.12.2004: Nil, 31.12.2003: Nil) are received from related companies. Related companies are companies in which certain directors have significant influence.

Details of the balances with related parties as at 31st December, 2003, 2004 and 2005 and 31st August, 2006 are set out on the balance sheet and in notes 19, 20 and 22.

B. SUBSEQUENT EVENTS

Subsequent to 31st August, 2006, the shareholders of the Company signed a sales and purchase agreement (the "Agreement") to dispose of certain equity interest of the Company (the "Disposal Transaction") to More Profit International Limited. Under the Agreement, the Company should dispose of the entire interest in Grand Waldo Hotel Limited and Carnival Club Limited before the completion of the Disposal Transaction. At the date of this report, the sale and purchase agreement for the disposal of Grand Waldo Hotel Limited and Carnival Club Limited has not been signed.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company has been prepared in respect of any period subsequent to 31st August, 2006.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

2. MANAGEMENT DISCUSSION AND ANALYSIS OF GREAT CHINA

For the period from 1st January, 2006 to 31st August, 2006

Business Overview

Great China is an investment property holding company and the revenue represents the property rental income and building management fee income received during the period. Great China obtained the Building Occupancy Permit on 16th May, 2006 and commenced business thereafter.

Great China also has two wholly-owned subsidiaries, namely (i) Grand Waldo Hotel Limited and (ii) Carnival Club Limited, but no consolidated financial information is prepared.

Revenue

For the eight months ended 31st August, 2006, total revenue was approximately MOP57.9 million which was derived from two sources, namely (i) the rental income of approximately MOP45.7 million and (ii) the building management fee income of approximately MOP12.2 million.

Interest income for the period was approximately MOP2.2 million.

Great China recorded a net profit of approximately MOP1,270.4 million after taking into account the increase in fair value of investment property of approximately MOP1,394 million and the corresponding deferred taxation of MOP167.3 million.

Costs

Administrative expenses for the period amounted to approximately MOP2.6 million and finance cost was approximately MOP6.3 million.

Liquidity and Capital Resource

As at 31st August, 2006, Great China had a secured bank borrowing of MOP291.5 million (HK$283 million) which was repayable as follows:

	MOP million	*HK$ million*
Within one year	70.0	68.0
In the second year	70.0	68.0
In the third to fifth years	151.5	147.0
Total	291.5	283.0

As at 31st August, 2006, the bank borrowing was secured by Great China's property interest in Macau with an aggregate carrying value of MOP3,090 million.

Great China had net current liabilities of approximately MOP1,421.5 million as at 31st August, 2006 of which approximately MOP1,120.6 million was owed to immediate holding company and a fellow subsidiary. Great China relies on the support by the ultimate holding company which has agreed to provide adequate funds to enable Great China to meet in full its financial obligations as they fall due for the foreseeable future.

Credit Risk

Great China had trade receivables from third parties and subsidiaries of approximately MOP36.6 million as at 31st August, 2006. Great China is exposed to credit risk if tenants fail to perform their obligations. In view that Great China has received rental deposit of approximately MOP15.4 million as at 31st August, 2006, such credit risk is significantly reduced.

For the year ended 31st December, 2005

Business Overview

The hotel property complex was under construction.

Revenue

Great China recorded no revenue for the year because the hotel property complex was under construction and hence had not yet commenced business.

Interest income for the year was approximately MOP1.7 million.

Great China recorded a net loss of approximately MOP0.7 million for the year.

Costs

Administrative expenses for the year amounted to approximately MOP2.4 million.

Liquidity and Capital Resource

As at 31st December, 2005, Great China had a secured bank borrowing of MOP206 million (HK$200 million) which was repayable as follows:

	MOP million	*HK$ million*
Within one year	35.0	34.0
In the second year	70.0	68.0
In the third to fifth years	101.0	98.0
Total	206.0	200.0

As at 31st December, 2005, the bank borrowing was secured by Great China's property interest with an aggregate carrying value of approximately MOP723.8 million.

Great China had net current liabilities of MOP568.7 million as at 31st December, 2005 of which MOP659 million was owed to immediate holding company and subsidiaries. Great China relies on the support by the ultimate holding company which has agreed to provide adequate funds to enable Great China to meet in full its financial obligations as they fall due for the foreseeable future.

Credit Risk

Great China had other receivables from third parties of approximately MOP0.2 million. Comparing with the asset size of Great China, the credit risk is insignificant.

For the year ended 31st December, 2004

Business Overview

The hotel property complex was under construction.

Revenue

Great China recorded no revenue for the year because the hotel property complex was under construction and hence had not yet commenced business.

Great China recorded a net loss of approximately MOP0.4 million for the year, which represents the administrative expenses.

Liquidity and Capital Resource

Other than the amount due to group companies, Great China had no borrowing as at 31st December, 2004.

Great China had net current liabilities of approximately MOP55.2 million as at 31st December, 2004 of which approximately MOP33.5 million was owed to immediate holding company and a fellow subsidiary. Great China relies on the support by the ultimate holding company which has agreed to provide adequate funds to enable Great China to meet in full its financial obligations as they fall due for the foreseeable future.

Credit Risk

Great China had no trade receivables as at 31st December, 2004.

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE GROUP IMMEDIATELY AFTER COMPLETION

(i) Introduction to the unaudited pro forma statement of assets and liabilities

The accompanying unaudited pro forma statement of assets and liabilities of the Group has been prepared giving effect to the proposed Subscription and the provision of a shareholder's loan to More Profit by Dragon Rainbow, a wholly-owned subsidiary of the Company, upon Completion (the "Advance"). The consideration for the Subscription of US$4,000 (equivalent to HK$31,200) payable and the Advance upon Completion will be settled by cash from internal resources of the Group.

The unaudited pro forma statement of assets and liabilities of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules is for the purpose of illustrating the effects as if the Subscription and the Advance had taken place on 31st March, 2006.

The unaudited pro forma statement of assets and liabilities of the Group is based upon the audited consolidated balance sheet of the Group as at 31st March, 2006, which has been extracted from the annual report of the Company for the year ended 31st March, 2006, as if the Subscription and the Advance had taken place on 31st March, 2006.

The unaudited pro forma statement of assets and liabilities of the Group is prepared to provide information in the Group upon completion of the Subscription and the Advance. As it is prepared for illustration purpose only, it does not purport to present what the financial position of the Group will be on completion of the Subscription and the Advance.

(ii) Unaudited pro forma statement of assets and liabilities

	The Group as at 31st March, 2006	**Pro forma adjustment** *(Note 1)*	**Pro forma adjustment** *(Note 2)*	**The Group immediately after Completion**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Non-current assets				
Property, plant and equipment	38,627			38,627
Prepaid lease payments	1,375			1,375
Intangible assets	2,986			2,986
Interest in an associate	–	31		31
Loan receivable from an associate	–		358,781	358,781
Deposits and expenses paid for acquisition of subsidiaries and associates	253,964			253,964
Loan receivables	4,635			4,635
	301,587	31	358,781	660,399
Current assets				
Inventories	70,859			70,859
Properties held for sale	58,536			58,536
Debtors, deposits and prepayments	193,365			193,365
Loan receivables	59,314			59,314
Prepaid lease payments	30			30
Investments held for trading	9,043			9,043
Pledged bank deposits	3,000			3,000
Bank balances and cash	705,480	(31)	(358,781)	346,668
	1,099,627	(31)	(358,781)	740,815
Total assets	1,401,214	–	–	1,401,214

	The Group as at 31st March, 2006 *HK$'000*	Pro forma adjustment *(Note 1)* *HK$'000*	Pro forma adjustment *(Note 2)* *HK$'000*	The Group immediately after Completion *HK$'000*
LIABILITIES				
Current liabilities				
Creditors and accrued expenses	70,237			70,237
Tax payable	1,273			1,273
Obligations under finance leases				
– due within one year	143			143
Convertible note payables	221			221
Bank and other borrowings				
– due within one year	45,170			45,170
	117,044	–	–	117,044
Non-current liabilities				
Obligations under finance leases				
– due after one year	96			96
Convertible note payables	838,241			838,241
	838,337	–	–	838,337
Total liabilities	955,381	–	–	955,381
Net assets	445,833	–	–	445,833
CAPITAL AND RESERVES				
Share capital	6,314			6,314
Reserves	438,703			438,703
Equity attributable to equity holders of the Company	445,017	–	–	445,017
Minority interests	816			816
	445,833	–	–	445,833

Notes to the unaudited pro forma statement of assets and liabilities are as follows:

(1) The adjustment represents the Subscription amounted to US$4,000 (equivalent to HK$31,200), representing a 40% interest in its issued share capital as enlarged by the Subscription. The amount will be settled by cash from internal resources of the Group.

(2) This adjustment represents the Advance of HK$358,781,000 to be advanced by Dragon Rainbow to More Profit upon Completion, which will be settled by cash from internal resources of the Group upon Completion. According to the Subscription Agreement, the Advance is unsecured and has no fixed repayment term. The Advance will carry interest at prime rate as quoted by The Hongkong and Shanghai Banking Corporation Limited.

The amount of the shareholder's loan of approximately HK$358,781,000 is calculated based on 40% of the aggregate consideration paid for the acquisition of 50% interest in Great China by More Profit. The aggregate consideration for the acquisition of the 50% interest in Great China is estimated to be approximately HK$896,952,000, which is calculated based on 50% of the sum of (i) the agreed value of a land situated in Macau and the hotel erected on the land (the "Property") of HK$2,500,000,000; (ii) the carrying amount of the cash and other assets excluding the Property held by Great China as at 31st August, 2006 of approximately HK$61,152,000; and (iii) the carrying amount of the liabilities of Great China of approximately HK$767,249,000, excluding the amount due to immediate holding company of Great China of approximately HK$1,092,331,000, at 31st August, 2006.

The amount of the Shareholder's Loan to be advanced by the Group to More Profit will be subject to the adjustment based on the completion accounts of Great China upon completion of the Subscription.

2. REPORT FROM THE REPORTING ACCOUNTANTS

The following is the text of a report, prepared for inclusion in this circular, received from Deloitte Touche Tohmatsu, the independent reporting accountants.

Deloitte.
德勤

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF MACAU PRIME PROPERTIES HOLDINGS LIMITED

We report on the unaudited pro forma financial information of Macau Prime Properties Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors for illustrative purposes only, to provide information about how the subscription of 4,000 shares of US$1 each in More Profit International Limited (the "Subscription") and the provision of a shareholder's loan to More Profit International Limited upon completion of the Subscription might have affected the financial information presented, for inclusion in Appendix VI of the circular dated 7th December, 2006 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out in Section 1 of Appendix VI to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 31st March, 2006 or any future date.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 7th December, 2006

3. STATEMENT OF INDEBTEDNESS

(a) Borrowings

As at the close of business on 30th September, 2006, being the latest practicable date for the purpose of ascertaining certain information relating to this indebtedness statement, the Group had the following borrowings:

		HK$'000
Secured bank loans	*Note*	109,384
Obligations under finance leases	*Note*	107
Unsecured bank and other loans		
– minority shareholders of subsidiaries		34,961
– related parties		3,170
– a director		1,294
– bank overdrafts		645
		40,070
		149,561

Note:

The bank loans and obligations under finance leases were secured by certain of the Group's property, plant and equipment, interest in land use rights, properties held for sale and bank deposits with an aggregate carrying value of approximately HK$169.7 million as at 30th September, 2006.

As at 30th September, 2006, an independent third party has given guarantee to a bank in respect of credit facilities granted to the Group of which HK$1.9 million was utilised.

(b) Debt securities

As at the close of business on 30th September, 2006, the Group had the following outstanding convertible notes:

	Principal amount *HK$'000*	Carrying amount of debt component at 30th September, 2006 *HK$'000*	Conversion price *HK$*
Convertible notes issued on 11th August, 2005	582,050	514,253	0.44
Convertible notes issued on 8th June, 2006	60,000	46,769	0.44
Convertible notes issued on 15th June, 2006	1,000,000	755,409	0.70

(c) Contingent liabilities

At 30th September, 2006, the Group had contingent liabilities in respect of a tax indemnity given on disposal of a subsidiary in previous year of HK$60 million.

Save as aforesaid and apart from intra-group liabilities and normal trade payables and bills payable, as at the close of business of 30th September, 2006, none of the companies of the Group had any outstanding mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptances credits or any guarantees or other material contingent liabilities.

The Directors have confirmed that there has been no material change in the indebtedness of the Group since 30th September, 2006.

For the purpose of the above statement of indebtedness, foreign currency amounts have been translated into Hong Kong dollars at the approximate rates of exchange prevailing at the close of business on 30th September, 2006.

4. WORKING CAPITAL

The Directors are of the opinion that after taking into account the internal resources available, banking facilities and loan from other parties, the Group will have sufficient working capital for its normal business for the next twelve months from the date of this circular.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31st March, 2006 (being the date to which the latest published audited financial statements of the Company were made up).

The following is the text of a letter, prepared for inclusion in this circular, received from CB Richard Ellis Limited, the independent valuer, in connection with their valuation as at 30th September, 2006 of the Land and Grand Waldo Hotel.

CB RICHARD ELLIS
世邦魏理仕

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地產代理（公司）牌照號碼
Estate Agent's Licence No: C-004065

7th December, 2006

The Directors
Macau Prime Properties Holdings Limited
29th Floor, Paul Y. Centre
51 Hung To Road
Kwun Tong, Kowloon
Hong Kong

Dear Sirs,

Re: Grand Waldo Hotel Complex and Phase Two Development Site on Lot A1, Avenida Marginal Flor de Lotus close to a Rotunda do Dique Oeste, Cotai, Macau (the "Properties")

In accordance with the instruction for us, we, CB Richard Ellis Limited, have prepared the following valuation report providing the Market Value of the Properties as at 30th September, 2006. We confirm that we have caused land searches, made relevant investigations and enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the Market Value of the Properties as at 30th September, 2006.

Our valuation is prepared in accordance with the "HKIS Valuation Standards on Properties (First Edition 2005)" published by the Hong Kong Institute of Surveyors, the relevant provisions of the Companies Ordinance and Chapter 5 of Listing Rules published by The Stock Exchange of Hong Kong Limited.

Our opinion of Market Value is defined as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

The properties are held for investment purposes. In valuing the Properties, we have adopted market approach by reference to sales evidence as available on the market and information provided to us including tenancy details, development proposals and other relevant information. Our valuation has been made on the assumption that the owner sells the Properties on the open market without the benefit or burden of a deferred-term contract, leaseback, joint venture, management agreement or any similar arrangement which could affect the values of the Properties.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the Properties nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We have assumed that all applicable zoning, use regulations and restrictions have been complied with. We have further assumed that the utilisations and improvements of land are within the boundaries of the Properties held by the owner or permitted to be occupied by the owner. Unless otherwise stated, no encroachment or trespass exits are considered.

We have inspected the Properties to such extent that we consider necessary for the purpose of this valuation. No structural or site survey has been made nor were any tests carried out on any of the services provided in the Properties. We are therefore unable to report whether the Properties are free from rot, infestation or any other structural defects. We have not carried out investigations on site to determine the suitability of soil conditions and the availability of services etc. for the proposed development. Our report is prepared on the assumption that these aspects are satisfactory. This report does not make any allowance for contamination or pollution of the land, if any, which may have occurred as a result of past usage.

We have not undertaken archaeological, ecological or environmental surveys. Our valuation is on the basis that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period, due to these, or to archaeological or ecological matters.

We have relied on information provided by you, particularly on such matters as planning approvals, statutory notices, easements, tenure, details of proposed development, floor areas and unless otherwise stated, all other relevant matters.

We have caused searches to be made at the Conservatoria do Registo Predial of Macau but have not searched the original documents to verify the correctness of any information or to verify whether any amendments have been made which do not appear on the copies handed to us. All documents have been used as reference only and all dimensions, measurements and areas are approximate.

We enclose herewith our valuation certificate.

Yours faithfully,
For and on behalf of
CB Richard Ellis Limited
Gilbert C H Chan
MHKIS MRICS RPS (GP)
Associate Director
Valuation & Advisory Services

Note: Mr. Gilbert C H Chan is a Registered Professional Surveyor with over 8 years' valuation experience on landed properties in Macau.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30th September, 2006
Grand Waldo Hotel Complex and Phase Two Development Site on Lot A1, Avenida Marginal Flor de Lotus close to a Rotunda do Dique Oeste, Cotai, Macau (the "Properties")	The Properties comprise a hotel complex and a remaining development site on a plot of land with the site area of approximately 36,640 sq.m. (394,393 sq.ft.). The hotel complex, known as Grand Waldo Hotel, comprises a 12-storey 5-star hotel building, a 6-storey casino building, a 6-storey leisure building and a 6-storey car park building. It was completed in 2006 and the grand opening of the hotel was in September 2006. The 5-star hotel accommodates 318 guest rooms/suites. Restaurants, bar, ballroom, function room, retail shops, hair salon, swimming pool, etc. are provided on the lowest three floors. The casino building accommodates a casino with an open gambling hall and VIP gambling rooms, 24 VIP suites, restaurants, retail shops and car parking spaces. The leisure building accommodates a spa centre with sauna and massage facilities, restaurants, gymnasium, children's play area, karaoke parlor, game room, etc., a night club and sauna bath. The car park building provides a total of 280 car parking space. Site area of the phase two development extends to approximately 882.57 sq.m. (9,500 sq.ft.).	The hotel and spa centre are currently operated by the subsidiaries of the owner. Except part of the shop spaces of approximately 714.30 sq.m. (7,688.72 sq.ft.) are vacant, the retail shop spaces are subject to various tenancies for terms of mainly two to three years at a total monthly rent of HK$5,094,360 with options to renew. The casino is let at a monthly rent of HK$6 million for a term of 2 years from 1st June, 2006. The phase two development site is a vacant site.	HK$3,000,000,000 (HONG KONG DOLLARS THREE BILLION)

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30th September, 2006

According to the information provided to us, the total gross floor area (GFA) of the hotel complex is approximately 105,257.86 sq.m. (1,132,996 sq.ft.) (including car park building). Breakdown of area by building is as follows:

Building	**GFA**	
	sq.m.	*sq.ft.*
Hotel	20,807.88	223,976
Casino	47,299.58	509,133
Leisure	25,511.17	274,602
Car Park	11,639.23	125,285
Total	105,257.86	1,132,996

The Properties are registered at the Conservatoria do Registo Predial under Property No. 23132. The land is held by way of land lease concession granted by the Government of Macau with an initial term of 25 years commencing on 12th May, 2004 and is renewable for successive periods of 10 years up to 19th December, 2049.

The current annual rent of the Land Lease Concession is MOP1,849,245 subject to update every 5 years.

Notes:

1. The registered owner of the Properties is Companhia Great China, Limitada.

2. The Properties are subject to a Hipoteca Voluntaria in favour of Banco de Desenvolvimento de Cantão, S.A. vide 65445C registered on 17th November, 2005.

3. Development and use of the subject site are governed under the Despacho do Secretário para os Transportes e Obras Públicas n.º 49/2004 as amended under the draft contract annexed to the letter from the O Presidente Comissão de Terras dated 10th May, 2006 which contains the following relevant conditions.

   The subject lot shall be developed into an entertainment complex ("um complexo de entretenimento") comprising:

   (i) Hotel de cinco estrelas (a 5-star hotel) : with an area of 101,403 sq.m.

   (ii) Estacionamento (a parking lot) : with an area of 18,377 sq.m.

   (iii) Area livre (uncovered area) : 14,443 sq.m.

4. The room category of the hotel includes superior, deluxe, harbour view deluxe, executive deluxe, harbour view executive deluxe, superior suite and Grand Waldo presidential suite whilst for the VIP suites in the casino tower, it includes patrician suite, ducal suite and monarchal suite.

5. We have valued the tenanted portions of the Properties subject to existing tenancies whilst portions occupied by the subsidiaries of the owner or vacant portions are subject to vacant possession. The phase two development site has been valued as a cleared vacant site.

6. Exchange rate adopted as of 30th September, 2006 is HK$100 : MOP103.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors or chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company and/or their associates in the Shares, underlying Shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

(i) Interests in the Shares and underlying Shares under equity derivatives (as defined in Part XV of the SFO)

Name of Director	Long position/ Short position	Capacity	Number of issued Shares	Number of underlying Shares (under equity derivatives of the Company)	Aggregate interest	Approximate percentage of the issued share capital of the Company
Mr. Cheung Hon Kit	Long position	Beneficial owner	2,000,000	–	2,000,000	0.09
Mr. Ho Hau Chong, Norman ("Mr. Ho")	Long position	Interest of controlled corporation	102,272,726 *(Note 1)*	113,636,363 *(Note 1)*	215,909,089	9.34
Mr. Lai Tsan Tung, David ("Mr. Lai")	Long position	Interest of controlled corporation	–	89,255,243 *(Note 2)*	89,255,243	3.86

Notes:

1. Each of Mr. Ho, the deputy chairman of the Company and a non-executive Director, and his brother, Mr. Ho Hau Hay, Hamilton, owns 50% interest in Kopola Investment Company Limited ("Kopola") which beneficially owns 102,272,726 Shares and HK$50 million 2005 August Note.

2. Mr. Lai, an executive Director, is interested in the 89,255,243 underlying Shares of HK$39,272,307 zero coupon convertible notes due 2010 issued by the Company on 8th June, 2006 at the initial conversion price of HK$0.44 per Share held by Green Label Investments Limited ("Green Label") by virtue of his 100% beneficial interest in the issued share capital of Green Label.

(ii) Interests in the share options

Name of Director	Date of grant	Exercisable period	Exercise price per Share	Number of share options	Approximate percentage of the issued share capital of the Company
			HK$		
Mr. Cheung Hon Kit	15th August, 2006	15th August, 2006 – 14th August, 2008	0.50	10,000,000	0.43
Mr. Chan Fut Yan ("Mr. Chan")	15th August, 2006	15th August, 2006 – 14th August, 2008	0.50	6,000,000	0.26
Mr. Cheung Chi Kit	15th August, 2006	15th August, 2006 – 14th August, 2008	0.50	2,000,000	0.09
Mr. Ho	15th August, 2006	15th August, 2006 – 14th August, 2008	0.50	3,000,000	0.13
Mr. Lo Lin Shing, Simon ("Mr. Lo")	15th August, 2006	15th August, 2006 – 14th August, 2008	0.50	1,500,000	0.06
Mr. Wong Chi Keung, Alvin ("Mr. Wong")	15th August, 2006	15th August, 2006 – 14th August, 2008	0.50	1,500,000	0.06
Mr. Chui Sai Cheong	15th August, 2006	15th August, 2006 – 14th August, 2008	0.50	1,500,000	0.06

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares or underlying Shares of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) were required, pursuant to the Model Code adopted by the Company, to be notified to the Company and the Stock Exchange.

(b) Interests of Shareholders discloseable pursuant to the SFO

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

(i) Interests in the Shares

Name of Shareholder	Long position/ Short position	Capacity	Number of issued Shares	Approximate percentage of the issued share capital of the Company
Loyal Concept Limited ("Loyal Concept")	Long position	Beneficial owner	356,137,272 *(Note 1)*	15.40
Hanny Magnetics (B.V.I.) Limited ("Hanny Magnetics")	Long position	Interest of controlled corporation	356,137,272 *(Note 1)*	15.40
Hanny	Long position	Interest of controlled corporation	356,137,272 *(Note 1)*	15.40
Famex Investment Limited ("Famex")	Long position	Interest of controlled corporation	356,137,272 *(Note 1)*	15.40
Mankar Assets Limited ("Mankar")	Long position	Interest of controlled corporation	356,137,272 *(Note 1)*	15.40

Name of Shareholder	Long position/ Short position	Capacity	Number of issued Shares	Approximate percentage of the issued share capital of the Company
ITC Investment Holdings Limited ("ITC Investment")	Long position	Interest of controlled corporations	356,137,272 *(Note 1)*	15.40
ITC	Long position	Interest of controlled corporations	356,137,272 *(Note 1)*	15.40
Galaxyway Investments Limited ("Galaxyway")	Long position	Interest of controlled corporations	356,137,272 *(Note 1)*	15.40
Chinaview International Limited ("Chinaview")	Long position	Interest of controlled corporations	356,137,272 *(Note 1)*	15.40
Dr. Chan	Long position	Interest of controlled corporations	356,137,272 *(Note 1)*	15.40
Ms. Ng Yuen Lan, Macy ("Ms. Ng")	Long position	Interest of spouse	356,137,272 *(Note 1)*	15.40
Kopola	Long position	Beneficial owner	102,272,726 *(Note 2)*	4.42
Mr. Ho	Long position	Interest of controlled corporation	102,272,726 *(Note 2)*	4.42
Mr. Ho Hau Hay, Hamilton	Long position	Interest of controlled corporation	102,272,726 *(Note 2)*	4.42
Shepherd Investments International, Ltd. ("Shepherd")	Long position	Beneficial owner	96,418,727 *(Note 3)*	4.17
Stark Asia Master Fund, Ltd. ("Stark Asia")	Long position	Beneficial owner	57,847,636 *(Note 3)*	2.50
Stark Master Fund, Ltd. ("Stark Master")	Long position	Beneficial owner	134,978,817	5.84

Name of Shareholder	Long position/ Short position	Capacity	Number of issued Shares	Approximate percentage of the issued share capital of the Company
Stark Investments (Hong Kong) Limited ("Stark HK")	Long position	Investment manager	214,252,725 *(Note 3)*	9.27
OZ Master Fund, Ltd. ("OZ Master")	Long position	Beneficial owner	1,267,527 *(Note 4)*	0.05
OZ Management, L.L.C. ("OZ Management")	Long position	Investment manager	2,727,727 *(Note 4)*	0.12
Highbridge Capital Management LLC ("Highbridge Capital")	Long position	Investment manager	88,546,817 *(Note 5)*	3.83
Highbridge GP, Ltd. ("Highbridge GP")	Long position	Interest of controlled corporation	88,546,817 *(Notes 5 and 6)*	3.83
Mr. Clive Harris	Long position	Interest of controlled corporation	88,546,817 *(Note 6)*	3.83
Mr. Michael Austin	Long position	Interest of controlled corporation	88,546,817 *(Note 6)*	3.83
Gandhara Master Fund Limited ("Gandhara")	Long position	Investment manager	195,000,000	8.43
Lone Cypress, Ltd.	Long position	Beneficial owner	211,573,908	9.15
Lone Pine Capital LLC	Long position	Investment manager	258,332,000	11.17
PMA Capital Management Limited ("PMA Capital")	Long position	Investment manager	81,750,000 *(Note 7)*	3.54
Evolution Master Fund, Ltd. SPC, Class "M" Shares ("Evolution Master")	Long position	Beneficial owner	83,335,000	3.60
Evolution Capital Management, LLC ("Evolution Capital")	Long position	Investment manager	83,335,000	3.60

(ii) Interests in the underlying Shares under equity derivatives (as defined in Part XV of the SFO)

Name of Shareholder	Long position/ Short position	Capacity	Number of underlying Shares (under equity derivatives of the Company)	Approximate percentage of the issued share capital of the Company
Loyal Concept	Long position	Beneficial owner	1,135,714,285 *(Note 1)*	49.12
Hanny Magnetics	Long position	Interest of controlled corporation	1,135,714,285 *(Note 1)*	49.12
Hanny	Long position	Interest of controlled corporation	1,135,714,285 *(Note 1)*	49.12
Famex	Long position	Interest of controlled corporation	1,135,714,285 *(Note 1)*	49.12
Mankar	Long position	Interest of controlled corporation	1,135,714,285 *(Note 1)*	49.12
ITC Investment	Long position	Interest of controlled corporations	1,178,571,427 *(Note 1)*	50.97
ITC	Long position	Interest of controlled corporations	1,178,571,427 *(Note 1)*	50.97
Galaxyway	Long position	Interest of controlled corporations	1,178,571,427 *(Note 1)*	50.97
Chinaview	Long position	Interest of controlled corporations	1,178,571,427 *(Note 1)*	50.97
Dr. Chan	Long position	Interest of controlled corporations	1,178,571,427 *(Note 1)*	50.97
Ms. Ng	Long position	Interest of spouse	1,178,571,427 *(Note 1)*	50.97
Kopola	Long position	Beneficial owner	113,636,363 *(Note 2)*	4.91
Mr. Ho	Long position	Interest of controlled corporation	113,636,363 *(Note 2)*	4.91

Name of Shareholder	Long position/ Short position	Capacity	Number of underlying Shares (under equity derivatives of the Company)	Approximate percentage of the issued share capital of the Company
Mr. Ho Hau Hay, Hamilton	Long position	Interest of controlled corporation	113,636,363 *(Note 2)*	4.91
Shepherd	Long position	Beneficial owner	200,016,234 *(Note 3)*	8.65
Stark Asia	Long position	Beneficial owner	76,152,597 *(Note 3)*	3.29
Stark Master	Long position	Beneficial owner	264,594,157	11.44
Stark HK	Long position	Investment manager	391,623,377 *(Note 3)*	16.94
OZ Master	Long position	Beneficial owner	122,875,000 *(Note 4)*	5.31
OZ Management	Long position	Investment manager	152,386,364 *(Note 4)*	6.59
Highbridge Capital	Long position	Investment manager	147,012,987 *(Note 5)*	6.36
Highbridge GP	Long position	Interest of controlled corporation	147,012,987 *(Notes 5 and 6)*	6.36
Mr. Clive Harris	Long position	Interest of controlled corporation	147,012,987 *(Note 6)*	6.36
Mr. Michael Austin	Long position	Interest of controlled corporation	147,012,987 *(Note 6)*	6.36
Gandhara	Long position	Investment manager	357,142,857	15.45
PMA Capital	Long position	Investment manager	100,000,000 *(Note 7)*	4.32
Evolution Master	Long position	Beneficial owner	48,571,429	2.10
Evolution Capital	Long position	Investment manager	48,571,429	2.10

Notes:

1. Hanny and Hanny Magnetics were taken to have an interest in 356,137,272 Shares, HK$330 million 2005 August Note and HK$270 million 2006 Note held by Loyal Concept since Loyal Concept is a wholly-owned subsidiary of Hanny Magnetics which, in turn, is a wholly-owned subsidiary of Hanny, the shares of which are listed on the Stock Exchange. Selective Choice Investments Limited ("Selective"), a wholly-owned subsidiary of ITC Investment, owns HK$30 million 2006 Note. Famex, a wholly-owned subsidiary of Mankar, is the controlling shareholder of Hanny. Mankar is a wholly-owned subsidiary of ITC Investment, which in turn is a wholly-owned subsidiary of ITC. Galaxyway, a wholly-owned subsidiary of Chinaview, is the controlling shareholder of ITC. Dr. Chan owns the entire issued share capital of Chinaview. Ms. Ng is the spouse of Dr. Chan. Famex and Mankar are deemed to be interested in 356,137,272 Shares and 1,135,714,285 underlying Shares held by Loyal Concept. ITC Investment, ITC, Galaxyway, Chinaview, Dr. Chan and Ms. Ng are deemed to be interested in 356,137,272 Shares and 1,135,714,285 underlying Shares (in respect of the HK$330 million 2005 August Note and the HK$270 million 2006 Note) which are held by Loyal Concept and 42,857,142 underlying Shares (in respect of the HK$30 million 2006 Note) held by Selective.

2. Each of Mr. Ho, the deputy chairman of the Company and a non-executive Director, and his brother, Mr. Ho Hau Hay, Hamilton owns 50% interest in Kopola which beneficially owns 102,272,726 Shares and HK$50 million 2005 August Note.

3. Stark HK was taken to have an interest as an investment manager in 214,252,725 Shares, HK$95 million 2005 August Note and HK$123 million 2006 Note held by Centar Investments (Asia) Ltd., Shepherd, Stark Asia and Stark International.

4. OZ Management was taken to have an interest as an investment manager in 2,727,727 Shares and HK$67,050,000 2005 August Note held by OZ Asia Master Fund, Ltd. and OZ Master.

5. Highbridge GP was taken to have an interest in 88,546,817 Shares, HK$10 million 2005 August Note and HK$87 million 2006 Note held by Highbridge Master L.P. ("Highbridge Master") and Highbridge Asia Opportunities Master L.P. ("Highbridge Asia") since Highbridge Master and Highbridge Asia are the wholly-owned subsidiaries of Highbridge GP. Highbridge Capital is an investment manager of Highbridge Master and Highbridge Asia.

6. Each of Mr. Clive Harris and Mr. Michael Austin owns 50% interest in Highbridge GP.

7. PMA Capital was taken to have an interest as an investment manager in 81,750,000 Shares and HK$70 million 2006 Note held by Diversified Asian Strategies Fund, Asian Diversified Total Return Limited Duration Company and PMA Asian Opportunities Fund.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, no other persons (not being a Director or chief executive of the Company) had, or deemed to have, any interest or short positions in the Shares or underlying Shares which are required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, nor were there any persons, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

(c) Competing interests

As at the Latest Practicable Date, interests of the Directors and their respective associates in competing businesses were as follows:

Name of Director	Name of company	Nature of competing business	Nature of interest
Mr. Cheung Hon Kit	Wing On Travel (Holdings) Limited and its subsidiaries	Property business and hotel operation in Hong Kong and the PRC	As the managing director
	Manwide Holdings Limited (a non wholly-owned subsidiary of Hanny)	Property business in the PRC	As a director
	China Development Limited	Property investment in Hong Kong	As a director and shareholder
	Artnos Limited	Property investment in Hong Kong	As a director and shareholder
	Co-Forward Development Ltd.	Property investment in Hong Kong	As a director and shareholder
	Orient Centre Limited	Property investment in Hong Kong	As a shareholder
	Super Time Limited	Property investment in Hong Kong	As a director and shareholder
	Asia City Holdings Ltd.	Property investment in Hong Kong	As a director and shareholder
	Supreme Best Ltd.	Property investment in Hong Kong	As a shareholder
Mr. Ho	Miramar Hotel and Investment Company, Limited and its subsidiaries	Property investment, property development and sales, and hotel operation	As a director

Name of Director	Name of company	Nature of competing business	Nature of interest
Mr. Lo	The Kwong Sang Hong International Limited and its subsidiaries	Property development, sales of properties and property leasing	As a director
	New World CyberBase Limited and its subsidiaries	Property investment	As the chairman and an executive director
Mr. Wong	CNT Group Limited and its subsidiaries	Property investment and development in Hong Kong and the PRC	As an executive director

Mr. Cheung Hon Kit is the chairman of the Company who is principally responsible for the Group's strategic planning and management of the operations of the Board. His role is clearly separated from that of the managing Director, Mr. Chan, who is principally responsible for the Group's operation and business development. Mr. Ho and Mr. Lo, being non-executive Directors and Mr. Wong, being an independent non-executive Director, do not participate in the daily management of the Group.

In addition, any significant business decision of the Group is to be determined by the Board. A Director who has interest in the subject matter being resolved will abstain from voting. In view of the above, the Board considers that the interests of Mr. Cheung Hon Kit, Mr. Ho, Mr. Lo and Mr. Wong in other companies will not prejudice their capacity as Directors nor compromise the interests of the Company and the Shareholders.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

(d) Other interests

On 2nd February, 2006, the Group entered into an acquisition agreement to acquire the entire issued share capital of Everight and certain loans for an aggregate consideration of HK$140 million. Before completion of the Everight Acquisition, Mr. Lai was the controlling shareholder and chairman of Everight and an executive director of certain subsidiaries of Everight. After completion of the Everight Acquisition on 8th June, 2006, Mr. Lai has resigned as an executive director of Everight and remains as an executive director of all subsidiaries of Everight including Donson (International) Development Limited, an indirect 55.57% owned subsidiary of Everight.

As at the Latest Practicable Date, Mr. Lai had an effective interest of approximately 14.20% in Donson (International) Development Limited through his shareholding in Braniff Developments Limited, a company holding 36.97% interest in Smart Sharp Investment Limited, which in turn held 88.17% interest in Donson (International) Development Limited.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been since 31st March, 2006 (being the date to which the latest published audited accounts of the Company were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

Save as disclosed above, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

3. MATERIAL CONTRACTS

The following are contracts (not being contracts entered into in the ordinary course of business) entered into by the Group within the two years preceding the Latest Practicable Date and which are or may be material:

1. the placing agreement dated 15th December, 2004 entered into between the Company and Tai Fook Securities Company Limited as placing agent in relation to the issue of the 2005 February Note;

2. the placing agreement dated 15th December, 2004 entered into between the Company and Tai Fook Securities Company Limited as placing agent in relation to the placing of 150 million new Shares at HK$0.40 per Share by the Company;

3. the placing agreement dated 28th December, 2004 entered into between the Company and Tai Fook Securities Company Limited as placing agent in relation to the placing of 25 million new Shares at HK$0.81 per Share by the Company;

4. seven subscription agreements dated 8th April, 2005 entered into between the Company and each of the seven subscribers respectively whose funds were managed by global asset management firms in relation to the subscription of HK$356 million of the 2005 August Note;

5. the subscription agreement dated 20th April, 2005 entered into between the Company and Kopola as subscriber in relation to the subscription of HK$150 million of the 2005 August Note;

6. the subscription agreement dated 20th April, 2005 entered into between the Company and Loyal Concept as subscriber in relation to the subscription of HK$450 million of the 2005 August Note;

7. the placing agreement dated 20th April, 2005 entered into between the Company and Tai Fook Securities Company Limited as placing agent in relation to the placing of HK$44 million of the 2005 August Note;

8. the sale and purchase agreement dated 2nd February, 2006 entered into between Green Label, Concord Link Development Limited, Magnum Company Limited and Mr. Ku Yuet Kan, Tony as vendors, New Smarten Limited, a wholly-owned subsidiary of the Company as purchaser, Mr. Lai and Mr. Chan Jink Chou, Eric as guarantors, in relation to the Everight Acquisition;

9. the sale and purchase agreement dated 29th March, 2006 entered into between Pacific Wish Limited as vendor, and Million Orient Limited, a wholly-owned subsidiary of the Company as purchaser, in relation to the Orient Town Acquisition;

10. the conditional subscription agreement dated 27th April, 2006 entered into between the Company and Hanny as subscriber in relation to the subscription of HK$270 million of the 2006 Note;

11. four conditional subscription agreements dated 27th April, 2006 entered into between the Company and each of Centar Investments (Asia) Ltd., Shepherd, Stark Asia and Stark International as subscribers in relation to the subscription of an aggregate of HK$123 million of the 2006 Note;

12. the conditional subscription agreement dated 27th April, 2006 entered into between the Company and ITC as subscriber in relation to the subscription of HK$30 million of the 2006 Note;

13. 11 conditional subscription agreements dated 27th April, 2006 entered into between the Company and 11 subscribers which are funds managed by global asset management firms as subscribers in relation to the subscription of HK$577 million of the 2006 Note;

14. the placing agreement dated 27th April, 2006 entered into between the Company and CLSA Limited as placing agent in relation to the placing of 833,332,000 new Shares at HK$0.60 per Share by the Company;

15. the Subscription Agreement; and

16. Mr. Hung's Undertaking.

4. CLAIMS AND LITIGATIONS

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

5. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this circular or have given opinions or advice which are contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu ("DTT")	Certified Public Accountants
Leong Hon Man, Advogado	Macau lawyer
CB Richard Ellis Limited	Professional valuers

Each of DTT, Leong Hon Man, Advogado and CB Richard Ellis Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of DTT, Leong Hon Man, Advogado and CB Richard Ellis Limited had any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of DTT, Leong Hon Man, Advogado and CB Richard Ellis Limited had any direct or indirect interests in any assets which had been, since 31st March, 2006 (being the date to which the latest published audited accounts of the Company were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at 29/F., Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong, from the date of this circular and up to and including 5th January, 2007:

– the memorandum and bye-laws of the Company;

– the memorandum and articles of association of More Profit;

– the material contracts referred to in the section headed "Material contracts" in this appendix;

– the published audited consolidated financial statements of the Company for each of the two financial years ended 31st March, 2006;

– the accountants' report of More Profit, the text of which is set out in Appendix IV to this circular;

– the accountants' report of Great China, the text of which is set out in Appendix V to this circular;

– the accountants' report on the unaudited pro forma financial information on the Enlarged Group, the text of which is set out in Appendix VI to this circular;

– the circular of the Company dated 6th January, 2005 in respect of the issue of the 2005 February Note;

– valuation report of the Land and Grand Waldo Hotel, the text of which is set out in Appendix VII to this circular;

– the letters of consent referred to under the section headed "Experts and consents" in this appendix;

– the circular of the Company dated 23rd May, 2005 in respect of the issue of the 2005 August Note;

– the Everight Circular;

– the circular of the Company dated 22nd May, 2006 in respect of the issue of the 2006 Note;

– the Orient Town Circular; and

– the circular of the Company dated 12th July, 2006 in respect of a discloseable transaction.

8. MISCELLANEOUS

- The qualified accountant of the Company is Mr. Cheung Chi Kit, *CPA, ACS, ACIS*.

- The company secretary of the Company is Ms. Yan Ha Hung, Loucia, *MBA, ACS(PE), ACIS(PE)*.

- The registered office of the Company is at Clarendon House, Church Street, Hamilton HM 11, Bermuda.

- The Company's principal place of business in Hong Kong is situated at 29/F., Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

- The branch share registrar and transfer office of the Company in Hong Kong is Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

- The English text of this circular prevails over the Chinese text.

澳門祥泰地產集團有限公司*

MACAU PRIME PROPERTIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 199)

NOTICE IS HEREBY GIVEN that a special general meeting of Macau Prime Properties Holdings Limited (the "Company") will be held on Friday, 5th January, 2007 at 11:00 a.m. at Conference Room, 11/F., Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong, for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) the conditional subscription agreement dated 6th October, 2006 (the "Subscription Agreement", a copy of which has been produced to this meeting marked "A" and initialed by the chairman of the meeting for the purpose of identification) entered into between, among others, Dragon Rainbow Limited ("Dragon Rainbow"), an indirect wholly-owned subsidiary of the Company, Group Success International Limited, the Company and More Profit International Limited ("More Profit") in relation to (i) the subscription for 4,000 shares of More Profit of US$1 each (representing 40% of its enlarged share capital at the par thereof) by Dragon Rainbow; and (ii) the contribution to More Profit of shareholder's loan in the maximum amount of approximately HK$500 million by Dragon Rainbow, and the performance and implementation of the transactions contemplated under the Subscription Agreement be and are hereby confirmed, approved and ratified;

(b) the terms of the shareholders' agreement (a draft of which is annexed as Schedule 3 to the Subscription Agreement) in respect of More Profit to be entered into by Dragon Rainbow upon completion of the Subscription Agreement and the transactions contemplated thereunder be and are hereby approved; and

(c) the directors of the Company be and are hereby authorised to do all such acts and things and execute all such documents as they in their absolute discretion consider necessary or expedient to give effect to the Subscription Agreement and the implementation of all transactions contemplated thereunder."

Yours faithfully,
By order of the Board
Macau Prime Properties Holdings Limited
Yan Ha Hung, Loucia
Company Secretary

Hong Kong, 7th December, 2006

* *For identification purpose only*

Registered office:
Clarendon House
Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
29/F., Paul Y. Centre
51 Hung To Road
Kwun Tong, Kowloon
Hong Kong

Notes:

(1) A member entitled to attend and vote at the above meeting may appoint a proxy to attend and, on a poll vote on his behalf, and such proxy need not be a member of the Company. A form of proxy for use at the meeting is enclosed.

(2) In order to be valid, the form of proxy, together with any power of attorney or authority under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

(3) Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting convened or any adjournment thereof and in such event, the authority of the proxy shall be deemed to be revoked.

(4) In case of joint holders of any share, if more than one of such joint holders be present at any meeting, the vote of the senior who tenders a vote shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.

As at the date of this notice, the directors of the Company are as follows:

Executive Directors:
Mr. Cheung Hon Kit *(Chairman)*
Mr. Chan Fut Yan *(Managing Directors)*
Mr. Cheung Chi Kit
Mr. Lai Tsan Tung, David

Non-executive Directors:
Mr. Ho Hau Chong, Norman *(Deputy Chairman)*
Mr. Lo Lin Shing, Simon

Independent non-executive Directors:
Mr. Wong Chi Keung, Alvin
Mr. Kwok Ka Lap, Alva
Mr. Chui Sai Cheong