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

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, 23rd March, 2007 at 11:00 a.m. is set out on pages 296 to 298 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.

7th March, 2007

* *For identification purpose only*

CONTENTS

DEFINITIONS

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

"2005 August Note"	the zero coupon convertible notes due 2010 in the aggregate principal of HK$1,000 million issued by the Company on 11th August, 2005, of which an aggregate principal amount of HK$582,050,000 remained outstanding as at the Latest Practicable Date
"2006 June Note"	the 1% convertible notes due 2011 in the aggregate principal of HK$1,000 million issued by the Company on 15th June, 2006, all of which remained outstanding as at the Latest Practicable Date
"Acquisition"	acquisition of the Sale Shares and the Sale Loan by Top Century pursuant to the Acquisition Agreement
"Acquisition Agreement"	the agreement dated 25th January, 2007 entered into between Forever Charm and Top Century in relation to the Acquisition
"Additional Concordia Loan"	a shareholder's loan of HK$70 million which Top Century undertakes under the Acquisition Agreement to advance to Concordia after Completion
"Best Profit"	Best Profit Holdings Limited, a company incorporated in Hong Kong with limited liability, which is interested in 100% issued share capital of XLM
"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
"Call Option"	an option to purchase 70 shares in Orient Town granted by Pacific Wish to Million Orient pursuant to the agreement between Pacific Wish and Million Orient dated 29th March, 2006, details of which are set in the Orient Town Circular

"Cancellation"	the cancellation of rights to acquire 35 issued shares in Orient Town under the Call Option
"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 Acquisition in accordance with the Acquisition 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 loans and interests accrued and due by Concordia to XLM, details of which are set out in the Orient Town Circular
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the total consideration for the Acquisition, being HK$245.7 million, which shall be satisfied by cash pursuant to the terms of the Acquisition Agreement
"Deed of Guarantee"	the deed of guarantee, warranties and undertakings dated 29th March, 2006, details of which are set out in the Orient Town Circular
"Director(s)"	director(s) of the Company
"Everight"	Everight Investment Limited, a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of the Company
"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
"Forever Charm"	Forever Charm Group Limited, an existing shareholder of Concordia holding 11.3% interest in Concordia
"Giant Energy"	Giant Energy Limited, a company incorporated in Hong Kong with limited liability
"Great China"	Great China Company Limited, a commercial company incorporated in Macau with limited liability by quotas
"Great China Circular"	the circular of the Company dated 7th December, 2006 in respect of, among others, the Great China Acquisition
"Group"	the Company and its subsidiaries
"HK GAAP"	generally accepted accounting principles applicable in Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Initial Acquisition"	the acquisition of 40% of the issued share capital of Orient Town by Million Orient, details of which are set out in the Orient Town Circular
"Latest Practicable Date"	2nd March, 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Lease"	the lease granted by the Government of Macau to Concordia for the use of the Property which expired on 7th October, 2000
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	30th April, 2007 or such other date as agreed by Forever Charm and Top Century in writing
"Macau"	the Macau Special Administrative Region of the PRC

"Macau Properties Holdings"	Macau Properties Holdings Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of Orient Town
"Mr. Ma"	Ma Chi Un, Fred (馬志遠), being the beneficial owner of Pacific Wish
"Million Orient"	Million Orient Limited, a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of the Company
"More Profit"	More Profit International Limited, a company incorporated on 25th August, 2006 in BVI with limited liability
"Option Shares Acquisition"	the exercise of the right to acquire 35 shares in Orient Town from Pacific Wish at a cash consideration of HK$35 pursuant to the Call Option
"Option Shares Completion"	completion of the Option Shares Acquisition
"Option Shares"	35 shares in Orient Town held by Pacific Wish
"Option Shares Consideration"	the sum of HK$35, being the consideration payable by Million Orient for the Option Shares
"Orient Town"	Orient Town Limited, a company incorporated in Hong Kong with limited liability, which is interested in 70% of the issued share capital of Best Profit
"Orient Town Circular"	the circular of the Company dated 29th May, 2006 in respect of, among others, the Initial Acquisition and the Call Option
"Orient Town Group"	Orient Town and its subsidiaries
"Orient Town Project Management"	Orient Town Project Management Limited, a company incorporated in Macau with limited liability
"Pacific Wish"	Pacific Wish Limited, a company incorporated in BVI, which is interested in 315 shares in Orient Town as at the Latest Practicable Date and the vendor of the Initial Acquisition
"PRC"	the People's Republic of China, excluding Hong Kong, Macau and Taiwan for the purpose of this circular

"Property"	14 parcels of leased land situated in Estrada de Seac Pai Van, Macau (澳門路環聯生填海區)
"Renewal"	the new concession or renewal to be granted by the Government of Macau to Concordia in relation to the Lease
"Sale Loan"	the shareholder's loan in the principal sum of MOP40,817,355 due by Concordia to Forever Charm together with all interests accrued thereon which amounted to approximately MOP73.5 million as at the Latest Practicable Date
"Sale Shares"	the 8,700 shares in Concordia held by Forever Charm, representing 8.7% of the registered share capital of Concordia
"SGM"	the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, to approve the Option Shares Acquisition, the Acquisition Agreement and the respective transactions contemplated thereunder
"Share(s)"	share(s) of HK$0.01 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholder's Loan"	the additional loan of HK$100 million to be advanced by Million Orient to Orient Town on Option Shares Completion
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the subscription of 4,000 shares in More Profit by Dragon Rainbow Limited, a wholly-owned subsidiary of the Company
"Top Century"	Top Century International Limited, a company incorporated in BVI with limited liability, an indirect wholly-owned subsidiary of the Company
"Topmore"	Topmore Limited, a company incorporated in BVI with limited liability

"XLM"	新聯盟投資有限公司 (San Lun Mang Investimentos, Limitada), a company incorporated in Macau with limited liability, which is interested in 85,000 shares in Concordia
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"MOP"	Macau Patacas, the lawful currency of Macau
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.
"m^2"	square metre(s)

In this circular, MOP are converted into HK$ on the basis of MOP1.03 = HK$1 for illustrative purpose.

For ease of reference, the names of Macau established companies and entities have been included in this circular in English language and the English names of these companies and entities are their respective official English names or English tradenames used by them.

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. Wong Kam Cheong, Stanley
(Deputy 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 March, 2007

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

Dear Sir or Madam,

MAJOR TRANSACTION

INTRODUCTION

The Company announced on 3rd April, 2006 that Million Orient, an indirect wholly-owned subsidiary of the Company, entered into an acquisition agreement with Pacific Wish in relation to the acquisition of 40% of the issued share capital of Orient Town. The principal asset of Orient Town is its indirect shareholding interest in Concordia which is the owner of the Property, being 14 parcels of leased land situated in Estrada de Seac Pai Van, Macau (澳門路環聯生填海區). The Initial Acquisition, having taken into account a shareholder's loan in the amount of HK$885 million advanced by the Group to Orient Town, constituted a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. Pursuant to the terms of the Initial Acquisition, Million Orient has been granted by Pacific Wish the Call Option under which Million Orient may purchase 70 shares in Orient Town from Pacific Wish. Details of the Initial Acquisition and the Call Option are set out in the Orient Town Circular. Completion of the Initial Acquisition took place on 15th June, 2006.

* *For identification purpose only*

The Company further announced on 28th November, 2006 that Top Century, an indirect wholly-owned subsidiary of the Company, entered into a memorandum of understanding with Forever Charm in relation to the proposed acquisition by Top Century from Forever Charm of 8,700 shares in Concordia, representing 8.7% of the registered share capital of Concordia, and a shareholder's loan due by Concordia to Forever Charm in the principal sum of approximately MOP41 million together with the outstanding interests accrued thereon.

Million Orient now intends to exercise its right under the Call Option to acquire the Option Shares from Pacific Wish. In addition, on 25th January, 2007, Top Century entered into the Acquisition Agreement with Forever Charm to, among others, acquire 8.7% of the registered share capital of Concordia and a shareholder's loan with interests accrued thereon due by Concordia to Forever Charm for a total cash consideration of HK$245.7 million. Details of the Option Shares Acquisition and the Acquisition are set out below.

THE OPTION SHARES ACQUISITION

1) Parties

Vendor: Pacific Wish, an investment holding company.

Save for being a party to the Option Shares Acquisition, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Pacific Wish and its beneficial owner, Mr. Ma, are independent of the Company and its connected persons and are neither connected persons of the Company nor connected persons of the ultimate owners of any of the holders of the convertible notes of the Company.

Purchaser: Million Orient.

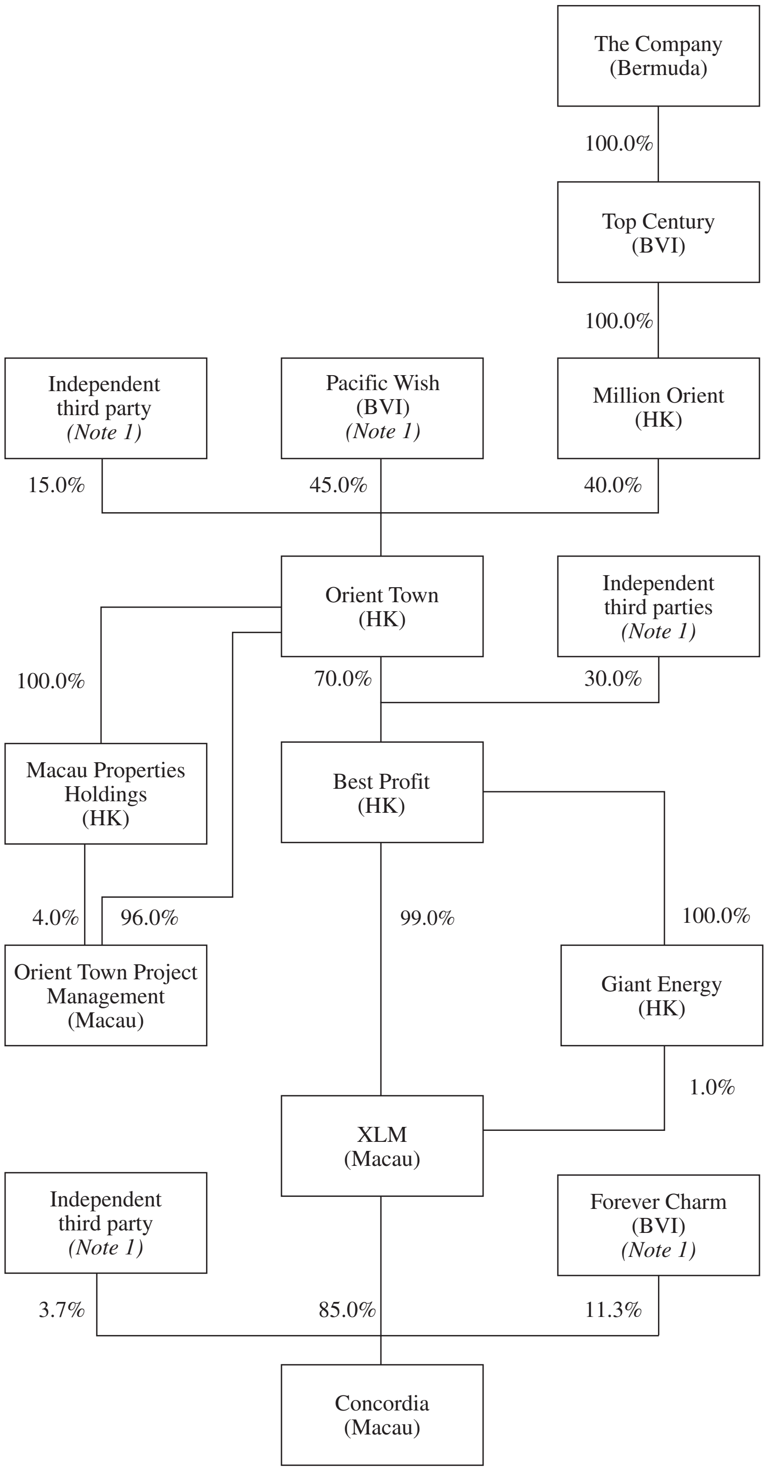
2) Assets to be acquired

The Option Shares, being 35 issued shares in Orient Town, representing 5% of the issued share capital of Orient Town.

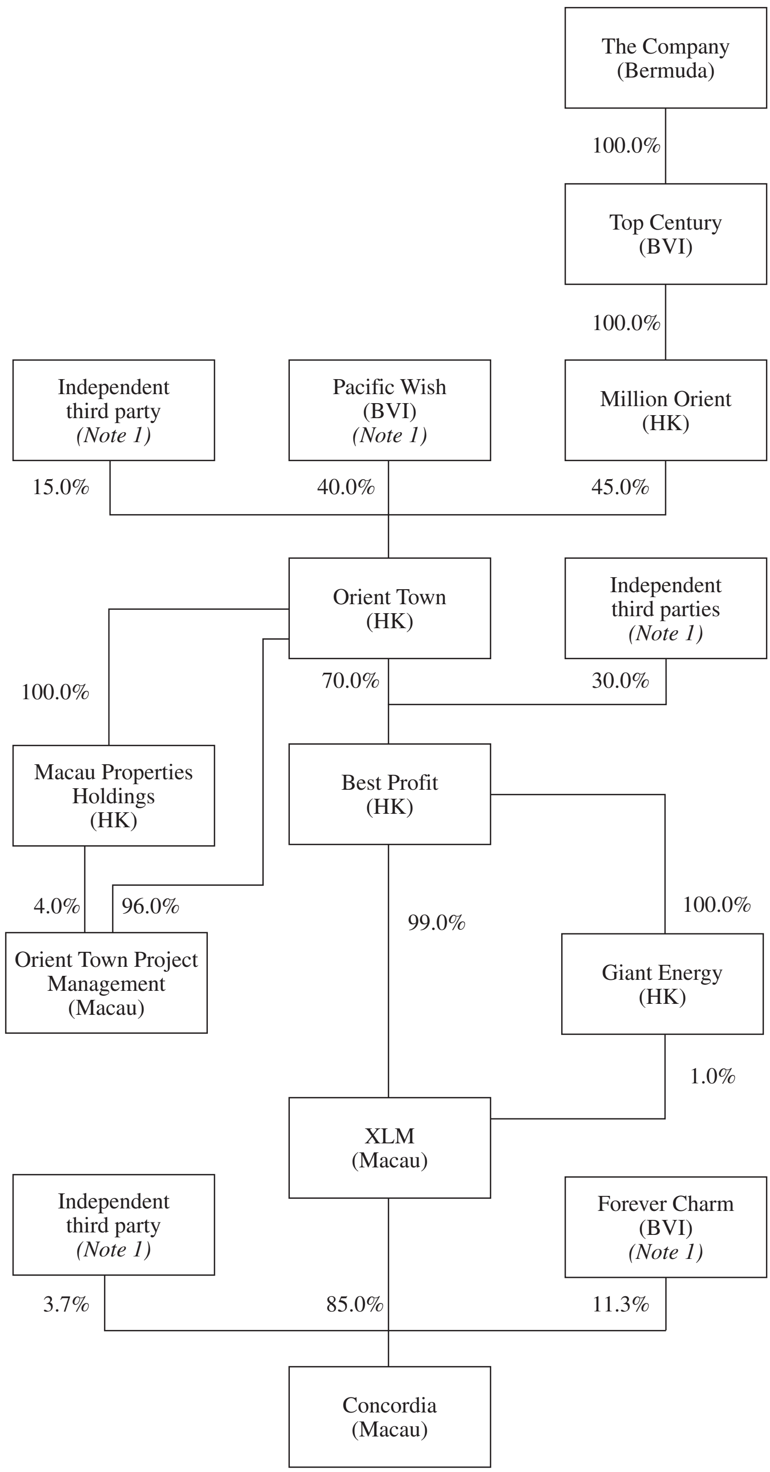
As at the Latest Practicable Date, Million Orient was interested in 40% in the issued share capital of Orient Town, which in turn effectively owns (i) 59.5% of the registered share capital of Concordia; and (ii) shareholder's loan of approximately MOP1,264.9 million (equivalent to approximately HK$1,228.1 million) advanced to Concordia. Concordia is the owner of the Property.

The following illustrates the shareholding structure of Orient Town Group:

As at the Latest Practicable Date



Upon Option Shares Completion



Notes:

1. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, as at the Latest Practicable Date, Pacific Wish, Forever Charm and the independent third parties referred to above were independent of any of the holders of the convertible notes of the Company.

2. Places in parentheses represent places of incorporation.

Upon Option Shares Completion, the Company will have an indirect effective interest in approximately 26.8% of the registered share capital of Concordia and Concordia will remain as an associated company of the Group. Information on Orient Town Group is set out in the paragraph headed "Information on Orient Town Group" below.

3) The Shareholder's Loan

As a condition of the Option Shares Acquisition, Million Orient shall further advance to Orient Town by way of shareholder's loan a sum of HK$100 million which will be used principally for repayment of shareholder's loan due by Orient Town to Pacific Wish. Such HK$100 million was advanced by Pacific Wish to Orient Town for the Concordia Acquisition. The Shareholder's Loan will bear interest at the best lending rate for Hong Kong dollars as quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time. The entire Shareholder's Loan is to be advanced in cash on Option Shares Completion (or such other date as may be agreed by Million Orient and Orient Town) and will be financed by the internal resources of the Group.

Up to the Latest Practicable Date, Million Orient has already advanced a shareholder's loan in the amount of HK$885 million to Orient Town, which was used principally for refinancing the Concordia Acquisition. Upon Option Shares Completion and payment of the Shareholder's Loan, the total amount of shareholder's loan due by Orient Town to Million Orient will represent approximately 70.7% of the aggregate sum of the shareholders' loans advanced and anticipated to be advanced by the shareholders of Orient Town, which is not in proportion to the Group's equity interest in Orient Town upon Option Shares Completion. As disclosed in the Orient Town Circular, in connection with the Concordia Acquisition, shareholders of Best Profit have agreed to provide shareholders' loan in an aggregate amount of HK$1,990 million to Best Profit, of which (i) HK$597 million (representing 30% of such shareholders' loans) would be borne by the other two shareholders of Best Profit; and (ii) HK$1,393 million (representing 70% of such shareholders' loans) would be borne by Orient Town. Pacific Wish had been seeking financing in respect of such portion borne by Orient Town. It was one of the primary considerations of Pacific Wish for transacting the Initial Acquisition with Million Orient that Million Orient would agree to bear a portion of such shareholders' loans to be advanced by Orient Town which is in excess of the attributable equity interest in Orient Town that Million Orient would acquire. However, taking into account that (i) it is one of the agreed terms when the Group made the Initial Acquisition, details of which are set out in the Orient Town Circular; (ii) the growth potential of the property market in Macau; and (iii) the Directors consider the chance to acquire a significant block of land in Macau at the current location does not come by very often, the Board considers such arrangement acceptable.

4) Consideration and payment terms

The consideration of HK$35 for the Option Shares Acquisition shall be satisfied by cash from internal resources of the Group payable on Option Shares Completion. Such consideration was determined after arm's length negotiations between Pacific Wish and the Group with reference to the nominal value of the shares in Orient Town and having taken into account other terms of the Call Option and the Shareholder's Loan at the time the Call Option was granted on 15th June, 2006, details of which are set out in the Orient Town Circular. The Board considers the Option Shares Consideration and its payment terms fair and reasonable.

5) Conditions precedent

Option Shares Completion is conditional upon:

(i) the Shareholders (or independent Shareholders, if required) having passed the relevant resolution(s) at the SGM to approve the Option Shares Acquisition and the transactions contemplated thereunder; and

(ii) all necessary consents, permits and approvals (whether governmental, regulatory or otherwise, including any approval required by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong) as may be required in respect of the Option Shares Acquisition and the transactions contemplated thereunder having been obtained by Million Orient and/or the Company.

None of the above conditions can be waived.

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

6) Completion

Option Shares Completion shall take place on the fifth Business Day after service by Million Orient of notice on Pacific Wish to exercise the Call Option, after all the conditions precedent of the Option Shares Acquisition have been fulfilled or such later date as Pacific Wish and Million Orient may mutually agree in writing.

Option Shares Completion is not conditional on Completion.

INFORMATION ON ORIENT TOWN GROUP

Orient Town, Best Profit, Giant Energy and XLM are incorporated in 2005, Macau Properties Holdings is incorporated in 2006 and Orient Town Project Management is incorporated in 2007 as special purpose vehicles. Orient Town has an effective interest of 70% in the issued share capital of XLM, which in turn has a 85% interest in the registered share capital of Concordia. Except for the direct or indirect investments in Concordia or Orient Town Project Management, none of Orient Town, Best Profit, Giant Energy, XLM and Macau Properties Holdings has any other business and the principal activity of Orient Town Project Management is provision of property project management services.

Upon completion of the Initial Acquisition on 15th June, 2006, Orient Town has been accounted for as an associated company of the Company. As at the Latest Practicable Date, three out of eight directors of Orient Town were nominated by Million Orient.

Set out below is the audited consolidated financial information on Orient Town since 1st June, 2005 (date of incorporation) to 31st December, 2005 and for the nine months ended 30th September, 2006 prepared in accordance with the HK GAAP:

	For the nine months ended 30th September, 2006	**For the period from 1st June, 2005 to 31st December, 2005**
	HK$'000	*HK$'000*
		(Note 2)
Turnover	–	–
(Loss)/profit before taxation *(Note 1)*	(62,260)	36,913
(Loss)/profit after taxation	(62,260)	36,913

	As at 30th September, 2006	**As at 31st December, 2005**
	HK$'000	*HK$'000*
Total assets	2,317,082	791,901
Net (liabilities)/assets	(56,292)	36,914

Notes:

1. Profit before taxation for the period from 1st June, 2005 to 31st December, 2005 was primarily attributable to the gain on disposals of 30% interests in Best Profit by Orient Town to two independent third parties.

2. The financial information has not consolidated that of Concordia as Concordia has only become an indirect subsidiary of Orient Town since 29th May, 2006.

THE ACQUISITION AGREEMENT DATED 25TH JANUARY, 2007

1) Parties

Vendor: Forever Charm, an investment holding company.

Save for being a party to the Acquisition Agreement, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Forever Charm and its beneficial owner are independent of the Company and its connected persons and are neither connected persons of the Company nor connected persons of the ultimate owners of any of the holders of the convertible notes of the Company.

Purchaser: Top Century.

2) Assets to be acquired

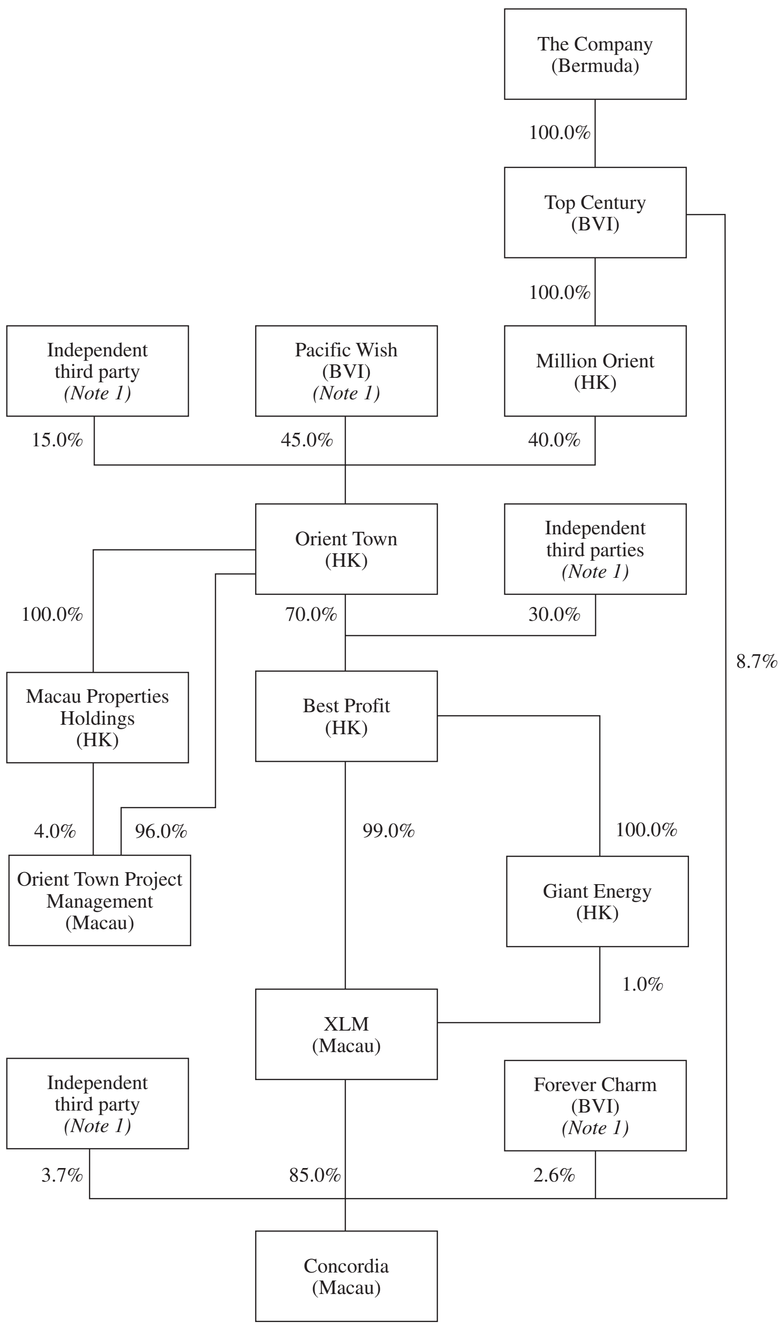
(i) The Sale Shares, being 8,700 shares in Concordia, representing 8.7% of the registered share capital of Concordia; and

(ii) the Sale Loan, being the shareholder's loan in the principal sum of approximately MOP40.8 million (equivalent to approximately HK$39.6 million) due by Concordia to Forever Charm together with all interests accrued thereon, which amounted to approximately MOP73.5 million (equivalent to approximately HK$71.4 million) as at the Latest Practicable Date.

The Sale Loan was unsecured, repayable on demand and carried interest at 14.4% per annum up to 30th April, 2005. Pursuant to a shareholders' resolution of Concordia, no interest has been charged on all shareholder's loans to Concordia (including the Sale Loan) since 1st May, 2005.

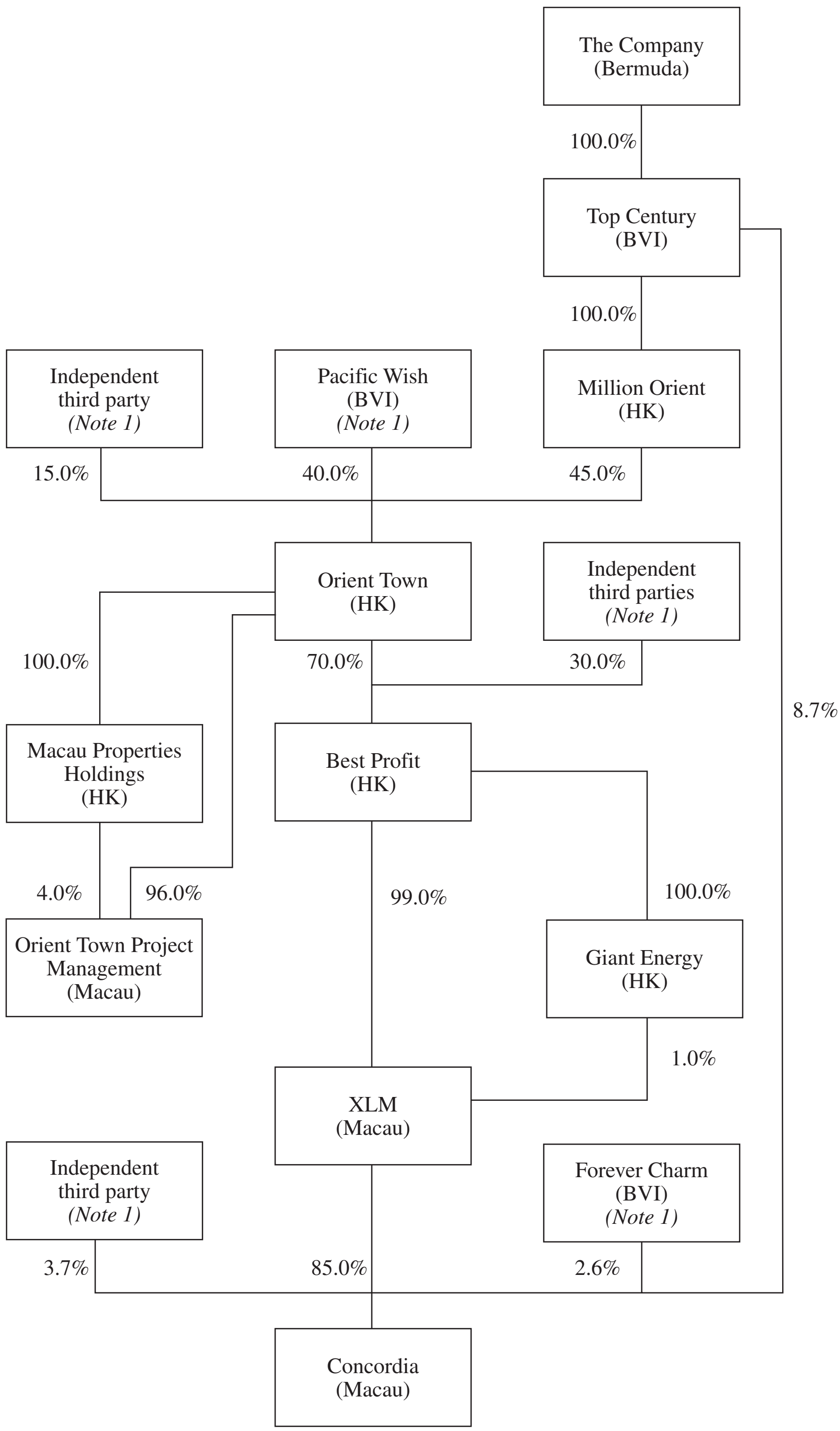
The shareholding structure of Orient Town Group as at the Latest Practicable Date has been set out under the section headed "The Option Shares Acquisition" above. The following chart illustrates the impact on the shareholding structure of Orient Town Group as a result of the Acquisition:

Upon Completion but before Option Shares Completion



Upon Completion but before Option Shares Completion, the Company will have an indirect effective interest in approximately 32.5% of the registered share capital of Concordia.

Upon Completion and Option Shares Completion



Notes:

1. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, as at the Latest Practicable Date, Pacific Wish, Forever Charm and the independent third parties referred to above were independent of any of the holders of the convertible notes of the Company.

2. Places in parentheses represent places of incorporation.

Upon Completion and Option Shares Completion, the Company will have an indirect effective interest in approximately 35.5% of the registered share capital of Concordia and Concordia will remain as an associated company of the Group. Information of Concordia is set out in the paragraph headed "Information on Concordia" below.

3) Consideration and payment terms

The Consideration of HK$245.7 million was determined after arm's length negotiations between Forever Charm and the Group with reference to a valuation of the Property of HK$3.43 billion as at 31st March, 2006 jointly assessed by Wai & Ko Real Estate Ltd. and S.H. Ng & Co., Ltd. Given shareholders of XLM had already advanced their respective portions of shareholders' loan to XLM for completion of the Concordia Acquisition in May 2006, the calculation of the Consideration has therefore taken into account of the time value of money. The Consideration is calculated at 8.7% of a value representing a premium of 5% over the aforesaid valuation of the Property of HK$3.43 billion less the Additional Concordia Loan (as described below) of not more than HK$70.0 million. The refundable earnest money of HK$90.0 million (details of which are set out in the announcement of the Company dated 28th November, 2006) has been utilised as a deposit to Forever Charm upon signing of the Acquisition Agreement. Such deposit will upon Completion represent part payment of the Consideration.

The balance of the Consideration of HK$155.7 million shall be satisfied by cash as follows:

(i) as to HK$25.7 million within 14 days after signing of the Acquisition Agreement (as subsequently agreed between Forever Charm and Top Century, such amount of HK$25.7 million need not be paid within the time aforesaid but only upon request of Forever Charm or if no such request is made, on Completion and as at the Latest Practicable Date, Forever Charm has not requested such payment);

(ii) as to HK$100 million on Completion; and

(iii) the remaining balance of HK$30.0 million within three months after Completion.

The Consideration will be financed by internal resources of the Group.

The Board considers the Consideration and its payment terms fair and reasonable.

4) Additional Concordia Loan

Pursuant to the Acquisition Agreement, Top Century undertakes to advance to Concordia the Additional Concordia Loan of HK$70 million such that, together with the Sale Loan, the aggregate amount of the shareholder's loan advanced by Top Century to Concordia is proportional to the direct shareholding percentage of Top Century in Concordia. The Additional Concordia Loan, same as all other shareholders' loans due by Concordia, is unsecured, has no fixed terms of repayment and carries interest, if any, to be determined by the board of directors of Concordia.

In consideration of Top Century entering into the Acquisition Agreement and undertaking to advance to Concordia the Additional Concordia Loan, Forever Charm undertakes to bear 8.7% of the payment of land premium required for the Renewal.

The Board considers the terms of the Additional Concordia Loan fair and reasonable.

5) Conditions precedent

Completion is conditional upon:

(i) the issue of a legal opinion by a firm of Macau lawyers acceptable to Top Century (at its absolute opinion) as to the interests of Forever Charm in Concordia, the legality and enforceability of the Acquisition Agreement and any matters deem necessary or appropriate by Top Century at its absolute opinion and in such form and content satisfactory to Top Century;

(ii) the issue of a certificate by the Registry of Corporate Affairs of BVI in respect of Forever Charm, certifying that Forever Charm is legally subsisting, and the issue of a certificate by the registered agent of Forever Charm, certifying its shareholders and directors and that the Sale Shares and the Sale Loan are free from encumbrances;

(iii) there being no occurrence of material events or changes which will cause any representations or warranties being inaccurate, and there being no breach of any representations or warranties which will lead to or reasonably be expected to lead to, any material adverse effect;

(iv) the passing of the relevant resolutions by the Shareholders to approve the Acquisition Agreement and the transactions contemplated thereunder;

(v) the obtaining of all necessary approvals, permits, licences and third party consents for the Acquisition Agreement and the transactions contemplated thereunder by Top Century, Forever Charm and/or Concordia (including but not limited to consents from the other shareholders of Concordia and/or any other third party, if necessary) and such approvals, permits, licences and third party consents remaining in force; and

(vi) the obtaining of all documents required under the constitutional documents of Concordia in relation to transfer of the Sale Shares to Top Century (including all documents relating to the waiver of the pre-emptive rights on the Sale Shares by Concordia and its other shareholders) by Top Century, Forever Charm and/or Concordia.

Top Century may waive any of the above conditions other than condition (iv). If the above conditions cannot be fulfilled or waived (as the case may be) by the Long Stop Date or if condition (iii) above cannot remain fulfilled as at the date of Completion and has not been waived by Top Century, Top Century shall be entitled to rescind the Acquisition Agreement and Forever Charm shall refund all deposits paid by Top Century.

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

6) Completion

Completion shall take place on the fifth Business Day immediately after all the conditions precedent contained in the Acquisition Agreement have been duly fulfilled or waived (as the case may be), or such other date as Forever Charm and Top Century may mutually agree.

Completion is not conditional on Option Shares Completion.

INFORMATION ON CONCORDIA

Concordia

Concordia was incorporated in Macau in 1975. The sole business of Concordia is its investment in the Property, which is located on the northwest side of Coloane, Macau (澳門路環) with a go-kart circuit, a golf course and resorts under construction nearby. Concordia had been granted a lease of a piece of leasehold land, of which the Property forms part, in 1975 with a term of twenty-five years. In 1993, Concordia further entered into an agreement with the Government of Macau pursuant to which Concordia could retain the Property for developing the Property for residential, commercial or hotel use. The Lease expired on 7th October, 2000.

Renewal and the related risks

Formation of land, roads, access to water and electricity for the proposed development of the Property have been completed. However, there was overdue land premium in respect of the Lease prior to its expiry in 2000 as Concordia had no financial ability to settle such amount in the past. As at the Latest Practicable Date, the overdue land premium of MOP140.8 million had been fully settled by Concordia and a written request has been submitted to the Government of Macau for the Renewal, which is being reviewed by the Government of Macau.

Given the grant of the Renewal by the Government of Macau is uncertain, the Board has obtained a legal opinion from Mr. Leong Hon Man, the Company's legal adviser in respect of Macau laws. As stated in such legal opinion, based on the general practice in Macau, it is likely that the Government of Macau will consider the Renewal provided that Concordia settles all the outstanding premium, additional premium, the outstanding land rent and satisfies other requirements that the Government of Macau may demand. In addition, according to the Macau Land Law, the owner of a parcel of land will cease to have a concession in that parcel of land only when the Government of Macau declares the termination of the concession of such parcel of land and publishes it on the Gazette. As at the Latest Practicable Date, according to the certificate issued by the Macau Real Estate Registry, no termination has been declared by the Government of Macau for the concession of the Property that Concordia is entitled to, as such Concordia remains the registered owner and is entitled to the concession of the Property. In view of the legal opinion and the fact that the Company is the substantial shareholder of Concordia with board representation and is well aware of the status of the Renewal, the Board therefore is optimistic that the Renewal will be granted by the Government of Macau.

In the event that the Renewal is not granted by the Government of Macau within two years from the date of completion of the Concordia Acquisition (i.e. 29th May, 2006), subject to Concordia paying the extra premium required by the Government of Macau, submitting a development plan which complies with the regulations of the Government of Macau and the Government of Macau accepting the aforesaid development plan, the Group will be compensated up to the aggregate amount of all monies paid or advanced to Pacific Wish or Orient Town pursuant to the Deed of Guarantee in respect of the Initial Acquisition and the Option Shares Acquisition. The Company, however, will not be compensated for the Acquisition.

The Company will make further announcement(s) should there be any material development in respect of the Renewal.

Development plan

Based on the Directors' knowledge, information and belief after having made all reasonable enquiries, the detailed development plan will be submitted after the grant of the Renewal. Given the proposed development plan of the Property (as described below) is primarily for residential, commercial and hotel use, which is in line with the intended use as stated in the agreement entered into between the Government of Macau and Concordia in 1993, the Directors do not anticipate any material obstacles in obtaining the approval for the development plan from the Government of Macau. The total construction site area of the Property is 55,652 m^2. Based on the latest development plan of the Property, luxurious residential properties including hotel with carparks and club-house facilities of total gross floor area of approximately 797,100 m^2 will be built on the site. Further details of the development plan of the Property are set out on pages 223 to 224 of the Orient Town Circular.

Financial information on Concordia

Set out below is the audited financial information on Concordia for each of the two years ended 31st December, 2004 and 2005 and the nine months ended 30th September, 2006 prepared in accordance with the HK GAAP:

	For the nine months ended 30th September, 2006	**Year ended 31st December, 2005**	**2004**
	MOP'000	*MOP'000*	*MOP'000*
Turnover	–	–	–
Loss before taxation	(7,316)	(62,280)	(109,484)
Loss after taxation	(7,316)	(62,280)	(109,484)

	As at 30th September, 2006	**As at 31st December, 2005**	**2004**
	MOP'000	*MOP'000*	*MOP'000*
Total assets	109,414	15,837	44,073
Net liabilities	(2,004,894)	(1,997,578)	(1,952,614)

Due to expiry of the Lease, all unamortized costs for the development of the Property incurred prior to the expiry were charged to the income statement in 2000. Costs, including but not limited to, construction costs and borrowing costs incurred for the development of the Property subsequent to the expiry of the Lease were recognised as expenses in the income statement in the period in which they were incurred. Therefore, the financial information of Concordia is not reflective of the potential value of the Property.

REASONS FOR THE OPTION SHARES ACQUISITION AND THE ACQUISITION

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, golf resort and hotel operation, trading of motorcycles, sale and manufacturing of western pharmaceutical products, Chinese pharmaceutical and health products.

The Board has been actively seeking property investment opportunities principally in Macau. The change of the name of the Company is reflective of the Group's business focus. In June 2006, the Group has completed the Initial Acquisition (the terms of which include the granting of the Call Option by Pacific Wish to the Group) and has become a holder of approximately 23.8% effective interest in Concordia. Subsequent to the completion of the Initial Acquisition, the Group, at the request of Pacific Wish, gave consent to the Cancellation such that the Group reduced the number of shares under the Call Option to 35 issued shares in Orient Town to facilitate the disposal of shares in Orient Town and the grant of option to acquire additional shares in Orient Town by Pacific Wish to an independent third party. As disclosed in the announcement of the Company dated 26th

June, 2006, the Company agreed to the Cancellation with a view to strengthening the shareholders base of Orient Town to attract international sales of the development project held by Concordia.

After becoming a substantial shareholder of Concordia, the knowledge and information gained by the Group through participation in the day-to-day management of Concordia confirms the Group's assessment of the investment potential of the Property. Therefore, the Group has been seeking opportunities to further increase its interest in Concordia.

The Option Shares Acquisition is an extension of the Initial Acquisition. Upon exercise of the right to acquire the Option Shares, the Group increases its effective interest in Concordia from 23.8% to approximately 26.8%.

The Acquisition represents an attractive opportunity to the Group as it enables the Group (i) to further increase its effective interest in Concordia by 8.7% to become the single largest shareholder of Concordia; and (ii) to stream-line the shareholding structure of Concordia with a view to enhancing operational efficiency and effectiveness.

In considering the Option Shares Acquisition and the Acquisition, the Board has taken into account the prospering property market in Macau and the valuation of the Property at 31st March, 2006 at approximately HK$3.43 billion given by the independent valuers.

The Board would like to draw your attention to the opinion of the reporting accountants on the financial information of Orient Town and Concordia set out in Appendices IV and V respectively of this circular as follows:

Reporting accountants' opinion on the financial information of Orient Town:

1. Included in the consolidated balance sheet of Orient Town as at 31st December, 2005 were an available-for-sale investment of HK$13,236,000, loan to Concordia of HK$82,036,000 and deposits paid for the acquisition of additional interest in Concordia of HK$610,000,000. Concordia is solely engaged in the holding of the Property and become a subsidiary of Orient Town during the nine months ended 30th September, 2006. The lease term of the Property expired in 2000 and Concordia is in the course of obtaining Renewal from the Government of Macau for an extension of the lease term of the Property for twenty-five years commencing from its expiry in 2000. In the absence of a confirmation from the Government of Macau signifying the approval of the Renewal, the reporting accountants were unable to assess whether any impairment losses on the available-for-sale investment in Concordia, loan to Concordia or deposits paid for the acquisition of additional interest in Concordia should be recognised and the gain on partial disposal of interest in a subsidiary of HK$78,875,000 reported in the period ended 31st December, 2005 and the goodwill arising on acquisition of Concordia of HK$2,162,095,000 during the nine months ended 30th September, 2006 are fairly stated.

2. The reporting accountants have not been provided with sufficient documentary evidence to support the interest on land premium payable to the Government of Macau of HK$104,111,000 included in the consolidated balance sheet as at 30th September, 2006.

3. Included in the consolidated balance sheet as at 30th September, 2006 was goodwill of HK$2,162,095,000 arising from the acquisition of equity interest in Concordia during the nine months ended 30th September, 2006. Because of the uncertainty of the Renewal, the directors of Concordia consider it was impracticable to perform a business valuation on Concordia. Accordingly, the reporting accountants were unable to assess whether an impairment should be recognised for this amount.

4. Included in Orient Town's balance sheets as at 31st December, 2005 and 30th September, 2006 were an amount due from a subsidiary of HK$319,230,000 and HK$1,432,080,000 respectively. Because of the limitation of the scope set out above, the reporting accountants were unable to obtain sufficient documentary evidence in order to assess whether an impairment should be recognised for these amounts.

Reporting accountants' opinion on the financial information of Concordia:

5. The reporting accountants have not been provided with sufficient documentary evidence to support the interest on land premium payable to the Government of Macau of MOP74,836,000, MOP88,335,000, MOP102,679,000 and MOP107,234,000 as at 31st December, 2003, 2004, 2005 and 30th September, 2006, respectively and the related interest charge of MOP12,704,000, MOP13,499,000, MOP14,344,000 and MOP4,555,000 for the years ended 31st December, 2003, 2004 and 2005 and the nine months ended 30th September, 2006, respectively. There were no other satisfactory audit procedures that the reporting accountants could adopt to satisfy themselves that these amounts were fairly stated.

6. The reporting accountants have not been provided with sufficient documentary evidence to verify the ownership and the carrying amounts of Concordia's buildings of MOP7,180,000 and MOP5,289,000, as at 31st December, 2003 and 2004 respectively. All of the Concordia's buildings were disposed of during the years ended 31st December, 2003, 2004 and 2005. There were no other satisfactory audit procedures that the reporting accountants could adopt to verify the ownership of the buildings and whether their carrying amounts included in the balance sheets as at 31st December, 2003 and 2004 and the related depreciation charge of MOP73,000 and MOP72,000 for the years ended 31st December, 2003 and 2004, respectively, and the loss on disposal of these buildings of MOP5,180,000, MOP789,000 and MOP1,789,000 reported in the years ended 31st December, 2003, 2004 and 2005, respectively, are fairly stated.

The Board has carefully evaluated the potential implications of the above opinion of the reporting accountants for the prior years and considered that there are no material adverse effects to the Acquisition since:

1. **Renewal of the Property**

The opinions of the reporting accountants in (1), (3) and (4) above are principally related to the uncertainty whether the Renewal can be obtained or not. The lease of the Property expired in 2000.

Renewal and the related risks

Formation of land, roads, access to water and electricity for the proposed development of the Property have been completed. However, there was overdue land premium in respect of the Lease prior to its expiry in 2000 as Concordia had no financial ability to settle such amount in the past. As at the Latest Practicable Date, the overdue land premium of MOP140.8 million had been fully settled by Concordia and a written request has been submitted to the Government of Macau for the Renewal, which is being reviewed by the Government of Macau.

Given the grant of the Renewal by the Government of Macau is uncertain, the Board has obtained a legal opinion from Mr. Leong Hon Man, the Company's legal adviser in respect of Macau laws. As stated in such legal opinion, based on the general practice in Macau, it is likely that the Government of Macau will consider the Renewal provided that Concordia settles all the outstanding premium, additional premium, the outstanding land rent and satisfies other requirements that the Government of Macau may demand. In view of the legal opinion and the fact that the Company is the substantial shareholder of Concordia with board representation and is well aware of the status of the Renewal, the Board therefore is optimistic that the Renewal will be granted by the Government of Macau.

In the event that the Renewal is not granted by the Government of Macau within two years from the date of completion of the Concordia Acquisition (i.e. 29th May, 2006), subject to Concordia paying the extra premium required by the Government of Macau, submitting a development plan which complies with the regulations of the Government of Macau and the Government of Macau accepting the aforesaid development plan, the Group will be compensated up to the aggregate amount of all monies paid or advanced to Pacific Wish or Orient Town pursuant to the Deed of Guarantee in respect of the Initial Acquisition and the Option Shares Acquisition. The Company, however, will not be compensated for the Acquisition.

The Company will make further announcement(s) should there be any material development in respect of the Renewal.

Development plan

Based on the Directors' knowledge, information and belief after having made all reasonable enquiries, the detailed development plan will be submitted after the grant of the Renewal. Given the proposed development plan of the Property (as described below) is primarily for residential, commercial and hotel use, which is in line with the intended use as stated in the agreement entered into between the Government of Macau and Concordia in 1993, the Directors do not anticipate any material obstacles in obtaining the approval for the development plan from the Government of Macau. The total gross site area of the Property is 55,652 m^2. Based on the latest development plan of the Property, luxurious residential properties including hotel with carparks and club-house facilities of total gross floor area of approximately 797,100 m^2 will be built on the site. Further details of the development plan of the Property are set out on pages 223 to 224 of the Orient Town Circular.

2. Insufficient audit evidence for the interest on land premium payable

Since the reporting accountants cannot obtain independent confirmation from the Government of Macau to verify the amount payable by Concordia for the outstanding interest on land premium payable as at 31st December, 2003, 2004 and 2005 and 30th September, 2006 respectively, they were unable to form an opinion as in (2) and (5) above whether such amounts were fairly stated in the accountants' report. As a condition of the Concordia Agreement, the vendor of Concordia has warranted the full settlement of all the liabilities of Concordia incurred prior to the completion of the Concordia Acquisition, whether such liabilities were recorded in Concordia's financial statements or not, except for certain amount due to Concordia's shareholders. In particular, as based on the best estimate of the directors' of Concordia, an amount of MOP107.2 million (equivalent to HK$104.1 million) of the consideration payable to the vendor of the Concordia Acquisition has been withheld in the accounts of Concordia for future settlement of this liability. Should the final settlement amount as agreed with the Government of Macau differ from MOP107.2 million (equivalent to HK$104.1 million), the shortfall or the excess shall be compensated by or paid to the vendor of the Concordia Acquisition (as the case may be) and therefore there shall not be any potential financial impact on Concordia.

3. The opinion of the reporting accountants in (6) above is only related to the balance sheet of Concordia as at 31st December, 2003 and 31st December, 2004 which, in the opinion of the Board, has no implication to the Acquisition and the Option Shares Acquisition.

In view of the above, the Board considers that the exercise of the right to acquire the Option Shares and the entering into of the Acquisition Agreement (including the respective transactions contemplated thereunder) are in the interest of the Company and the Shareholders as a whole and the terms of the Option Shares Acquisition and the Acquisition Agreement are fair and reasonable.

FINANCIAL EFFECTS OF THE OPTION SHARES ACQUISITION

Your attention is drawn to the unaudited pro forma statement of assets and liabilities on the Group immediately after completion of the Option Shares Acquisition and payment of the Shareholder's Loan set out in section 1B of Appendix VI to this circular. Such unaudited pro forma statement of assets and liabilities is prepared as if the Option Shares Acquisition has been completed at the relevant time and is presented to provide information on the Group as a result of the completion of the Option Shares Acquisition and payment of the Shareholder's Loan.

Earnings

Upon completion of the Option Shares Acquisition, the Group continues to equity account for the profit or loss after taxation of Orient Town Group as an associate. The only core business of Orient Town Group is its interests in the Property which operating performance will principally be dependent on the outcome of the application for the Renewal and the development plan of the Property.

Net assets

As the Option Shares Acquisition and the Shareholders' Loan will be financed by internal resources of the Group, there will not be any impact on the Group's net assets.

Gearing

As extracted from the interim report of the Company for the six months ended 30th September, 2006, the gearing ratio of the Group, calculated with reference to the total bank and other borrowings of HK$149.5 million, the fair value of the liability component of convertible notes payables of HK$1,316.4 million, setoff with the bank and cash balances of HK$1,218.6 million and the Group's shareholder's funds of HK$1,542.0 million, was 0.16.

As set out in section 1B of Appendix VI to this circular, assuming the Option Shares Completion and payment of the Shareholder's Loan had taken place on 30th September, 2006, the gearing ratio of the Enlarged Group, calculated with reference to the total bank and other borrowings of HK$149.5 million, the fair value of the liability component of convertible notes payables of HK$1,316.4 million, setoff with the bank and cash balances of HK$1,118.6 million and the Group's shareholder's funds of HK$1,542.0 million, was 0.23.

FINANCIAL EFFECTS OF THE ACQUISITION

Your attention is drawn to the unaudited pro forma statement of assets and liabilities on the Group immediately after the completion of the Acquisition and payment of the Additional Concordia Loan set out in section 2B of Appendix VI to this circular. Such unaudited pro forma statement of assets and liabilities is prepared as if the Acquisition has been completed at the relevant time and is presented to provide information on the Group as a result of the completion of the Acquisition and payment of the Additional Concordia Loan.

Earnings

Upon completion of the Acquisition, the Group continues to equity account for the profit or loss after taxation of the Concordia as an associate. The only core business of Concordia is the Property development which operating performance will principally be dependent on the outcome of the application for the Renewal and the development plan of the Property.

Net assets

As the Acquisition and the Additional Concordia Loan will be financed by internal resources of the Group, there will not be any impact on the Group's net assets.

Gearing

As extracted from the interim report of the Company for the six months ended 30th September, 2006, the gearing ratio of the Group, calculated with reference to the total bank and other borrowings of HK$149.5 million, the fair value of the liability component of convertible notes payables of HK$1,316.4 million, setoff with the bank and cash balances of HK$1,218.6 million and the Group's shareholder's funds of HK$1,542.0 million, was 0.16.

As set out in section 2B of Appendix VI to this circular, assuming the Completion and payment of the Additional Concordia Loan had taken place on 30th September, 2006, the gearing ratio of the Group, calculated with reference to the total bank and other borrowings of HK$149.5 million, the fair value of the liability component of convertible notes payables of HK$1,316.4 million, setoff with the bank and cash balances of HK$902.9 million and the Group's shareholder's funds of HK$1,542.0 million, was 0.37.

SGM

The Option Shares Acquisition and the Acquisition, having taken into account the Shareholder's Loan and the Additional Concordia Loan, constitute a major transaction for the Company under Chapter 14 of the Listing Rules which requires the approval by the Shareholders at the SGM. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder had any material interest in the Option Shares Acquisition and the Acquisition, and therefore no Shareholder is required to abstain from voting at the SGM. The SGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Option Shares Acquisition, the Acquisition Agreement and the respective transactions contemplated thereunder.

Set out on pages 296 to 298 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, 23rd March, 2007 at 11:00 a.m., at which ordinary resolutions will be proposed and, if consider appropriate, passed to approve the Option Shares Acquisition, the Acquisition Agreement and the respective 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

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.

RECOMMENDATION

The Directors consider that the exercise of the right to acquire the Option Shares and the entering into of the Acquisition Agreement (including the transactions contemplated thereunder) are in the interest of the Company and the Shareholders as a whole and the terms of the Option Shares Acquisition and the Acquisition Agreement are fair and reasonable. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Option Shares Acquisition, the Acquisition Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the financial information on the Group, Orient Town Group and Concordia, the valuation report on the Property, other information set out in the appendices to this circular and the notice convening the SGM.

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

1. FINANCIAL SUMMARY

Set out below is a summary of the audited financial information on the Group for the three years ended 31st March, 2006 and the unaudited financial information on the Group for the six months ended 30th September, 2005 and 2006 extracted from the Company's relevant annual reports and interim reports:

RESULTS

	For the year ended 31st March,			For the six months ended 30th September,	
	2004	**2005**	**2006**	**2005**	**2006**
	HK$'000	*HK$'000* (restated)	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	63,514	379,396	842,256	426,380	201,199
Cost of sales	(55,429)	(259,478)	(720,841)	(370,651)	(133,001)
Allowance for properties held for sale	(6,006)	–	–	–	–
Gross profit	2,079	119,918	121,415	55,729	68,198
Other income	7,267	2,139	21,787	6,830	50,667
Distribution costs	–	(57,942)	(72,630)	(33,043)	(40,422)
Administrative expenses	(11,383)	(31,716)	(50,363)	(20,403)	(48,228)
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)	(11,000)	–
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)	(5,114)	(5,887)
Unrealised holding gain (loss) of other investments	1,640	(4,226)	–	–	–
Compensation for cancellation of call options for acquisition of additional interest in an associate	–	–	–	–	32,154
Share of results of associates	–	–	(5)	–	(4,823)
Finance costs	(15,585)	(7,554)	(36,818)	(9,940)	(42,109)
(Loss) profit before taxation	(37,791)	14,085	(70,435)	(16,941)	9,550
Taxation	–	(1,823)	(2,657)	(819)	(2,014)
(Loss) profit for the year	(37,791)	12,262	(73,092)	(17,760)	7,536

	For the year ended 31st March,			For the six months ended 30th September,	
	2004	2005	2006	2005	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(restated)			
Attributable to:					
Equity holders of the Company	(29,612)	12,262	(72,960)	(17,760)	12,440
Minority interests	(8,179)	–	(132)	–	(4,904)
	(37,791)	12,262	(73,092)	(17,760)	7,536
	HK cents	*HK cents*	*HK cents*	*HK cents*	*HK cents*
(Loss) earnings per share					
– Basic	(25.0)	7.6	(17.2)	(4.4)	0.6
– Diluted	N/A	6.3	N/A	N/A	N/A

	As at 31st March,			As at 30th September,	
	2004	2005	2006	2005	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(restated)			
ASSETS AND LIABILITIES					
Non-current assets	8,580	89,618	301,587	77,944	1,427,259
Current assets	223,681	388,895	1,099,627	1,363,781	1,917,842
Total assets	232,261	478,513	1,401,214	1,441,725	3,345,101
Current liabilities	102,085	139,162	117,044	126,646	286,207
Non-current liabilities	–	90,547	838,337	903,299	1,360,681
Total liabilities	102,085	229,709	955,381	1,029,945	1,646,888
Minority interests	–	–	(816)	(924)	(156,210)
Net assets attributable to Shareholders	130,176	248,804	445,017	410,856	1,542,003

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 *HK$'000*	**2005** *HK$'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 *HK$'000*	2005 *HK$'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) *HK$'000*	Effect of HKAS 17 *HK$'000*	Effect of HKAS 32 *HK$'000*	As at 31st March, 2005 (restated) *HK$'000*	Effect of HKAS 39 *HK$'000*	As at 1st April, 2005 (restated) *HK$'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	Deferred development costs	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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 HK$'000	2005 HK$'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		Principal activities
			Directly %	Indirectly %	
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	**Motorcycles**	**Property**	**Securities investment**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*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. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2006

The following is a reproduction of the text of the unaudited consolidated financial statements of the Group together with the accompanying notes contained in pages 6 to 35 of the interim report of the Company for the six months ended 30th September, 2006:

CONDENSED CONSOLIDATED INCOME STATEMENT

(For the six months ended 30th September, 2006)

		Six months ended	
		30.9.2006	**30.9.2005**
		(unaudited)	(unaudited)
	Notes	*HK$'000*	*HK$'000*
Turnover	*3*	201,199	426,380
Cost of sales		(133,001)	(370,651)
Gross profit		68,198	55,729
Other income		50,667	6,830
Distribution costs		(40,422)	(33,043)
Administrative expenses		(48,228)	(20,403)
Decrease in fair value of investments held-for-trading		(5,887)	(5,114)
Compensation for cancellation of call options for acquisition of additional interest in an associate	*11*	32,154	–
Impairment loss recognised in respect of goodwill arising from acquisition of subsidiaries		–	(11,000)
Share of results of associates		(4,823)	–
Finance costs	*4*	(42,109)	(9,940)
Profit (loss) before taxation	*5*	9,550	(16,941)
Taxation	*6*	(2,014)	(819)
Profit (loss) for the period		7,536	(17,760)
Attributable to:			
Equity holders of the Company		12,440	(17,760)
Minority interests		(4,904)	–
		7,536	(17,760)
		HK cents	*HK cents*
Earnings (loss) per share	*8*		
– Basic		0.6	(4.4)
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET
(At 30th September, 2006)

	Notes	30.9.2006 (unaudited) HK$'000	31.3.2006 (audited) HK$'000
Non-current assets			
Property, plant and equipment	9	261,396	38,627
Prepaid lease payments of leasehold land		101,169	1,375
Premium on prepaid lease payments of leasehold land	10	133,062	–
Intangible assets	10	2,605	2,986
Interests in associates	11	–	–
Loan and interest due from an associate	11	906,240	–
Other loan receivables	14	4,635	4,635
Deposits paid on acquisition of property, plant and equipment		1,815	–
Deposits and expenses paid for acquisition of subsidiaries and associates	12	–	253,964
Goodwill	20	14,817	–
Deferred tax assets		1,520	–
		1,427,259	301,587
Current assets			
Inventories		89,090	70,859
Properties held for sale		58,730	58,536
Investments held-for-trading		31,914	9,043
Debtors, deposits and prepayments	13	203,066	193,365
Other loan receivables	14	314,013	59,314
Prepaid lease payments of leasehold land		2,419	30
Pledged bank deposits		23,000	3,000
Bank balances and cash		1,195,610	705,480
		1,917,842	1,099,627

	Notes	30.9.2006 (unaudited) HK$'000	31.3.2006 (audited) HK$'000
Current liabilities			
Creditors and accrued charges	15	135,027	70,237
Tax payable		12,538	1,273
Obligations under finance leases – due within one year		23	143
Convertible note payables	16	2,958	221
Bank borrowings – due within one year		95,591	45,170
Bank overdraft		645	–
Unsecured other borrowings	17	39,425	–
		286,207	117,044
Net current assets		1,631,635	982,583
Total assets less current liabilities		3,058,894	1,284,170
Non-current liabilities			
Obligations under finance leases – due after one year		84	96
Convertible note payables	16	1,313,473	838,241
Bank borrowings – due after one year		13,793	–
Deferred tax liabilities		33,331	–
		1,360,681	838,337
		1,698,213	445,833
Capital and reserves			
Share capital	18	23,123	6,314
Reserves		1,518,880	438,703
Equity attributable to equity holders of the Company		1,542,003	445,017
Minority interests		156,210	816
		1,698,213	445,833

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(For the six months ended 30th September, 2006)

	Attributable to equity holders of the Company											
	Share capital	Share premium	Capital redemption reserve	Convertible loan notes equity reserve	Share-based payment reserve	Other reserve	Special reserve	Translation reserve	Accumulated profits	Total	Minority interests	Total
	HK$'000	*HK$'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, 2005	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	–	–	–	–	–	–	–	31	–	31	–	31
Loss for the period	–	–	–	–	–	–	–	–	(17,760)	(17,760)	–	(17,760)
Total recognised income and expense for the period	–	–	–	–	–	–	–	31	(17,760)	(17,729)	–	(17,729)
Recognition of equity component of convertible notes	–	–	–	160,914	–	–	–	–	–	160,914	–	160,914
Conversion of convertible notes	476	19,084	–	(693)	–	–	–	–	–	18,867	–	18,867
Capital contribution of minority shareholders	–	–	–	–	–	–	–	–	–	–	924	924
At 30th September, 2005	4,086	121,441	646	163,341	–	32,308	(8,908)	658	97,284	410,856	924	411,780
Exchange differences arising on translation of operations outside Hong Kong and income recognised directly in equity	–	–	–	–	–	–	–	1,638	–	1,638	24	1,662
Loss for the period	–	–	–	–	–	–	–	–	(55,200)	(55,200)	(132)	(55,332)
Total recognised income and expense for the period	–	–	–	–	–	–	–	1,638	(55,200)	(53,562)	(108)	(53,670)
Conversion of convertible notes	2,228	91,783	–	(6,288)	–	–	–	–	–	87,723	–	87,723
At 31st March, 2006	6,314	213,224	646	157,053	–	32,308	(8,908)	2,296	42,084	445,017	816	445,833

	Attributable to equity holders of the Company											
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Convertible loan notes equity reserve HK$'000	Share-based payment reserve HK$'000	Other reserve HK$'000 (note)	Special reserve HK$'000 (note)	Translation reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 31st March, 2006	6,314	213,224	646	157,053	–	32,308	(8,908)	2,296	42,084	445,017	816	445,833
Exchange differences arising on translation of operations outside Hong Kong and income recognised directly in equity	–	–	–	–	–	–	–	2,138	–	2,138	2,335	4,473
Profit for the period	–	–	–	–	–	–	–	–	12,440	12,440	(4,904)	7,536
Total recognised income and expense for the period	–	–	–	–	–	–	–	2,138	12,440	14,578	(2,569)	12,009
Transfer	–	–	–	–	–	(32,308)	–	–	32,308	–	–	–
Recognition of equity component of convertible notes	–	–	–	274,644	–	–	–	–	–	274,644	–	274,644
Conversion of convertible notes	8,953	393,688	–	(63,393)	–	–	–	–	–	339,248	–	339,248
Issue of shares	8,334	491,666	–	–	–	–	–	–	–	500,000	–	500,000
Expenses incurred in connection with issue of shares	–	(12,908)	–	–	–	–	–	–	–	(12,908)	–	(12,908)
Repurchase and cancellation of shares	(478)	(19,615)	478	–	–	–	–	–	(478)	(20,093)	–	(20,093)
Recognition of equity-settled share-based payments	–	–	–	–	1,517	–	–	–	–	1,517	–	1,517
Acquired on acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	157,963	157,963
At 30th September, 2006	23,123	1,066,055	1,124	368,304	1,517	–	(8,908)	4,434	86,354	1,542,003	156,210	1,698,213

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. Pursuant to a resolution passed on 29th September, 2006, the amount of other reserve was transferred to the accumulated profits.

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.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
(For the six months ended 30th September, 2006)

		Six months ended	
		30.9.2006	**30.9.2005**
		(unaudited)	(unaudited)
	Note	*HK$'000*	*HK$'000*
Net cash used in operating activities		(33,621)	(40,022)
Net cash used in investing activities			
Loan advanced to an associate		(645,000)	–
Loans advanced		(262,500)	(18,314)
Refundable earnest money paid		(80,000)	(390,000)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	20	(67,082)	–
Refundable earnest money received		140,000	–
Repayment of other loan receivables		7,500	–
Other investing cash flows		(11,533)	(26,954)
		(918,615)	(435,268)
Net cash from financing activities			
Net proceeds from issue of convertible notes		981,731	988,867
Proceeds from issue of shares		500,000	–
New bank and other borrowings raised		85,422	473
Repayment of promissory notes		–	(13,000)
Repayment of bank and other borrowings		(86,495)	(17,316)
Expenses paid in connection with issue of shares		(12,908)	–
Other financing cash flows		(25,204)	(2,234)
		1,442,546	956,790
Net increase in cash and cash equivalents		490,310	481,500
Cash and cash equivalents at beginning of the period		705,480	187,980
Effect of foreign exchange rate changes		(825)	31
Cash and cash equivalents at end of the period		1,194,965	669,511
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		1,195,610	669,511
Bank overdraft		(645)	–
		1,194,965	669,511

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2006 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS(s)"), amendments to Hong Kong Accounting Standards ("HKAS (Amendments)"), Amendments and Interpretations ("HK(IFRIC)-INT(s)") (hereinafter collectively referred to as the "new HKFRSs") issued by the HKICPA, which are either effective for accounting periods beginning on or after 1st December, 2005, 1st January, 2006 or 1st March, 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC)-INT 8	Scope of HKFRS 2[2]
HK(IFRIC)-INT 9	Reassessment of Embedded Derivatives[3]
HK(IFRIC)-INT 10	Interim Financial Reporting and Impairment[4]

[1] Effective for annual periods beginning on or after 1st January, 2007
[2] Effective for annual periods beginning on or after 1st May, 2006
[3] Effective for annual periods beginning on or after 1st June, 2006
[4] Effective for annual periods beginning on or after 1st November, 2006

3. SEGMENT INFORMATION

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

Principal activities are as follows:

Property	–	property development
Medicine and health food	–	manufacture and trading of medicine and health food
Golf resort and hotel	–	development and operation of golf resort and hotel and property management
Securities investment	–	trading of securities
Motorcycles	–	trading of motorcycles and spare parts

For the six months ended 30th September, 2006

	Property	Medicine and health food	Golf resort and hotel	Securities investment	Motorcycles	Consolidated
	HK$'000	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER						
External sales	2,117	167,039	11,961	13,691	6,391	201,199
SEGMENT RESULTS	(4,470)	1,533	(1,325)	(5,392)	197	(9,457)
Unallocated corporate income						49,947
Unallocated corporate expenses						(16,162)
Compensation for cancellation of call options for acquisition of additional interest in an associate *(note 11)*						32,154
Share of results of associates	(4,823)	–	–	–	–	(4,823)
Finance costs						(42,109)
Profit before taxation						9,550
Taxation						(2,014)
Profit for the period						7,536

Note: During the period, the Group acquired the entire interest in Everight Investment Limited ("Everight") at a consideration of HK$146 million. Everight is an investment holding company and its subsidiaries are engaged in the development and operation of golf resort and hotel and property management. Accordingly, the business segment of golf resort and hotel was regarded as a new business segment during the period.

For the six months ended 30th September, 2005

	Property	Medicine and health food	Securities investment	Motorcycles	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER					
External sales	–	138,427	282,406	5,547	426,380
SEGMENT RESULTS	259	5,878	(1,190)	186	5,133
Unallocated corporate income					5,313
Unallocated corporate expenses					(6,447)
Impairment loss recognised in respect of goodwill arising from acquisition of subsidiaries	–	(11,000)	–	–	(11,000)
Finance costs					(9,940)
Loss before taxation					(16,941)
Taxation					(819)
Loss for the period					(17,760)

4. FINANCE COSTS

	Six months ended 30.9.2006 HK$'000	Six months ended 30.9.2005 HK$'000
Interest on:		
Bank and other borrowings wholly repayable within five years	4,752	1,555
Promissory notes	–	210
Finance leases	5	–
Convertible notes	37,352	8,175
	42,109	9,940

5. PROFIT (LOSS) BEFORE TAXATION

	Six months ended 30.9.2006 HK$'000	Six months ended 30.9.2005 HK$'000
Profit (loss) before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	8,462	4,923
Amortisation of prepaid lease payments of leasehold land	725	15
Amortisation of intangible assets included in administrative expenses	65	29
Amortisation of premium on prepaid lease payments of leasehold land	968	–
Share-based payment transactions *(note 19)*	1,517	–
(Gain) loss on disposal of property, plant and equipment	(15)	260
Interest income	(49,947)	(5,314)
Net realised gains on investments held-for-trading:		
Proceeds on sales of investments (included in turnover)	(13,691)	(282,406)
Less: cost of sales (included in cost of sales)	13,180	278,407
	(511)	(3,999)

6. TAXATION

	Six months ended 30.9.2006 HK$'000	Six months ended 30.9.2005 HK$'000
Current tax:		
Hong Kong Profits Tax	33	–
Taxation in other jurisdictions	1,058	819
	1,091	819
Deferred tax	923	–
	2,014	819

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profits for both periods.

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

7. DIVIDENDS

The directors do not recommend the payment of an interim dividend in respect of the six months ended 30th September, 2006 (six months ended 30th September, 2005: Nil).

8. EARNINGS (LOSS) PER SHARE

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

	Six months ended	
	30.9.2006	**30.9.2005**
	HK$'000	*HK$'000*
Earnings:		
Profit (loss) for the period attributable to the equity holders of the Company	12,440	(17,760)

	Six months ended	
	30.9.2006	**30.9.2005**
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	1,932,681,786	403,150,067

No diluted earnings (loss) per share has been presented because the exercise of the share options and the conversion of the convertible notes would result in an increase in earnings per share or a decrease in loss per share.

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$18,250,000 on acquisition of property, plant and equipment. In addition, the Group acquired property, plant and equipment of approximately HK$209,819,000 as a result of acquisition of subsidiaries.

10. PREMIUM ON PREPAID LEASE PAYMENTS OF LEASEHOLD LAND/INTANGIBLE ASSETS

		30.9.2006	**31.3.2006**
	Notes	*HK$'000*	*HK$'000*
Intangible assets – Development cost	*(i)*	2,605	2,986
Premium on prepaid lease payments of leasehold land	*(ii)*	133,062	–

Notes:

(i) The development cost represents expenditure incurred on Chinese medicines and pharmaceutical products which are internally generated. They have definite useful lives and are amortised using the straight-line method over their useful lives.

(ii) The premium represents the premium on acquisition of prepaid lease payments for leasehold land as a result of acquisition of subsidiaries, which is amortised on the same basis as the related prepaid lease payments.

11. INTERESTS IN ASSOCIATES/LOAN AND INTEREST DUE FROM AN ASSOCIATE

	30.9.2006	31.3.2006
	HK$'000	*HK$'000*
Cost of investment in an associate, unlisted	–	–
Expenditure incurred for acquisition of an associate	4,823	–
Share of post-acquisition losses	(4,823)	–
	–	–
Loan to an associate	885,000	–
Interest receivables	21,240	–
	906,240	–

On 29th March, 2006, the Group entered into an acquisition agreement with Pacific Wish Limited ("Pacific Wish") (the "Acquisition Agreement"), a company incorporated in the British Virgin Islands in relation to the acquisition of 280 shares in Orient Town Limited ("Orient Town"), representing 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 (the "Orient Town Acquisition"). Orient Town is a company incorporated in Hong Kong and its principal asset is its indirect shareholding interest in a subsidiary, namely Empresa De Fomento Industrial E Comercial Concórdia, S.A. ("Concordia"), a company incorporated in Macau, which previously held the leasehold interests of 14 parcels of land (the "Leasehold Interests") situated in Estrada de Seac Pai Van, Macau. The lease terms of the Leasehold Interests was expired in 2000. Concordia is in the process of renewing the lease terms. Pursuant to the Orient Town Acquisition, the Group undertakes to advance to Orient Town by way of shareholder's loan in the amount of HK$885,000,000, of which deposit of HK$240,000,000 were paid during the year ended 31st March, 2006, for financing part of the working capital requirement of Orient Town. The shareholder's loan advanced to Orient Town bears interest at Hong Kong Prime Rate and has no fixed repayment terms. In the opinion of the directors, the amount will not be repaid within one year from 30th September, 2006 and therefore is classified as a non-current asset.

As further consideration for the Group agreeing to enter into the Acquisition Agreement, Pacific Wish had granted the Group an option to purchase all or any of the 70 shares of Orient Town (the "Option Shares"), representing 10% of its issued share capital of Orient Town held by Pacific Wish (the "Call Option"). Pursuant to the Call Option, the Group had the right to require Pacific Wish, from time to time within one year following the completion date of the Orient Town Acquisition (the "Exercise Period"), to sell all or any part of the Option Shares to the Group or its nominee(s) at the aggregate nominal value of the Option Shares. The Call Option is measured at cost less impairment because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

Pursuant to the Orient Town Acquisition, Pacific Wish undertakes not to dispose of any shares of Orient Town held by it within the Exercise Period unless (a) the prior written consent of the Group has been obtained; and (b) Pacific Wish having undertaken to the Group to pay to the Group half of the consideration on disposal of shares in Orient Town (the "Disposal") to potential purchaser by Pacific Wish. In the event of the Disposal, the number of Option Shares will be reduced by half of the number of shares subject to Disposal.

After the completion of the Orient Town Acquisition on 15th June, 2006, the Group granted a consent to Pacific Wish for disposal of 105 shares of Orient Town held by Pacific Wish to a purchaser, pursuant to which the purchaser has the right to require Pacific Wish to sell to the purchaser further 70 shares in addition to the 105 shares of Orient Town. The Group agreed that the number of Option Shares were reduced by half and compensated by HK$32,300,000 by Pacific Wish upon the disposal of shares of Orient Town by Pacific Wish pursuant to the undertakings given by Pacific Wish set out above. Compensation for cancellation of call option of HK$32,154,000, after deduction of transaction costs, was recognised in the consolidated income statement during the period. The Group held 35 Option Shares at 30th September, 2006 which are stated at cost less impairment.

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

The amount at 31st March, 2006 represents deposits and certain expenses incurred for the acquisition of Everight and Orient Town. During the period, the amounts of HK$12,099,000, HK$1,865,000 and HK$240,000,000 were accounted for as the cost of acquisition of subsidiaries, the cost of acquisition of an associate and loan due from an associate respectively upon the completion of the acquisition of Everight and Orient Town.

13. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows credit period ranging from 0 to 180 days to its trade customers.

The following is an aged analysis of trade debtors at the reporting date:

	30.9.2006	**31.3.2006**
	HK$'000	*HK$'000*
Trade debtors aged:		
0 – 60 days	22,631	19,309
61 – 90 days	551	528
91 – 180 days	1,459	1,537
181 – 365 days	2,441	–
Over 365 days	10,171	–
	37,253	21,374
Refundable earnest money *(note)*	90,150	150,136
Other receivable *(note 20)*	15,614	–
Other debtors, deposits and prepayments	60,049	21,855
	203,066	193,365

Note: The amount at 31st March, 2006 represents the refundable earnest money for possible acquisition of interests in properties located in The People's Republic of China (the "PRC"). An amount of HK$140,000,000 were refunded during the period. In August 2006, the Group paid HK$80,000,000 refundable earnest money for a possible tender to acquire an interest of land in Shanghai, the PRC. Wing On Travel (Holdings) Limited (a company whose shares are listed on the Stock Exchange) procure to return the earnest money to the Group within two months upon conclusion of the negotiations. Up to the date of this report, the negotiations have not yet concluded.

14. OTHER LOAN RECEIVABLES

Except for a loan of HK$20,000,000 which carries interest at the higher of Hong Kong Prime Rate and 4% per annum which is secured by the borrower's investment in the convertible note with a principal amount of HK$20,000,000 issued by a company whose shares are listed on the Stock Exchange, all remaining amount is unsecured, carries interest at Hong Kong Prime Rate plus 2% per annum. Loan receivables are repayable on demand or within one year. During the period, the Group made loans of amount of HK$262,500,000 and received repayment of HK$7,500,000.

15. CREDITORS AND ACCRUED CHARGES

The following is an aged analysis of trade creditors at the reporting date:

	30.9.2006	**31.3.2006**
	HK$'000	*HK$'000*
Trade creditors aged:		
0 – 60 days	42,831	22,496
61 – 90 days	14,288	21,329
Over 90 days	12,401	8,138
	69,520	51,963
Other creditors and accrued charges	65,507	18,274
	135,027	70,237

16. CONVERTIBLE NOTE PAYABLES

	Notes	Principal amount HK$'000	30.9.2006 HK$'000	31.3.2006 HK$'000
Carrying amount of debt component of convertible notes issued on:				
– 11th August, 2005	*(a)*	582,050	514,253	838,462
– 8th June, 2006	*(b)*	60,000	46,769	–
– 15th June, 2006	*(c)*	1,000,000	755,409	–
			1,316,431	838,462
Analysed for reporting purposes as:				
Current liability			2,958	221
Non-current liability			1,313,473	838,241
			1,316,431	838,462

Notes:

(a) During the period, the principal amount of the convertible notes of HK$393,950,000 were converted into 895,340,902 ordinary shares of HK$0.01 each in the Company at the conversion price of HK$0.44 per share.

(b) During the period, the Company issued HK$60,000,000 zero coupon unsecured convertible notes due 2010 ("2010 CN") at an initial conversion price of HK$0.44 (subject to anti-dilutive adjustments). The fair value of the 2010 CN at date of issue was approximately HK$73,000,000 (note 20). The convertible notes bear zero interest and will mature on 11th August, 2010. Unless previously converted or redeemed by the Company, the Company will redeem the convertible notes on the maturity date at the redemption amount which is not exceeding 108.3% of the principal amount of the convertible notes then outstanding.

(c) During the period, the Company issued HK$1,000,000,000 1% interest unsecured convertible notes due 2011 at an initial conversion price of HK$0.70 (subject to anti-dilutive adjustments). The convertible notes bear 1% interest per annum and will mature on 19th June, 2011. Unless previously converted or redeemed by the Company, the Company will redeem the convertible notes on the maturity date at the redemption amount equal to 110% of the principal amount of the convertible notes then outstanding.

The effective interest rate of the liability component of the above convertible note payables are ranging from 5.61% to 9.16% per annum.

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 effective interest rate of 9% per annum at the balance sheet date, approximate their corresponding carrying amounts.

17. UNSECURED OTHER BORROWINGS

	30.9.2006 *HK$'000*	31.3.2006 *HK$'000*
Unsecured other borrowings from:		
Minority shareholders of subsidiaries	34,961	–
番禺高爾夫球協會	1,576	–
L. F. Sam (HK) Ltd. *(note)*	1,594	–
A director	1,294	–
	39,425	–

Note: Mr. Chan Jink Chou, Eric, a director of Everight, is also a director and a shareholder of the related company.

The amounts are unsecured, bear interest at Hong Kong Prime Rate and are repayable on demand.

18. SHARE CAPITAL

	Number of shares	Amount *HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 1st April, 2006 and 30th September, 2006	40,000,000,000	400,000
Issued and fully paid:		
At 1st April, 2006	631,436,639	6,314
Conversion of convertible notes *(note 1)*	895,340,902	8,953
Placement of shares *(note 2)*	833,332,000	8,334
Repurchase and cancellation of shares *(note 3)*	(47,795,000)	(478)
At 30th September, 2006	2,312,314,541	23,123

Notes:

(1) In April and May 2006, the zero coupon convertible notes due 2010 with an aggregate principal amount of HK$393,950,000 were converted into 895,340,902 ordinary shares of HK$0.01 each in the Company at the conversion price of HK$0.44 per share. The new shares rank pari passu with all the other shares in issue in all respects.

(2) On 27th April, 2006, the Company entered into a share placing agreement with a placing agent for a placing of 833,332,000 new ordinary shares of HK$0.01 each in the Company at an issue price of HK$0.60 per share. The net proceeds of approximately HK$487 million would be used to finance the expansion of the property portfolio and the existing property development projects of the Group. The new shares rank pari passu with all the other shares in issue in all respects.

(3) During the period, the Company repurchased a total of 47,795,000 ordinary shares of HK$0.01 each in the Company at an aggregate consideration of approximately HK$20 million, all of these shares were cancelled upon repurchase. The nominal value of the cancelled shares was credited to the capital redemption reserve and the aggregate consideration was paid out of the reserves of the Company.

19. SHARE-BASED PAYMENT TRANSACTION

The Company has a share option scheme for eligible directors of the Company, employees and other participant of the Group. Details of the share options outstanding during the period are as follows:

	Number of share options
Outstanding at 1st April, 2006	–
Granted during the period	31,300,000
Outstanding at 30th September, 2006	31,300,000

The options granted entitle the holders thereof to subscribe for shares in the Company at the exercise price of HK$0.50 per share during the period from 15th August, 2006 to 14th August, 2008.

The closing price of the Company's shares immediately before 15th August, 2006, the date of grant of the options, was HK$0.445.

The fair value of the options determined at the date of grant using the Binomial option pricing model was HK$4,050,000. The Group recognised an expense of HK$1,517,000 as share-based payment expense for the six months ended 30th September, 2006 in relation to the share options granted which has been included in staff costs.

The following assumptions were used to calculate the fair value of share options granted:

Weighted average share price	HK$0.44
Weighted average exercise price	HK$0.50
Expected life of options	2 years
Expected volatility	56.21%
Expected dividend yield	Nil
Risk free rate	4.21%

The Binomial option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

20. ACQUISITION OF SUBSIDIARIES

In June 2006, the Group acquired the entire equity interest in Everight, a company engaged in the development and operation of golf resort and hotel and property management, for a consideration of HK$146 million. The acquisition has been accounted for using the purchase method of accounting. The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree's carrying amount before combination	**Fair value adjustments**	**Fair values**
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired:			
Property, plant and equipment	209,819	–	209,819
Prepaid lease payments of leasehold land	101,139	–	101,139
Premium on prepaid lease payments of leasehold land	–	134,029	134,029
Deferred tax assets	1,481	–	1,481
Inventories	1,752	–	1,752
Properties held for sale	213	–	213
Debtors, deposits and prepayments	19,985	–	19,985
Tax recoverable	258	–	258
Bank balances and cash	9,559	–	9,559
Creditors and accrued charges	(40,439)	–	(40,439)
Tax payable	(11,443)	–	(11,443)
Unsecured other borrowings	(59,206)	–	(59,206)
Bank borrowings	(45,506)	–	(45,506)
Deferred tax liabilities	(8,600)	(23,769)	(32,369)
	179,012	110,260	289,272
Minority interests	(107,246)	(50,717)	(157,963)
	71,766	59,543	131,309
Goodwill arising on acquisition			14,817
			146,126

	HK$'000
Satisfied by:	
Deposit and expenses paid for acquisition of subsidiaries	12,099
Cash	75,000
Issue of convertible notes	73,000
Expenditure incurred for the acquisition of subsidiaries during the period	1,641
Other receivable *(note)*	(15,614)
	146,126
Net cash outflow arising on acquisition:	
Cash consideration paid	(76,641)
Bank balances and cash acquired	9,559
	(67,082)

Note: The other receivable represents an amount due from the vendor in respect of tax indemnity given by the vendor pursuant to the sale and purchase agreement for acquisition of Everight. The amount is included in other receivable as set out in note 13.

The goodwill arising on the acquisition of Everight is attributable to the anticipated profitability of the diversification of the Group into the PRC property market and the anticipated future operating synergies from the combination.

The subsidiaries acquired during the period contributed HK$13,043,000 to the Group's turnover and had a loss of HK$5,907,000 included in the Group's profit before taxation for the period between the date of acquisition and 30th September, 2006.

The directors are of the view that it is impracticable to disclose the revenue and the result of Everight for the period ended 30th September, 2006 as if the acquisition has been effected at the beginning of the period since such financial information was not provided by the vendor.

21. CAPITAL COMMITMENTS

	30.9.2006	**31.3.2006**
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the financial statements in respect of:		
– acquisition of property, plant and equipment	10,053	612
– acquisition of subsidiaries	–	135,000
– loan to a subsidiary to be acquired	–	80,000
– loan to an associate to be acquired	–	645,000
	10,053	860,612
Capital expenditure authorised but not contracted for in respect of:		
– acquisition of property, plant and equipment	–	194
	10,053	860,806

22. RELATED PARTY DISCLOSURES

(i) Compensation of key management personnel

The remunerations of directors in respect of the period are as follows:

	Six months ended	
	30.9.2006	**30.9.2005**
	HK$'000	*HK$'000*
Short-term benefits	3,169	1,311
Share-based payments	1,236	–
	4,405	1,311

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

(ii) During the period, the Group had the following transactions with related parties:

		Six months ended	
Related parties	**Nature of transactions**	**30.9.2006**	**30.9.2005**
		HK$'000	*HK$'000*
Director:			
Mr. Lai Tsan Tung, David	Interest expense	180	–
Minority shareholders of subsidiaries:			
Braniff Developments Limited	Interest expense	448	–
	Interest expense	158	–
	Management fee paid	145	–
Other related companies:			
番禺高爾夫球協會	Interest expense	70	–
L.F. Sam (HK) Ltd.	Interest expense	40	–

23. CONTINGENT LIABILITY

At 30th September, 2006 and 31st March, 2006, the Group had given an indemnity to the purchaser relating to unrecorded taxation liabilities, if any, and warranties relating to the affairs and business 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.

24. POST BALANCE SHEET EVENTS

Subsequent to 30th September, 2006, the Group has the following significant post balance sheet events:

(a) As stated in the announcement dated 16th October, 2006, and the circular dated 7th December, 2006 issued by the Company, Dragon Rainbow Limited ("Dragon Rainbow"), an indirect wholly-owned subsidiary of the Company, entered into a subscription agreement to subscribe for 4,000 ordinary shares of US$1 each in More Profit International Limited ("More Profit"), which represents 40% of the issued share capital of More Profit and to provide a shareholder's loan of up to HK$500 million to More Profit. More Profit is an investment holding company incorporated in the British Virgin Islands. More Profit has entered into agreement to acquire 50% interest in Great China Company Limited which is a company incorporated in Macau and is the owner of a land located in Macau and a hotel erected on the land.

(b) As stated in the announcement dated 20th November, 2006 and the circular dated 18th December, 2006, the Company has accepted the offering letter (the "Offering Letter") received from The First International Property Planning & Management Company Limited ("First International") in relation to the acquisition by the Group of 44 residential units in Macau at a consideration of HK$88,519,600. An amount of HK$5,000,000 has been paid as initial deposit upon accepting the Offering Letter.

Pursuant to the terms of the Offering Letter, on 11th December, 2006, Hayton Limited, an indirectly wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with First International in relation to the acquisition of the property. An additional amount of HK$21,555,880 has been paid as further deposit upon signing of the sale and purchase agreement.

(c) As stated in the announcement dated 28th November, 2006, Top Century International Limited ("Top Century"), an indirect wholly-owned subsidiary of the Company, entered into a memorandum of understanding (the "MOU") with Forever Charm Group Limited ("Forever Charm") in relation to a proposed acquisition (the "Acquisition") by Top Century from Forever Charm of 8.7% interest in the issued share capital of Concordia and a shareholder's loan in the principal sum of MOP41 million, together with the standing interest accrued thereon, which in aggregate amounted to approximately MOP114.3 million as at 31st December, 2005. The consideration for the Acquisition is expected to be approximately HK$245.7 million.

Top Century has paid an earnest money of HK$90 million to Forever Charm upon the signing of the MOU, which will be converted into deposit for the Acquisition upon signing of the sale and purchase agreement. The earnest money is refundable immediately upon the request of Top Century.

4. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

(A) For the year ended 31st March, 2006

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$445.0 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.

(B) For the six months ended 30th September, 2006

Business Review

The Group's turnover for the six months ended 30th September, 2006 was decreased to approximately HK$201.2 million, as compared to the comparative period of HK$426.4 million since there were less securities investment activities transacted during the current period.

As a result of the fund raising exercises during the period, interest income from the surplus cash increased considerably. In addition, as a condition for the acquisition of Orient Town Limited ("Orient Town", together with its subsidiaries "Orient Town Group"), the Group has advanced a shareholder's loan of HK$885 million to Orient Town on which interest is charged at prime rate. Interest income, as included in other income, increased significantly to HK$49.9 million for the current period from HK$5.3 million for the comparative period.

The acquisition of Everight Investment Limited ("Everight", together with its subsidiaries "Everight Group") was completed in early June 2006 and hence its financial results had been consolidated by the Group since then. As a result, there were overall increases in all expense items. Due to the additional issue of convertible notes, the related interest expenses, which are calculated with reference to the effective interest rate, increased to HK$37.4 million for the current period as compared with same period of last year of HK$8.2 million. These increases in expenses were compensated by the gain on cancellation of 5% option for acquisition of additional interest in Orient Town of HK$32.2 million. The Group achieved a profit of HK$7.5 million for the six months ended 30th September, 2006 as compared to a loss of HK$17.8 million for the comparative period.

Properties, Golf and Resort

Orient Town Group

In June 2006, the Group acquired 40% of the issued share capital of Orient Town at their nominal value of HK$280, which principal asset is its indirect interest in 14 parcels of leased land in Estrada de Seac Pai Van, Macau ("Concordia Land Development"). In addition, the Group advanced a shareholder's loan of HK$885 million to Orient Town in order to partially finance its indirect investment in the land. The acquisition enables the Group to diversify into the property market in Macau and to have a significant interest in a quality residential development project of total gross floor area of approximately 797,100 m^2. Orient Town becomes an associated company of the Group after the acquisition.

Everight Group

In June 2006, the Group also acquired the entire equity interest in, and certain loan owed to the vendors by, Everight for an aggregate consideration of HK$140 million, which was satisfied as to HK$80 million by cash and HK$60 million by issue of convertible notes. Everight is, through its non wholly-owned subsidiaries, 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.

Summer is traditionally the low season for golf resort. Since acquisition by the Group in June 2006, turnover of Everight Group up to 30th September, 2006 was HK$12 million with a slight segmental loss of HK$1.3 million.

Others

There were 24 residential units and 1 commercial unit at Talon Tower on Connaught Road West remained unsold as at 30th September, 2006.

Securities Investment

During the six months ended 30th September, 2006, turnover in securities investment was HK$13.7 million with a net segmental loss of HK$5.4 million. At the period end, the Group had investments held-for-trading in an aggregate sum of HK$31.9 million, all of which were shares listed in Hong Kong.

Manufacture and Trading of Medicine and Health Food

The segmental turnover for the period was HK$167 million, representing an increase of 21% as compared to the comparative period. However, due to keen competition among competitors, the profit margin was decreasing and the segmental profit was reduced to HK$1.5 million as compared to HK$5.9 million for the comparative period.

Financial Review

A total amount of HK$1,060 million convertible notes was issued during the period under review. On 8th June, 2006, HK$60 million zero coupon convertible notes at an initial conversion price of HK$0.44 per share due on 11th August, 2010 was issued as part of the consideration for acquisition of Everight Group. On 15th June, 2006, the Company had further issued 5-year 1% convertible notes in an aggregate principal amount of HK$1,000 million, with an initial conversion price of HK$0.7 per share and repayable before the fifth anniversary from the issue date. These newly-issued HK$60 million and HK$1,000 million convertible notes, unless they are previously converted, redeemed or purchased and cancelled prior to their maturity, will be redeemed at 108.3% and 110% of their principal amounts respectively.

During the period, convertible notes in an aggregate principal amount of HK$394 million were converted into approximately 895.3 million shares of the Company and the outstanding principal amount of the convertible notes as at 30th September, 2006 was approximately HK$1,642.1 million.

To further strengthen the Group's resources for expanding its activities in property investment, the Company had also placed 833,332,000 new ordinary shares at HK$0.6 per share to raise approximately HK$500 million (before expenses) in June 2006. Mainly due to the placement of new ordinary shares, issuance of new convertible notes and conversion of convertible notes, the net asset value of the Group attributable to its shareholders was increased by 247% from HK$445 million as at 31st March, 2006 to HK$1,542 million as at 30th September, 2006.

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. In addition to the above convertible note payables, a variety of credit facilities is maintained so as to meet its working capital requirements of the Group.

As at 30th September, 2006, total bank borrowings amounted to HK$110 million, of which HK$13.8 million was repayable after one year. Increase in the bank borrowings was due to the consolidation of Everight Group as at 30th September, 2006. The net gearing ratio of the Group, calculated with reference to the bank and other borrowings of HK$149.5 million and the fair value of the debt component of convertible note payables of HK$1,316.4 million, offsetting with the pledged bank deposits and the bank and cash balances of HK$1,218.6 million, and the Group's shareholders' funds of HK$1,542 million, was 0.16 as at 30th September, 2006.

All the bank borrowings were interest-bearing at prevailing market interest 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.

Corporate Developments

In addition to the acquisitions of interests in Everight Group and Orient Town Group as mentioned in the previous paragraphs headed "Properties, Golf and Resort" as well as the issue of convertible notes and placing of shares as mentioned in the previous paragraphs headed "Financial Review", there were the following significant corporate developments from the beginning of the period under review:

On 23rd May, 2006, the name of the Company has been changed from Cheung Tai Hong Holdings Limited to Macau Prime Properties Holdings Limited so as to signify the Group's business strategy and focus.

On 19th June, 2006, the Group has granted consent for the partial cancellation of call option to purchase additional 5% shareholding in Orient Town for a compensation receivable of approximately HK$32.2 million.

On 6th October, 2006, the Group has entered into an agreement which enables the Group to acquire effectively 20% interest in Grand Waldo Hotel of Macau which completion is expected in January 2007.

On 28th November, 2006, the Group has entered into a memorandum of understanding to acquire an additional 8.7% interest in Empresa De Fomento Industrial E Comercial Concórdia, S.A. ("Concordia"), upon which completion the Group's effective interest in Concordia will increase from 23.8% to 32.5%.

On 11th December, 2006, the Group has entered into a sale and purchase agreement for acquiring 44 residential units in a residential/office/commercial complex in Macau which completion is expected before end of April 2007.

Outlook

Momentum of the economy of Macau is expected to continue in the years ahead. Booming development in gaming and tourism industries enables Macau to become a top leisure and entertainment destination in the region. Overall investment and business environment is improving, as exemplified by the influx of investors and expatriates. Macau citizens are enjoying enviable increases in their household income which accelerates their demand for better living condition. As a result, the Macau property market has been strong in all sectors, including residential, shops office and hotels.

Concordia Land Development is one of the largest residential project developments with full amenities in Macau, which completion is planned into four phases with the pre-sale of the first phase scheduled around mid-2007 in order to capture the existing upbeat demand. Being superiorly located at the south end of Cotai Strip, which is designated by the Government of Macau as the core district for hotel, leisure and entertainment developments, Concordia

Land Development enjoys a magnificent view of all the developments in, and shares the infrastructure facilities of, Cotai Strip. It is expected that the sale of this development will be well received by both local residents and foreign investors. As recently announced, the Group will increase its effective equity interest in Concordia Land Development from 23.8% to 32.5% and become the largest single shareholder so as to maximise its share of return.

The Group is also acquiring an effective 20% in Grand Waldo Hotel which is the first leisure and entertainment hotel complex opened in the Cotai Strip. As a condition of the relevant acquisition, this property will be leased to a joint-venture partner earning rental income at a return on investment of approximately 8% per annum. The Group will also participate in the development of a parcel of land adjacent to this property but no definite use has been decided yet. In addition, the Group is in the process of acquiring 44 residential units at Zhu Kuan Mansion which is superbly located next to the Macau Cultural Centre and at the back of "Venetian Macau" (Sands). These units are intended to be held for rental purpose after refurbishment. Apart from generating a steady rental income stream, both of the properties may contribute good capital appreciation because of their relatively low acquisition costs.

The property development of Everight Group is progressing well as planned. Approval for the development of luxurious residential properties within the Lotus Hill Golf Resort in Guangzhou of gross floor area of about 23,000 m^2 has been obtained. Construction work has been commenced which completion is expected in mid-2007. In addition, development plan of the resort-type bungalow hotels within the Sun Valley Golf Resort in Sanya in aggregate of about 60 units has been submitted to the relevant government authorities and construction work is expected to commence shortly with target completion by end of 2007. The Group is also planning further property development within the golf resorts so as to boost the return to the Group.

The contribution from the golf business is expected to improve since the second half year is traditionally the high season and the club house of Sun Valley Golf Resort opened in early December 2006.

The Group is actively and cautiously looking for further investment opportunities in Macau and surrounding area, with a view to expanding its investments in quality properties. Barring unforeseeable circumstances, we are optimistic about the Group's future prospects to take advantage of the excellent opportunities ahead.

Number of Employees, Remuneration Policies and Share Option Scheme

As at 30th September, 2006, the number of employees was 1,861 (31st March, 2006: 583). Employees are remunerated according to their qualifications and experience, job nature and performance, under the pay scales aligned with market conditions. Other benefits to employees include medical, insurance cover and retirement schemes. During the period, the Company had granted share options to certain directors and senior management of the Company pursuant to the terms and conditions of the share option scheme adopted by the Company on 26th August, 2002.

Pledge of Assets

As at 30th September, 2006, the Group's property held for sale in an aggregate value of approximately HK$58.5 million, bank balances of HK$23 million, prepaid lease payments of HK$67 million and certain property, plant and equipment of a subsidiary of the Company of approximately HK$21.2 million had been pledged to banks and financial institutions to secure general credit facilities granted to the Group.

Contingent Liabilities

As at 30th September, 2006, 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 period, the Company had issued 895,340,902 ordinary shares upon conversion of convertible notes at the conversion price of HK$0.44 per share. In addition, the Company had placed 833,332,000 new ordinary shares at HK$0.6 per share.

As at 30th September, 2006, there were 2,312,314,541 ordinary shares in issue and outstanding share options of 31,300,000 shares with an exercise price of HK$0.5 per share.

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

During the six months ended 30th September, 2006, the Company had repurchased a total of 47,795,000 shares on the Stock Exchange at an aggregate price of HK$20,041,500, representing an average price of approximately HK$0.42 paid for each share repurchased. The highest and lowest prices per share paid for such repurchases were HK$0.465 and HK$0.345 respectively. All these shares were cancelled upon repurchase. Save as disclosed herein, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th September, 2006.

5. FINANCIAL AND TRADING PROSPECT

According to the Macau Government Tourism Office, Macau received 22 million visitors in the year of 2006, representing a growth of 17% from 2005.

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. Large-scale entertainment, hotel and shopping complexes are scheduled to open in coming years which will definitely attract more tourists to visit the area. The market continues to see the influx of expatriates ahead the opening of new hotels in 2007. This helps sustain the leasing demand for luxury apartment properties.

The land development of Concordia is superiorly located at the south end of Cotai Strip. It is expected that the sale of this development will be well received by local residents, expatriates and foreign investors.

6. WORKING CAPITAL

The Directors are of the opinion that after taking into account the Group's internal resources, banking facilities and loan from other parties presently available, the Group will have sufficient working capital for its business for the next twelve months from the date of this circular.

7. INDEBTEDNESS STATEMENT

(a) Borrowings

At the close of business on 31st December, 2006 being the latest practicable date for the purpose of ascertaining certain information relating to this indebtedness statement, the Group had the following borrowings:

		The Group
		HK$'000
Secured bank loans	*Note*	109,948
Secured other loan	*Note*	3,062
Obligations under finance leases	*Note*	102
Unsecured other loans		
– minority shareholders of subsidiaries		34,995
– related parties		8,161
– a director		1,294
		44,450
		157,562

Note: The secured bank loans, other loan and obligations under finance lease were secured by certain of the Group's property, plant and equipment, interest in land use rights, property for sale, investments held-for-sale and bank deposits with an aggregate carrying amount of approximately HK$186.7 million at 31st December, 2006.

(b) Debt securities

As at the close of business on 31st December, 2006, the Group had the following outstanding convertible notes:

	Principal amount *HK$'000*	Carrying amount of debt component at 31st December, 2006 *HK$'000*	Conversion price *HK$*
Convertible notes issued on 11th August, 2005	582,050	521,770	0.44
Convertible notes issued on 8th June, 2006	60,000	47,788	0.44
Convertible notes issued on 15th June, 2006	1,000,000	773,143	0.70

(c) Contingent liabilities

At 31st December, 2006, the Group had contingent liabilities in respect of a tax indemnity given on disposal of a subsidiary in prior 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 31st December, 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.

On 1st February, 2007, the Company provided a guarantee in the amount of approximately HK$250 million on a several basis in favour of a bank in relation to the refinancing of the bank loan of Great China to facilitate the completion of the subscription of the 40% equity interest in More Profit as approved by the Shareholders on 5th January, 2007. Save as disclosed above, the directors have confirmed that there has been no other material change in the indebtedness of the Group since 31st December, 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 31st December, 2006.

8. 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 consolidated financial statements of the Company were made up).

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 sales and accommodation and service income. In addition, 95 villas and 76 apartments have been constructed in Panyu for sale with 9 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	2004	2005
		HKD'000	*HKD'000*	*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	2003	2004	2005
		As at 31st December,		
		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

		As at 31st December,		
	Notes	**2003**	**2004**	**2005**
		HKD'000	*HKD'000*	*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	2003	2004	2005
		As at 31st December,		
		HKD'000	*HKD'000*	*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

		As at 31st December,		
	Notes	**2003**	**2004**	**2005**
		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 *HKD'000*	**2004** *HKD'000*	**2005** *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) *HKD'000*	**Adjustments** *HKD'000*	**As at 1st January, 2003 (restated)** *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) *HKD'000*	**Adjustments** *HKD'000*	**As at 31st December, 2003 (restated)** *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 Adjustments	As at 31st December, 2004 (restated)	Adjustments	As at 1st January, 2005 (restated)
	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 Property	Continuing operations Golf resort and hotel	Continuing operations Others	Sub-total	Discontinued operations 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,		Period ended 31st October,
	2003	**2004**	**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,		Period ended 31st October,
	2003	**2004**	**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, 2003	Year ended 31st December, 2004	Period ended 31st October, 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, 2003	Year ended 31st December, 2004	Period ended 31st October, 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 *HKD'000*	**2004** *HKD'000*	**2005** *HKD'000*
Unlisted shares, at cost	47,403	47,403	47,403

22. INVENTORIES

	Everight Group As at 31st December,		
	2003 *HKD'000*	**2004** *HKD'000*	**2005** *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

Name of related company	Notes	Everight Group As at 31st December, 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

Name of related company	Notes	Everight Group As at 31st December, 2003	2004	2005	Everight As at 31st December, 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 *HKD'000*	**Tax losses** *HKD'000*	**Total** *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** *HKD'000*	**2004** *HKD'000*	**2005** *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	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*
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)* *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*
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 mid 2007 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 a bungalow-type resort hotel with about 60 units 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.

(A) FINANCIAL INFORMATION ON MORE PROFIT

1. Introduction

As disclosed in the the announcement of the Company dated 16th October, 2006 and the Great China Circular, the Group entered into a subscription agreement to subscribe for 4,000 shares in More Profit at US$1 each, representing 40% of the issued share capital of More Profit as enlarged by such 4,000 shares. More Profit 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.

Pursuant to the terms of the Subscription, the Group shall advance to More Profit by way of shareholder's loan in the amount of HK$500 million for financing the acquisition of Great China and certain loans by More Profit. The Subscription was completed on 1st February, 2007. For further details of the Subscription, please refer to the Great China Circular.

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

2. Audited Financial Statements of More Profit

The following is the reproduction of the audited financial statements of More Profit for the period from 25th August, 2006 (date of incorporation) to 31st October, 2006 together with the accompanying notes contained in pages 185 to 189 of the Great China Circular:

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	**Accumulated loss**	**Total**
	HK$'000	*HK$'000*	*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

3. Unaudited Pro Forma Financial Information of the Group Immediately After Completion of the Subscription

Set out below is the unaudited pro forma statement of assets and liabilities of the Group after completion of the Subscription and the provision of the shareholder's loan by the Group to More Profit extracted from the Great China Circular:

(a) 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.

(b) 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

	The Group as at 31st March, 2006	Pro forma adjustment	Pro forma adjustment	The Group immediately after Completion
		(Note 1)	*(Note 2)*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
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
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

	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*
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.

(B) FINANCIAL INFORMATION ON GREAT CHINA

1. Introduction

As disclosed in the announcement of the Company dated 16th October, 2006, More Profit and the Great China Circular, currently an associated company of the Group, entered into an agreement to acquire 50% of the issued share capital of Great China and certain loans for a consideration of approximately HK$897 million.

At present, Great China and its subsidiaries operate and manage the Grand Waldo Hotel, the Grand Waldo Spa, and a parcel of land held by Great China. The major recurring sources of turnover of Great China and it subsidiaries include the annual land rent of approximately MOP1.8 million in relation to the land held by Great China and Grand Waldo Hotel. For further details of the Great China Acquisition, please refer to the Great China Circular.

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

2. Financial summary

The following is the summary of the audited financial information on Great China for the period from 20th May, 2003 (date of incorporation) to 31st August, 2006 contained in the Great China Circular:

Results

	20th May, 2003 (date of incorporation) to 31st December,	Year ended 31st December,		Eight months ended 31st August,	
	2003	2004	2005	2005	2006
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000* (unaudited)	*MOP'000*
Revenue	–	–	–	–	57,909
Property expenses	–	–	–	–	(7,416)
Net property income	–	–	–	–	50,493
(Loss) profit for the period/year attributable to equity holders of the Company	(7)	(360)	(703)	(282)	1,270,421
Dividend	–	–	–	–	–

	As at 31st December,			As at 31st August,
	2003	**2004**	**2005**	**2006**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Assets and liabilities				
Non-current assets	–	54,899	748,719	3,094,572
Current assets	94	77	270,905	57,333
Total assets	94	54,976	1,019,624	3,151,905
Current liabilities	–	55,242	839,598	1,478,868
Non-current liabilities	–	–	180,995	403,586
Total liabilities	–	55,242	1,020,593	1,882,454
Equity (deficiency) attributable to equity holders of Great China	94	(266)	(969)	1,269,451

3. AUDITED FINANCIAL STATEMENT OF GREAT CHINA

The following is the reproduction of the audited financial statements of Great China for the period from 20th May, 2003 (date of incorporation) to 31st August, 2006 together with the accompanying notes contained in pages 194 to 216 of the Great China Circular:

INCOME STATEMENT

For the period from 20th May, 2003 (date of incorporation) to 31st August, 2006

	Notes	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*
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

		31st December,			31st August,
		2003	**2004**	**2005**	**2006**
	Notes	*MOP*	*MOP*	*MOP*	*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 MOP	Year ended 31st December, 2004 MOP	2005 MOP	Eight months ended 31st August, 2005 MOP (unaudited)	2006 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 *MOP*	Year ended 31st December, 2004 *MOP*	2005 *MOP*	Eight months ended 31st August, 2005 *MOP* (unaudited)	2006 *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 MOP	Year ended 31st December, 2004 MOP	2005 MOP	Eight months ended 31st August, 2005 MOP (unaudited)	2006 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 MOP	Year ended 31st December, 2004 MOP	2005 MOP	Eight months ended 31st August, 2005 MOP (unaudited)	2006 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,	**Year ended 31st December,**		**Eight months ended 31st August,**	
	2003	**2004**	**2005**	**2005**	**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,	**Year ended 31st December,**		**Eight months ended 31st August,**	
	2003	**2004**	**2005**	**2005**	**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,			Eight months ended 31st August,
	2003	2004	2005	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,			At 31st August,
	2003	2004	2005	2006
	MOP	*MOP*	*MOP*	*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	At 31st December, 2004, 31st December, 2005 & 31st August, 2006
	MOP	*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,	Year ended 31st December,		Eight months ended 31st August,	
	2003	2004	2005	2005	2006
	MOP	*MOP*	*MOP*	*MOP*	*MOP*
				(unaudited)	
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	2004	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	2004	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	2004	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, 2003	Year ended 31st December, 2004	2005	Eight months ended 31st August, 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.

4. FINANCIAL AND TRADING PROSPECT OF GREAT CHINA

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. ACCOUNTANTS' REPORT ON ORIENT TOWN GROUP

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 March, 2007

The Directors
Macau Prime Properties Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to Orient Town Limited ("Orient Town") and its subsidiaries (hereinafter collectively referred to as "Orient Town Group") for the periods from 1st June, 2005 (date of incorporation) to 31st December, 2005 and from 1st January, 2006 to 30th September, 2006 (the "Relevant Periods") for inclusion in the circular of Macau Prime Properties Holdings Limited ("MPP") dated 7th March, 2007 issued in connection with the major transaction of MPP (the "Circular").

Orient Town was incorporated on 1st June, 2005 in Hong Kong with limited liability.

As at the date of this report, Orient Town has the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ operations	Issued and fully paid share capital	Attributable equity interest held by Orient Town		Principal activity
			Directly	Indirectly	
Best Profit Holdings Limited ("Best Profit")	Hong Kong 6th October, 2005	HK$1,000 ordinary shares	70%	–	Investment holding
Empresa De Fomento Industrial E Comercial Concórdia, S. A. ("Concordia")	Macau 14th August, 1975	MOP100,000,000 quota shares	–	85%	Property development
Giant Energy Limited ("Giant Energy")	Hong Kong 18th November, 2005	HK$1 ordinary share	–	100%	Investment holding
Macau Properties Holdings Limited ("Macau Properties Holdings")	Hong Kong 11th April, 2006	HK$1 ordinary share	100%	–	Investment holding
Orient Town Project Management Limited ("Orient Town Project Management")	Macau 1st February, 2007	MOP25,000 quota shares	96%	4%	Property project management
San Lun Mang Investimentos, Limitada ("XLM")	Macau 16th August, 2005	MOP100,000 quota shares	–	70%	Investment holding

The financial statements of Orient Town, Best Profit and XLM for the period since their respective dates of incorporation to 31st December, 2005 prepared under Hong Kong Financial Reporting Standards ("HKFRS(s)") were audited by Poon & Tong C.P.A. Limited, Certified Public Accountants registered in Hong Kong. No audited financial statements of Concordia have been prepared since the date of acquisition up to the date of this report. No audited financial statements have been prepared for Giant Energy, Macau Properties Holdings and Orient Town Project Management since their first financial year end date is 31st March, 2007.

The Financial Information of Orient Town Group for the Relevant Periods set out in this report has been prepared from the audited financial statements or management accounts of Orient Town Group (the "Underlying Financial Statements") without adjustments.

The preparation of the Underlying Financial Statements is the responsibility of the directors of those companies who approved their issue. 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.

We planned to perform examination procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") on the audited financial statements or management accounts of Orient Town Group for the Relevant Periods. The examination procedures included a review of the audit working papers of other auditors on the audited financial statements and if necessary, to carry out additional independent audit procedures in accordance with Hong Kong Standards on Auditing issued by the HKICPA. However, our scope was limited as follows:

1. Included in the consolidated balance sheet as at 31st December, 2005 were an available-for-sale investment of HK$13,236,000, loan to an investee of HK$82,036,000 and deposits paid for the acquisition of additional interest in an investee of HK$610,000,000. The investee, Concordia, is solely engaged in the holding of 14 parcels of land in Macau (the "Land") and became a subsidiary during the nine months ended 30th September, 2006. The lease term of the Land expired in 2000 and the investee 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. In the absence of a confirmation from the Government of Macau signifying the approval of the new concession or renewal of the lease term, we were unable to assess whether any impairment losses on the available-for-sale investment, loan to an investee or deposits paid for the acquisition of additional interest in the investee should be recognised and the gain on partial disposal of interest in a subsidiary of HK$78,875,000 reported in the period ended 31st December, 2005 and the goodwill arising on acquisition of Concordia of HK$2,162,095,000 during the nine months ended 30th September, 2006 are fairly stated.

2. We have not been provided with sufficient documentary evidence to support the interest on land premium payable to the Government of Macau of HK$104,111,000 included in the consolidated balance sheet as at 30th September, 2006 and the related interest charge of MOP1,631,000 for the nine months ended 30th September, 2006.

3. Included in the consolidated balance sheet as at 30th September, 2006 was goodwill of HK$2,162,095,000 arising from the acquisition of equity interest in Concordia during the nine months ended 30th September, 2006. Because of the uncertainty of the new concession or renewal of the lease term of the Land, the directors of the Company consider it was impracticable to perform a business valuation on Concordia. Accordingly, we were unable to assess whether an impairment should be recognised for this amount.

4. Included in Orient Town's balance sheets as at 31st December, 2005 and 30th September, 2006 were an amount due from a subsidiary of HK$319,230,000 and HK$1,432,080,000 respectively. Because of the limitation of our scope set out above, we were unable to obtain sufficient documentary evidence in order to assess whether an impairment should be recognised for these amounts.

There were no other satisfactory audit procedures that we could adopt to satisfy ourselves these amounts were fairly stated as at 31st December, 2005 or 30th September, 2006. Any adjustments found to be necessary may have an effect on the net assets (liabilities) as at 31st December, 2005 or 30th September, 2006 of Orient Town Group and Orient Town and the results and cash flows for the Relevant Periods of Orient Town Group as appropriate.

Because of the significance of the possible effects of the limitation in the scope of our examination work referred to above, we do not express an opinion on the Financial Information as to whether it gives, for the purpose of this report, a true and fair view of the state of affairs of Orient Town Group and Orient Town as at 31st December, 2005 and 30th September, 2006 and of the results and cash flows of Orient Town Group for the period from 1st June, 2005 (date of incorporation) to 31st December, 2005 and for the period from 1st January, 2006 to 30th September, 2006.

The comparative consolidated income statement, cash flow statement and statement of changes in equity of Orient Town Group for the period from 1st June, 2005 to 30th September, 2005 together with the notes thereon have been extracted from Orient Town Group's financial information for the same period (the "30th September, 2005 Financial Information") which was prepared by the directors of Orient Town solely for the purpose of this report. We have reviewed the 30th September, 2005 Financial Information in accordance with the Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKICPA. Our review consisted principally of making enquiries of group management and applying analytical procedures to the 30th September, 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 tests 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 30th September, 2005 Financial Information. On the basis of our review which does not constitute an audit, with the exception of the possible adjustments that might have been determined to be necessary had the limitation of our scope in determining whether any impairment loss is required in respect of deposits paid for acquisition of additional interest in an investee of HK$330,000,000 as at 30th September, 2005 not existed, we are not aware of any material modifications that should be made to the 30th September, 2005 Financial Information.

A. FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENTS

	Notes	**1.6.2005 to 31.12.2005**	**1.6.2005 to 30.9.2005**	**1.1.2006 to 30.9.2006**
		HK$'000	*HK$'000*	*HK$'000*
		(Audited)	*(Unaudited)*	*(Audited)*
Bank interest income		79	–	566
Gain on partial disposal of interest in a subsidiary	*6*	78,875	–	–
Interest income on deposit placed in an escrow account		–	–	1,631
Interest on land premium payable		–	–	(1,631)
Administrative expenses		(1,031)	(10)	(2,210)
Finance costs	*7*	(11,010)	–	(60,616)
Deposit paid on acquisition of XLM forfeited	*8*	(30,000)	–	–
Profit (loss) for the period attributable to equity holders of the parent	*9*	36,913	(10)	(62,260)

CONSOLIDATED BALANCE SHEETS

	Notes	31.12.2005 HK$'000	30.9.2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	–	444
Goodwill	13	–	2,162,095
Available-for-sale investment	14	13,236	–
Deposits paid for the acquisition of additional interest in an investee	16	610,000	–
		623,236	2,162,539
CURRENT ASSETS			
Other receivables and deposits	17	17,752	105,778
Amount due from a minority shareholder of a subsidiary	19	68,875	–
Amount due from a shareholder	20	–	31,944
Loan to an investee	21	82,036	–
Bank balances and cash	22	2	16,821
		168,665	154,543
CURRENT LIABILITIES			
Other payables	23	2,213	104,650
Loan from ultimate holding company	24	356,024	–
Loans from minority shareholders of a subsidiary	25	396,750	191,406
Dividend payable		–	30,946
		754,987	327,002
NET CURRENT LIABILITIES		(586,322)	(172,459)
TOTAL ASSETS LESS CURRENT LIABILITIES		36,914	1,990,080
NON-CURRENT LIABILITIES			
Loans from shareholders	26	–	1,432,623
Loans from minority shareholders of a subsidiary	26	–	613,749
		–	2,046,372
		36,914	(56,292)
CAPITAL AND RESERVE			
Share capital	27	1	1
Accumulated profit (loss)		36,913	(56,293)
		36,914	(56,292)

COMPANY BALANCE SHEETS

	Notes	31.12.2005 HK$'000	30.9.2006 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	*15*	1	1
Amount due from a subsidiary	*15*	–	1,432,080
		1	1,432,081
CURRENT ASSETS			
Other receivables and deposits	*17*	250	–
Amount due from a subsidiary	*18*	319,230	–
Amount due from a minority shareholder of a subsidiary	*19*	68,875	–
Amount due from a shareholder	*20*	–	31,944
Loan to an investee	*21*	6,750	–
Bank balances and cash	*22*	–	109
		395,105	32,053
CURRENT LIABILITIES			
Other payables	*23*	2,179	45
Amount due to a subsidiary	*18*	–	1,000
Loan from ultimate holding company	*24*	356,009	–
Dividend payable		–	30,946
		358,188	31,991
NET CURRENT ASSETS		36,917	62
TOTAL ASSETS LESS CURRENT LIABILITIES		36,918	1,432,143
NON-CURRENT LIABILITY			
Loans from shareholders	*26*	–	1,432,623
		36,918	(480)
CAPITAL AND RESERVE			
Share capital	*27*	1	1
Accumulated profit (loss)	*28*	36,917	(481)
		36,918	(480)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Accumulated profit (loss)	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
Loss for the period	–	(62,260)	(62,260)
Dividend approved	–	(30,946)	(30,946)
At 30th September, 2006	1	(56,293)	(56,292)
Unaudited			
Issue of shares at the time of incorporation and subsequent changes	1	–	1
Loss for the period	–	(10)	(10)
At 30th September, 2005	1	(10)	(9)

CONSOLIDATED CASH FLOW STATEMENTS

	Note	1.6.2005 to 31.12.2005 HK$'000 (Audited)	1.6.2005 to 30.9.2005 HK$'000 (Unaudited)	1.1.2006 to 30.9.2006 HK$'000 (Audited)
OPERATING ACTIVITIES				
Profit (loss) for the period		36,913	(10)	(62,260)
Adjustments for:				
Interest income		(79)	–	(2,197)
Interest expense		11,010	–	60,616
Interest on land premium payable		–	–	1,631
Gain on partial disposal of interest in a subsidiary		(78,875)	–	–
Depreciation of property, plant and equipment		–	–	23
Deposit paid on acquisition of XLM forfeited		(30,000)	–	–
Operating cash flows before working capital changes		(1,031)	(10)	(2,187)
(Increase) decrease in other receivables and deposits		(17,752)	(2,000)	16,085
Increase in other payables		189	10	56
Cash (used in) generated from operations		(18,594)	(2,000)	13,954
Interest paid		–	–	(147)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		(18,594)	(2,000)	13,807
INVESTING ACTIVITIES				
Advance to a shareholder		–	–	(31,944)
Acquisition of subsidiaries	29	(93,248)	–	(1,271,895)
Consideration paid for acquisition of a subsidiary		–	–	(2,000)
Deposits paid for acquisition of additional interest in an investee		(610,000)	(333,000)	–
Deposit paid on acquisition of XLM		(30,000)	–	–
Interest received		79	–	566
Proceeds from partial disposal of interest in a subsidiary		10,000	–	–
Purchase of property, plant and equipment		–	–	(467)
Repayment of amount due from a minority shareholder of a subsidiary		–	–	68,875
Repayment of loan to an investee		–	–	6,749
NET CASH USED IN INVESTING ACTIVITIES		(723,169)	(333,000)	(1,230,116)

	1.6.2005 to 31.12.2005 HK$'000 (Audited)	1.6.2005 to 30.9.2005 HK$'000 (Unaudited)	1.1.2006 to 30.9.2006 HK$'000 (Audited)
FINANCING ACTIVITIES			
Loans from minority shareholders of a subsidiary	396,750	335,000	200,249
Loans from shareholders	345,014	–	1,032,879
New other borrowings raised	–	–	50,000
Proceed from issue of share capital	1	–	–
Repayment of other borrowings	–	–	(50,000)
NET CASH FROM FINANCING ACTIVITIES	741,765	335,000	1,233,128
NET INCREASE IN CASH AND CASH EQUIVALENTS	2	–	16,819
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	–	–	2
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	2	–	16,821

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 29th Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Hong Kong.

The Financial Information is presented in Hong Kong dollar, which is also the functional currency of Orient Town for the period ended 31st December, 2005. The functional currency was changed to Macau Patacas subsequent to the acquisition of Concordia during the nine months ended 30th September, 2006.

As at 30th September, 2006, Orient Town Group had net current liabilities of approximately HK$172 million. The Financial Information has been prepared on a going concern basis because the shareholders of Orient Town and the minority shareholders of Best Profit have agreed not to demand repayment of the relevant loans from these parties unless Orient Town Group is financially capable to do so and to provide funds of HK$200 million to enable Orient Town Group to meet in full its financial obligations as they fall due for the foreseeable future.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the period from 1st January, 2006 to 30th September, 2006, Orient Town Group and Orient Town have applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA that are either effective for the accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The adoption of the new HKFRSs had no material effect on how the results for the Relevant Periods have been prepared or presented. Accordingly, no prior period adjustment was required.

Orient Town Group and Orient Town have not early applied the following new standard, amendment and interpretations that have been issued by the HKICPA but are not yet effective. The directors of Orient Town anticipate that the application of these standard, amendment or interpretations will have no material impact on how the Financial Information of Orient Town Group and Orient Town is prepared and presented.

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]
HK(IFRIC) – INT 11	HKFRS 2 – Group and treasury share transactions[6]

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

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost basis and in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Hong Kong Companies Ordinance.

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 statements from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial information 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.

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 Orient Town Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business combinations" are recognised at their fair values at the acquisition date.

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

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

Goodwill

Goodwill arising on an acquisition of a subsidiary represents the excess of the cost of acquisition over Orient Town Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

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

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

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

Interests in subsidiaries

Interests in subsidiaries are included in Orient Town's balance sheets 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 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.

For the purposes of presenting the consolidated financial information, 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. 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

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 and Orient Town's liabilities for current tax are 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 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.

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 period in which the item is derecognised.

Impairment

At each balance sheet date, Oriental 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 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 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

Orient Town Group's financial assets are classified into loans and receivables and available-for-sale financial assets. 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 shareholder, amount due from a subsidiary 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.

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, amount due to a subsidiary, dividend payable, loans from ultimate holding company, shareholders 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 and Orient Town have transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

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

Leases

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 the income statement on a straight line basis over the terms of the relevant lease.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Orient Town Group's major financial instruments include available-for-sale investment, amount due from a minority shareholder of a subsidiary, amount due from a shareholder, other receivables, loan to an investee, bank deposits, other payables, dividend payable, loans from minority shareholders of a subsidiary, loans from shareholders 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. 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 as at 31 December, 2005 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.

Interest rate risk

Orient Town Group's exposure to cash flow interest rate risk relates primarily to the debt obligations, including loans from shareholders and minority shareholders of a subsidiary. Orient Town Group 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 will consider hedging significant interest rate exposures when the need arises.

Credit risk

With respect to credit risk arising from the financial assets of Orient Town Group which comprise loan to an investee, other receivables, amount due from a minority shareholder of a subsidiary and amount due from a shareholder, the exposure to credit risk arising from default of the counterparties is limited as the directors consider that the counterparties have good credit standing.

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

Liquidity risk

Orient Town Group expects to have the financial support from its shareholders to maintain continuity of funding.

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

No geographical segment information is presented as all the activities of Orient Town Group during the Relevant Periods were carried out in Macau and nearly all assets and liabilities of Orient Town Group were located in Macau at the respective balance sheet dates.

No business segment information is presented for the Relevant Periods as there was no revenue generated during the Relevant Periods.

6. GAIN ON PARTIAL DISPOSAL OF INTEREST IN A SUBSIDIARY

It represented the gain on disposal of 30% interest in Best Profit to two independent third parties during the period from 1st June, 2005 to 31st December, 2005.

7. FINANCE COSTS

	1.6.2005 to 31.12.2005	**1.6.2005 to 30.9.2005**	**1.1.2006 to 30.9.2006**
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	*(Unaudited)*	*(Audited)*
Interests on:			
loan from ultimate holding company	11,010	–	–
loans from shareholders	–	–	43,720
loans from minority shareholders of a subsidiary	–	–	16,749
other borrowings	–	–	147
	11,010	–	60,616

8. DEPOSIT PAID ON ACQUISITION OF XLM FORFEITED

During the period from 1st June, 2005 to 31st December, 2005, 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.

9. PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

	1.6.2005 to 31.12.2005	**1.6.2005 to 30.9.2005**	**1.1.2006 to 30.9.2006**
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	*(Unaudited)*	*(Audited)*
Profit (loss) for the period has been arrived at after charging:			
Directors' remuneration	–	–	–
Other staff costs	–	–	53
Total staff costs	–	–	53
Auditors' remuneration	40	–	163
Depreciation of property, plant and equipment	–	–	23

10. TAXATION

No provision for Hong Kong Profits Tax or Macau Complementary tax has been made in the Financial Information as there is no estimated assessable profit for the Relevant Periods.

The taxation for the Relevant Periods can be reconciled to the profit (loss) for the period attributable to equity holders of the parent per the consolidated income statements as follows:

	1.6.2005 to 31.12.2005	**1.6.2005 to 30.9.2005**	**1.1.2006 to 30.9.2006**
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	*(Unaudited)*	*(Audited)*
Profit (loss) for the period attributable to equity holders of the parent	36,913	(10)	(62,260)
Tax at Macau Complementary tax rate	4,430	(1)	(7,471)
Tax effect of income that is not taxable in determining taxable profit	(9,475)	–	(68)
Tax effect of expenses that are not deductible in determining taxable profit	5,045	1	7,539
Taxation for the period	–	–	–

There was no significant unrecognised deferred taxation for the Relevant Periods or at the respective balance sheet dates.

11. DIVIDEND

An interim dividend of approximately HK$44,210 per share amounting to HK$30,946,000 was declared by Orient Town during the period from 1st January, 2006 to 30th September, 2006.

12. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles
	HK$'000
COST	
At 1st June, 2005 and 31st December, 2005	–
Additions	467
At 30th September, 2006	467
DEPRECIATION	
At 1st June, 2005 and 31st December, 2005	–
Provided for the period	23
At 30th September, 2006	23
CARRYING VALUES	
At 30th September, 2006	444
At 31st December, 2005	–

The motor vehicles are depreciated on a straight line basis at 20% per annum.

13. GOODWILL

	HK$'000
COST	
At 1st June, 2005 and 31st December, 2005	–
Arising on acquisition of subsidiaries	2,162,095
At 30th September, 2006	2,162,095

14. AVAILABLE-FOR-SALE INVESTMENT

At 31st December, 2005, the available-for-sale investment represented the investment of 5.9% equity interest in Concordia. The investment was 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. Concordia became a subsidiary during the period ended 30th September, 2006 as described in notes 16 and 29.

15. INVESTMENTS IN SUBSIDIARIES

	31.12.2005	**30.9.2006**
	HK$'000	*HK$'000*
Unlisted shares, at cost	1	1

The amount due from a subsidiary is unsecured, interest-bearing at prime rate for Hong Kong dollars quoted by The Hongkong and Shanghai Banking Corporation Limited and has no fixed terms of repayment. In the opinion of directors, Orient Town will not demand repayment within twelve months after the balance sheet date. Accordingly, the amount is shown as non-current.

The directors consider the carrying amount of the amount due from a subsidiary approximates its fair value at 30th September, 2006.

16. 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.

17. OTHER RECEIVABLES AND DEPOSITS

	Orient Town Group		**Orient Town**	
	31.12.2005	**30.9.2006**	**31.12.2005**	**30.9.2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Refundable deposits held by solicitors for the acquisition of Concordia	17,752	–	250	–
Deposit placed in an escrow account *(note a)*	–	104,111	–	–
Others	–	1,667	–	–
	17,752	105,778	250	–

Note a: It carried interest at 4.75% per annum and is restricted for applying for the settlement of government interest payable as shown in Note 23.

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

18. AMOUNT DUE FROM/TO A SUBSIDIARY

The amount due from/to a subsidiary is unsecured, interest-free and repayable on demand.

The directors consider that the carrying amount approximates its fair value at the respective balance sheet dates.

19. AMOUNT DUE FROM A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amount was unsecured, interest-free and repayable on demand. The balance was fully settled during the period ended 30th September, 2006.

The directors consider that the carrying amount approximates its fair value at 31st December, 2005.

20. AMOUNT DUE FROM A SHAREHOLDER

The amount is unsecured, interest-free and repayable on demand.

The directors consider that the carrying amount approximates its fair value at 30th September, 2006.

21. LOAN TO AN INVESTEE

	Orient Town Group		Orient Town	
	31.12.2005	**30.9.2006**	**31.12.2005**	**30.9.2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Loan to Concordia	82,036	–	6,750	–

The amount was unsecured, interest-free and repayable on demand.

The directors consider that the carrying amount approximates its fair value at 31st December, 2005.

22. BANK BALANCES AND CASH

Bank balance and cash comprise cash held by Orient Town Group and short-term bank deposits with an original maturity of three months or less. The directors consider that the carrying amounts of these assets approximate their fair values at the respective balance sheet dates.

23. OTHER PAYABLES

	Orient Town Group		Orient Town	
	31.12.2005	**30.9.2006**	**31.12.2005**	**30.9.2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accrued expenses	213	539	179	45
Consideration payable for acquisition of a subsidiary	2,000	–	2,000	–
Government interest payable	–	104,111	–	–
	2,213	104,650	2,179	45

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

24. LOAN FROM ULTIMATE HOLDING COMPANY

The amount was unsecured, interest-bearing at prime rate for Hong Kong dollars quoted by The Hongkong and Shanghai Banking Corporation Limited and repayable on demand. The directors consider that the carrying amount approximates its fair value at 31st December, 2005.

25. LOANS FROM MINORITY SHAREHOLDERS OF A SUBSIDIARY

The amounts are unsecured, interest-free and repayable on demand. The directors consider that the carrying amounts approximate their fair values at the respective balance sheet dates.

26. LOANS FROM SHAREHOLDERS/MINORITY SHAREHOLDERS OF A SUBSIDIARY

The amounts are unsecured, interest bearing at prime rate for Hong Kong dollars quoted by The Hongkong and Shanghai Banking Corporation Limited and repayable on demand. The parties agreed not to demand repayment within twelve months after the balance sheet date. Accordingly, these amounts are shown as non-current.

The directors consider their carrying amounts approximate their fair values at 30th September, 2006.

27. SHARE CAPITAL

	Authorised	Issued and fully paid
	HK$	*HK$*
At 31st December, 2005 and 30th September, 2006		
Ordinary shares of HK$1 each	10,000	700
Shown in the Financial Information as		HK$1,000

Orient Town was incorporated on 1st June, 2005 with an authorised share capital of HK$10,000. At the time of incorporation, 1 share of HK$1 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.

28. ACCUMULATED PROFIT (LOSS) OF ORIENT TOWN

	HK$'000
Profit for the period and accumulated profit at 31st December, 2005	36,917
Loss for the period	(6,452)
Dividend approved	(30,946)
Accumulated loss at 30th September, 2006	(481)

29. ACQUISITION OF SUBSIDIARIES

During the period from 1st June, 2005 to 31st December, 2005, Orient Town acquired the entire issued capital of Best Profit and Best Profit acquired 99% of the issued capital of XLM. During the period from 1st January, 2006 to 30th September, 2006, XLM acquired additional 79.1% issued capital of Concordia. All of these acquisitions have been accounted for by purchase method of accounting.

The net assets acquired in these transactions were as follows:

	1.6.2005 to 31.12.2005			1.1.2006 to 30.9.2006
	Acquiree's carrying amount before combination	**Fair value adjustment**	**Total**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net assets acquired:				
Available-for-sale investment	5,900	7,336	13,236	–
Loan to an investee	82,036	–	82,036	–
Other receivables and deposits	–	–	–	102,480
Bank balances and cash	2	–	2	–
Other payables	(24)	–	(24)	(102,750)
Loans from minority shareholders of a subsidiary	–	–	–	(191,407)
Loan from Orient Town Group	–	–	–	(75,287)
	87,914	7,336	95,250	(266,964)
Goodwill			–	2,162,095
Reclassified from:				
Available-for-sale investment			–	(13,236)
Deposits paid for acquisition of additional interest in an investee			–	(610,000)
			95,250	1,271,895
Total consideration			(95,250)	(1,271,895)
Cash consideration payable			2,000	–
Cash consideration paid			(93,250)	(1,271,895)
Cash and cash equivalents acquired			2	–
Net cash outflow arising on acquisition			(93,248)	(1,271,895)

The revenue and results of Orient Town Group for the Relevant Periods contributed by the subsidiaries acquired were insignificant.

There was no fair value adjustment on Concordia's carrying amounts of the net assets acquired before combination during the period from 1st January, 2006 to 30th September, 2006.

30. OPERATING LEASES

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

	1.6.2005 to 31.12.2005 *HK$'000* *(Audited)*	1.6.2005 to 30.9.2005 *HK$'000* *(Unaudited)*	1.1.2006 to 30.9.2006 *HK$'000* *(Audited)*
Premises	–	–	126

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

	31.12.2005 *HK$'000*	30.9.2006 *HK$'000*
Within one year	–	411
In the second to fifth year inclusive	–	274
	–	685

Operating lease payments represent rentals payable by Orient Town Group for its office premises. Lease is negotiated at fixed amount for an average term of two years.

31. CAPITAL COMMITMENT

	31.12.2005 *HK$'000*	30.9.2006 *HK$'000*
Capital expenditure in respect of		
– acquisition of property, plant and equipment contracted for but not provided in the Financial Information	–	940
– acquisition of additional interest in Concordia	1,240,000	–
	1,240,000	940

32. RELATED PARTY DISCLOSURES

(a) Related party transactions

	1.6.2005 to 31.12.2005 *HK$'000* *(Audited)*	1.6.2005 to 30.9.2005 *HK$'000* *(Unaudited)*	1.1.2006 to 30.9.2006 *HK$'000* *(Audited)*
Interest charge paid/payable to			
– ultimate holding company	11,010	–	–
– shareholders	–	–	43,720
– minority shareholders of a subsidiary	–	–	16,749

In August 2005, 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 ended 31st December, 2005.

(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 19, 20, 21, 24, 25 and 26.

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 periods subsequent to 30th September, 2006.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

2. MANAGEMENT DISCUSSION AND ANALYSIS OF ORIENT TOWN GROUP

For the nine months ended 30th September, 2006

Orient Town Group

Business Review

During the period, Orient Town through XLM acquired additional 79.1% equity interests in Concordia and as a result the Group held 85% equity interest in Concordia as at 30th September, 2006. The principal assets held by Concordia are 14 parcels of leased land situated in Estrada de Seac Pai Van, Macau (澳門路環聯生填海區).

Due to expiry of the land lease in 2000, all Concordia's unamortized costs in relation to the land lease had been written off which resulted in a substantial deficit. Goodwill arising on this acquisition of HK$2,162.1 million was capitalized. A written request has been submitted to the Government of Macau for the Renewal, which is being reviewed by the Government of Macau.

Orient Town Group incurs a loss for the nine months ended 30th September, 2006 of HK$62.3 million, which mainly represents the finance cost incurred for financing the acquisition of additional 79.1% equity interest in Concordia.

Borrowing and Gearing

As at 30th September, 2006, Orient Town Group has outstanding loans from shareholders and loans from minority shareholders of subsidiaries of HK$1,432.6 million and HK$805.2 million respectively.

All shareholders (including Orient Town and in turn its own shareholders) of Best Profit shall not demand repayment unless approved by the board of directors of Best Profit. All these loans were denominated in Hong Kong dollars and interest is charged at the best lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time. Loans from the minority shareholders of Concordia of HK$191.4 million are unsecured, of no fixed term of repayment and no interest is currently charged.

At 30th September, 2006, the consolidated net liability value of Orient Town is approximately HK$56.3 million. The gearing ratio, calculated with reference to the total liabilities of HK$2,373.4 million and the total assets of HK$2,317.1 million, is approximately 1.0 as at 30th September, 2006.

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

Business Review

Orient Town and its subsidiaries were incorporated during 2005 for the designated purpose of acquiring a controlling interest in Concordia, a company which owns 14 parcels of leased land situated in Macau. Orient Town, through a subsidiary, Best Profit, has acquired the entire registered capital of XLM which in turn holds an 5.9% equity interest in Concordia. XLM has entered into the Concordia Agreement with the Concordia Vendor to acquire an 77.1% equity interest in Concordia which completion is scheduled on 26th May, 2006.

During the period, Orient Town has disposed of its 30% shareholdings in Best Profit and a gain of approximately HK$78.9 million was recorded which was partly offset by the forfeited deposit of HK$30.0 million paid on acquisition of XLM. Financial expenses of approximately HK$11.0 million was incurred for arranging a bank guarantee in respect of the consideration payable for the Concordia Acquisition and a net profit of approximately HK$36.9 million was recorded for the period ended 31st December, 2005.

Borrowing and Gearing

A loan of approximately HK$356.0 million from the Vendor (the ultimate holding company of Orient Town) and loans in aggregate amount of approximately HK$396.8 million from the minority shareholders of a subsidiary were drawn down during the period mainly to finance the instalment payment of HK$610.0 million of the Concordia Consideration and the acquisition of the entire registered capital of XLM. The remaining portion of the Concordia Consideration is to be financed by additional loans to Orient Town from its shareholders. All the lenders shall not demand repayment unless approved by the board of directors of Best Profit. All these loans were denominated in Hong Kong dollars and interest will be charged at the best lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time with effect from the completion of the Concordia Acquisition.

At 31st December, 2005, the consolidated net asset value of Orient Town is approximately HK$36.9 million. The gearing ratio, calculated with reference to the total liabilities of HK$755.0 million and the total assets of HK$791.9 million, is approximately 1.0 as at 31st December, 2005.

1. ACCOUNTANT'S REPORT ON CONCORDIA

The following is the text of the report, prepared for inclusion in this circular, received from Deloitte Touche Tohmatsu, the independent reporting accountants. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, they were not aware of any material adverse change in the financial position of Concordia since 30th September, 2006 and that there has been no event occurred since 30th September, 2006 which would materially affect the financial information to be included in the accountants report of Concordia.

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 March, 2007

The Directors
Macau Prime Properties Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to Empresa De Fomento Industrial E Comercial Concórdia, S.A. ("Concordia") for each of the three years ended 31st December, 2005 and the nine months ended 30th September, 2006 (the "Relevant Periods"), for inclusion in the circular of Macau Prime Properties Holdings Limited ("MPP") dated 7th March, 2007 issued in connection with the major transaction of MPP (the "Circular").

Concordia was incorporated on 14th August, 1975 in Macau with limited liability.

The financial statements of Concordia for each of the three years ended 31st December, 2005 prepared in accordance with the accounting principles generally accepted in Macau were audited by Messrs. Antonio Yu, auditor registered in Macau.

For the purpose of this report, the directors of Concordia have prepared the management accounts of Concordia in accordance with Hong Kong Financial Reporting Standards ("HKFRS(s)") for the Relevant Periods (the "Underlying Financial Statements").

The Financial Information set out in this report has been prepared from the Underlying Financial Statements without adjustments.

The preparation of the Underlying Financial Statements is the responsibility of the directors of Concordia. 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.

We planned to perform examination procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") on the audited financial statements or management accounts for the Relevant Periods. The examination procedures included a review of the audit working papers of other auditors on the audited financial statements and if necessary, to carry out additional independent audit procedures in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We also planned to carry out independent audit procedures in accordance with Hong Kong Standards on Auditing issued by the HKICPA in respect of the management accounts of Concordia. However, our scope was limited as follows:

1. We have not been provided with sufficient documentary evidence to support the interest on land premium payable to the Government of Macau of MOP74,836,000, MOP88,335,000, MOP102,679,000 and MOP107,234,000 as at 31st December, 2003, 2004, 2005 and 30th September, 2006, respectively, and the related interest charge of MOP12,704,000, MOP13,499,000, MOP14,344,000 and MOP4,555,000 for the years ended 31st December, 2003, 2004 and 2005 and the nine months ended 30th September, 2006 respectively. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that these amounts were fairly stated.

2. We have not been provided with sufficient documentary evidence to verify the ownership of Concordia's buildings with carrying amounts of MOP7,180,000 and MOP5,289,000, as at 31st December, 2003 and 2004 respectively. All of Concordia's buildings were disposed of during the years ended 31st December, 2003, 2004 and 2005. There were no other satisfactory audit procedures that we could adopt to verify the ownership of the buildings and whether their carrying amounts included in the balance sheets as at 31st December, 2003 and 2004 and the related depreciation charge of MOP73,000 and MOP72,000 for the years ended 31st December, 2003 and 2004, respectively, and the loss on disposal of these buildings of MOP5,180,000, MOP789,000 and MOP1,789,000 reported in the years ended 31st December, 2003, 2004 and 2005, respectively, are fairly stated.

Any adjustments found to be necessary may have an effect on the net liabilities of Concordia as at 31st December, 2003, 2004, 2005 and 30th September, 2006 and its loss and cash flows for the Relevant Periods.

In our opinion, except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the interest on land premium payable to the Government of Macau and the ownership and carrying amounts of the buildings, the Financial Information gives, for the purpose of this report, a true and fair view of the state of Concordia's affairs as at 31st December, 2003, 2004, 2005 and 30th September, 2006 and of its loss and cash flows for the Relevant Periods.

The comparative income statement, cash flow statement and statement of changes in equity of Concordia for the nine months ended 30th September, 2005 together with the notes thereon have been extracted from Concordia's financial information for the same period (the "30th September, 2005 Financial Information") which was prepared by the directors of Concordia solely for the purpose of this report. We have reviewed the 30th September, 2005 Financial Information in accordance with the 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 30th September, 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 tests 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 30th September, 2005 Financial Information. On the basis of our review which does not constitute an audit, with the exception of the possible adjustments that might have been determined to be necessary had the limitation of our scope on the interest charge on land premium payable of MOP10,758,000 for the nine months ended 30th September, 2005 and the loss on disposal of Concordia's buildings of MOP1,789,000 reported in the nine months ended 30th September, 2005 mentioned above not existed, we are not aware of any material modifications that should be made to the 30th September, 2005 Financial Information.

A. FINANCIAL INFORMATION

INCOME STATEMENTS

		Year ended 31st December,			Nine months ended 30th September,	
		2003	2004	2005	2005	2006
	Notes	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
		(Audited)	*(Audited)*	*(Audited)*	*(Unaudited)*	*(Audited)*
Gain on debt restructuring	*6*	72,961	–	–	–	–
Interest income on loans to related companies		712	714	234	234	–
Interest income on deposit placed in an escrow account		–	–	–	–	1,680
Interest on land premium payable		(12,704)	(13,499)	(14,344)	(10,758)	(4,555)
Loss on disposal of property, plant and equipment		(5,180)	(789)	(2,337)	(2,337)	–
Administrative expenses		(1,357)	(1,407)	(1,146)	(914)	(755)
Finance costs	*7*	(94,826)	(94,503)	(44,687)	(41,279)	(3,686)
Loss before taxation		(40,394)	(109,484)	(62,280)	(55,054)	(7,316)
Taxation	*8*	–	–	–	–	–
Loss for the year/period	*9*	(40,394)	(109,484)	(62,280)	(55,054)	(7,316)

BALANCE SHEETS

		As at 31st December,			As at 30th September,
		2003	2004	2005	2006
	Notes	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*11*	7,180	5,837	–	457
Prepaid lease payments	*12*	–	–	–	–
		7,180	5,837	–	457
CURRENT ASSETS					
Other receivables and deposits	*13*	–	–	–	108,951
Loans to related companies	*14*	37,475	38,189	15,763	–
Bank balances and cash	*15*	63	47	74	6
		37,538	38,236	15,837	108,957
CURRENT LIABILITIES					
Other payables	*16*	219,408	233,821	249,078	107,351
Amount due to immediate holding company	*17*	–	–	–	1,809,808
Loans from related parties	*18*	293,588	340,059	322,738	–
Loans from shareholders	*19*	1,236,142	1,304,697	1,327,175	197,149
Bank loans - due within one year	*20*	20,600	–	114,424	–
		1,769,738	1,878,577	2,013,415	2,114,308
NET CURRENT LIABILITIES		(1,732,200)	(1,840,341)	(1,997,578)	(2,005,351)
TOTAL ASSETS LESS CURRENT LIABILITIES		(1,725,020)	(1,834,504)	(1,997,578)	(2,004,894)
NON-CURRENT LIABILITY					
Bank loans - due after one year	*20*	118,110	118,110	–	–
		(1,843,130)	(1,952,614)	(1,997,578)	(2,004,894)
CAPITAL AND RESERVES					
Share capital	*21*	100,000	100,000	100,000	100,000
Reserves		(1,943,130)	(2,052,614)	(2,097,578)	(2,104,894)
		(1,843,130)	(1,952,614)	(1,997,578)	(2,004,894)

STATEMENTS OF CHANGES IN EQUITY

	Share capital *MOP'000* *(Note 21)*	Capital reserve *MOP'000* *(Note 22)*	Accumulated losses *MOP'000*	Total *MOP'000*
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)
Loss for the period	–	–	(7,316)	(7,316)
At 30th September, 2006	100,000	3,000	(2,107,894)	(2,004,894)
Unaudited				
At 1st January, 2005 as restated	100,000	3,000	(2,038,298)	(1,935,298)
Loss for the period	–	–	(55,054)	(55,054)
At 30th September, 2005	100,000	3,000	(2,093,352)	(1,990,352)

CASH FLOW STATEMENTS

	Year ended 31st December,			Nine months ended 30th September,	
	2003	**2004**	**2005**	**2005**	**2006**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited)*	*(Audited)*
OPERATING ACTIVITIES					
Loss for the year/period	(40,394)	(109,484)	(62,280)	(55,054)	(7,316)
Adjustments for:					
Interest income	(712)	(714)	(234)	(234)	(1,680)
Interest expense	94,826	94,503	44,687	41,279	3,686
Interest on land premium payable	12,704	13,499	14,344	10,758	4,555
Depreciation of property, plant and equipment	223	72	–	–	24
Loss on disposal of property, plant and equipment	5,180	789	2,337	2,337	–
Gain on debt restructuring	(72,961)	–	–	–	–
Operating cash flows before working capital changes	(1,134)	(1,335)	(1,146)	(914)	(731)
Increase in other receivables and deposits	–	–	–	–	(107,271)
Increase (decrease) in other payables	891	914	913	684	(146,282)
Cash used in operations	(243)	(421)	(233)	(230)	(254,284)
Interest paid	(5,150)	–	–	–	–
NET CASH USED IN OPERATING ACTIVITIES	(5,393)	(421)	(233)	(230)	(254,284)
INVESTING ACTIVITIES					
Proceeds from disposal of property, plant and equipment	2,265	1,030	–	–	–
Purchase of property, plant and equipment	–	(548)	–	–	(481)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	2,265	482	–	–	(481)
FINANCING ACTIVITIES					
Loans from related parties	41,220	20,523	260	260	–
Loans from shareholders	–	–	–	–	264,565
Advance from immediate holding company	–	–	–	–	108,242
Repayment of bank loans	(38,110)	(20,600)	–	–	(118,110)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	3,110	(77)	260	260	254,697
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(18)	(16)	27	30	(68)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	81	63	47	47	74
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash	63	47	74	77	6

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PREPARATION OF FINANCIAL INFORMATION

Concordia was incorporated in Macau with limited liability to engage in property development. Its parent is San Lun Mang Investimentos, Limitada ("XLM") (incorporated in Macau) and its ultimate holding company is Orient Town Limited (incorporated in Hong Kong). The address of the registered office and principal place of business of Concordia is Avenida da Praia Grande, n°693, Edificio Tai Wah, 11° andar, em Macau.

The Financial Information is presented in Macau Patacus, which is the functional currency of Concordia.

On 5th October, 2005, XLM entered into an agreement with certain shareholders of Concordia to acquire 77.1% issued share capital of Concordia and the relevant shareholders' loans (the "Concordia Acquisition"). The Concordia Acquisition was completed in May 2006.

As at 30th September, 2006, Concordia had net current liabilities of approximately MOP2,005 million. The Financial Information has been prepared on a going concern basis because the immediate holding company of Concordia has agreed not to demand repayment of the shareholder's loan unless Concordia is financially capable to do so and to provide funds of MOP206 million to enable Concordia to meet in full 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, Concordia has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA that are effective for the accounting periods beginning on or after 1st January, 2005. 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 each of the three years ended 31st December, 2005 are prepared and presented.

Financial assets and financial liabilities other than debt and equity securities

Prior to the application of Hong Kong Accounting Standard ("HKAS") 39 "Financial instruments: Recognition and Measurement", interest-free non-current bank loans were 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 loans are 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 loans as at 1st January 2005 has been decreased by MOP17,316,000 in order to state the loans at amortised cost in accordance with HKAS 39. Concordia's accumulated losses as at 1st January, 2005 have been decreased by MOP17,316,000. The loss for the year ended 31st December, 2005 has been increased by MOP13,630,000 due to the recognition of the imputed interest expense on the bank loans (see below for the financial impact).

The effects of the changes in the accounting policies described above on the results for each of the three years ended 31st December, 2005 are as follows:

	Year ended 31st December,		
	2003	**2004**	**2005**
	MOP'000	*MOP'000*	*MOP'000*
	(Audited)	*(Audited)*	*(Audited)*
Imputed interest expense on non-current interest-free bank loans 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 loans 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.

For the nine months ended 30th September, 2006, Concordia has applied, for the first time, a number of new HKFRSs issued by the HKICPA, which are either effective for accounting periods beginning on or after 31st December, 2005 or 1st January, 2006. The adoption of the new HKFRSs had no material effect on how the results for the Relevant Periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

Concordia has not early applied the following new standard, amendment and interpretations that have been issued by the HKICPA but are not yet effective. The directors of Concordia anticipate that the application of these standard, amendment or interpretations will have no material impact on how its Financial Information is prepared and presented.

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]
HK(IFRIC) - INT 11	HKFRS 2 - Group and treasury share transactions[6]

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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.

Leases

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 the income statement on a straight line basis over the terms of the relevant lease.

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 Concordia 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, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceased 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 year/period in which they are incurred.

Taxation

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

The tax currently payable is based on taxable profit for the year/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 years/periods and it further excludes 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/ period in which the item is derecognised.

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.

Financial assets

Concordia's financial assets are classified into loans and receivables. The accounting policies adopted in respect of financial assets are set out below.

Loans and receivables

Loans and receivables (including other receivables, 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. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including other payables, amount due to immediate holding company, loans from related parties and shareholders and bank loans 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.

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

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Concordia's major financial instruments comprise loans to related companies, other receivables, other payables, amount due to immediate holding company, loans from related parties and shareholders and bank 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. 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 fair value interest rate risk relates primarily to the bank loans. 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 will consider hedging significant interest rate exposures when the need arises.

Credit risk

With respect to credit risk arising from the financial assets of Concordia which comprise other receivables and loans to related companies, the exposure to credit risk arising from default of the counterparties is limited as the directors consider that the counterparties have good credit standing.

Liquidity risk

Concordia expects to have the financial support from its immediate holding company to maintain continuity of funding.

5. 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 or incurred in Macau at the respective balance sheet dates.

No business segment information is presented for Relevant Periods as there was no revenue generated during the Relevant Periods.

6. GAIN ON DEBT RESTRUCTURING

In 2003, Concordia entered into debt restructuring agreements with banks to reduce its liabilities 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 20.

7. FINANCE COSTS

	Year ended 31st December,			**Nine months ended 30th September,**	
	2003	**2004**	**2005**	**2005**	**2006**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited)*	*(Audited)*
Interests on:					
Bank loans wholly repayable within five years	5,941	–	13,630	10,222	3,686
Loans from related parties	20,518	25,948	8,580	8,580	–
Loans from shareholders	68,367	68,555	22,477	22,477	–
	94,826	94,503	44,687	41,279	3,686

8. TAXATION

No provision for Macau Complementary tax or Hong Kong Profits Tax had been made in the Financial Information as Concordia had no assessable profits for the Relevant Periods.

The taxation for the Relevant Periods can be reconciled to the loss before taxation per the income statement as follows:

	Year ended 31st December,			Nine months ended 30th September,	
	2003	**2004**	**2005**	**2005**	**2006**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited)*	*(Audited)*
Loss before taxation	(40,394)	(109,484)	(62,280)	(55,054)	(7,316)
Tax at Macau Complementary tax rate	(6,362)	(17,244)	(7,474)	(6,606)	(878)
Tax effect of income that is not taxable in determining taxable profit	(11,603)	(112)	(28)	(28)	–
Tax effect of expenses that are not deductible in determining taxable profit	17,965	17,356	7,502	6,634	878
Taxation for the year/period	–	–	–	–	–

Macau Complementary tax rate was changed from 15.75% to 12% during the year ended 31st December, 2005.

There were no significant deferred taxation for the Relevant Periods or at the respective balance sheet dates.

9. LOSS FOR THE YEAR/PERIOD

	Year ended 31st December,			Nine months ended 30th September,	
	2003	**2004**	**2005**	**2005**	**2006**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited)*	*(Audited)*
Loss for the year/period has been arrived at after charging:					
Directors' remuneration	–	–	–	–	–
Other staff costs	132	132	91	91	54
Total staff costs	132	132	91	91	54
Auditors' remuneration	15	15	8	6	45
Depreciation of property, plant and equipment	223	72	–	–	24

10. DIVIDEND

No dividend was paid by Concordia during the Relevant Periods.

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Motor vehicles	Furniture, fixtures and equipment	Total
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*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	–	–	–	–	–
Additions	–	–	481	–	481
At 30th September, 2006	–	–	481	–	481
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	–	–	–	–	–
Provided for the period	–	–	24	–	24
At 30th September, 2006	–	–	24	–	24
CARRYING VALUES					
At 31st December, 2003	7,180	–	–	–	7,180
At 31st December, 2004	5,289	489	–	59	5,837
At 31st December, 2005	–	–	–	–	–
At 30th September, 2006	–	–	457	–	457

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 are situated in Macau.

12. PREPAID LEASE PAYMENTS

In 1975, Concordia was granted by the Government of Macau a piece of land with a lease term of twenty-five years. In 1993, Concordia entered into an agreement (the "Agreement") with the Government of Macau pursuant to which a portion of the land was retained (the "Land") by Concordia for commercial, hotel and residential development. 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 the aggregate amount of MOP662 million by instalments to the Government of Macau. At 30th September, 2006, part of the land premium was overdue and interest accrued thereon of approximately MOP107 million ("Overdue Amounts") has 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 the lease term of the Land would be considered after submission by Concordia of a proposal for settlement of the Overdue Amounts 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.

The land premium paid, constructions cost, expenses and borrowing costs capitalised on the land were fully amortised and expensed on or before the expiry of the lease term in 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.

13. OTHER RECEIVABLES AND DEPOSITS

The balance at 30th September, 2006 includes a deposit of MOP107,234,000 kept in an escrow account which carried interest at 4.75% per annum and is restricted for applying for the settlement of the interest on land premium payable to the Government of Macau as detailed in Note 16.

The directors consider that the carrying amounts of other receivables approximate their fair values at the balance sheet date.

14. LOANS TO RELATED COMPANIES

	As at 31st December,			As at 30th September,
	2003	**2004**	**2005**	**2006**
	MOP'000	*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 and/or directors with Concordia before the Concordia Acquisition.

The loans to related companies were unsecured and repayable on demand. All loans were transferred to a shareholder of Concordia in May 2006.

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

15. BANK BALANCES AND CASH

Bank balances and cash comprise of cash held by Concordia and short-term bank deposits with an original maturity of three months or less. The directors consider that the carrying amounts of these assets approximate their fair values at the respective balance sheet dates.

16. OTHER PAYABLES

	As at 31st December,			As at 30th September,
	2003	**2004**	**2005**	**2006**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Government land premium payable	140,782	140,782	140,782	–
Interest on land premium payable	74,836	88,335	102,679	107,234
Government land rent and interest payable	3,790	4,704	5,617	–
Accrued expenses	–	–	–	117
	219,408	233,821	249,078	107,351

According to the agreement with the Government of Macau, Concordia was required to pay the land rent, land premium and interest accrued thereon to the Government of Macau. The balances had 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 these payables approximate their fair values at the respective balance sheet dates.

17. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The balance 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.

18. LOANS FROM RELATED PARTIES

	As at 31st December,			As at 30th September,
	2003	2004	2005	2006
	MOP'000	*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 had common shareholders and/or directors with Concordia before the Concordia Acquisition.

The loans from related parties with aggregate principal amounts of MOP161,443,000 and MOP181,219,000 outstanding at 31st December, 2003 and 2004, respectively, carried interest at 14.4% per annum and the remaining balances were interest-free. The loans were unsecured and repayable on demand. All balances were interest-free started from 1st May, 2005 and were transferred to a shareholder of Concordia in May 2006.

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

19. LOANS FROM SHAREHOLDERS

	As at 31st December,			As at 30th September,
	2003	2004	2005	2006
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
澳信聯實業有限公司	441,745	466,200	474,218	–
吳鋼	187,329	197,694	201,092	–
新興中發展有限公司	308,541	325,613	331,210	–
崔樂奇	7,346	7,753	7,886	–
San Lun Mang Investimentos, Limitada	–	–	77,545	–
吳漢疇	114,871	121,373	39,210	–
Orient Town Limited	–	–	6,750	–
志濠投資有限公司	24,487	25,842	26,287	–
姚開	8,571	9,045	9,200	9,200
孫觀	143,252	151,177	153,777	–
Guangdong Assets Management (BVI) No. 40 Limited	–	–	–	153,777
Forever Charm Group Limited	–	–	–	34,172
	1,236,142	1,304,697	1,327,175	197,149

The loans from shareholders with an aggregate principal amount of MOP474,779,000 outstanding at 31st December, 2003 and 2004 carried interest at 14.4% per annum and the remaining balance was interest-free. The loans were unsecured and repayable on demand. All balances were interest-free started from 1st May, 2005.

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

20. BANK LOANS

	As at 31st December,			As at 30th September,
	2003	**2004**	**2005**	**2006**
	MOP'000	*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 its certain interest in leasehold land as set out in Note 12.

The carrying amounts of the bank loans are denominated in the following currencies:

	As at 31st December,			As at 30th September,
	2003	**2004**	**2005**	**2006**
	'000	*'000*	*'000*	*'000*
Hong Kong dollars	57,000	37,000	35,846	–
Macau Patacus	80,000	80,000	77,503	–

For the year ended 31st December, 2003, the average and effective interest rate of the bank loans was 11.3% per annum. For the period from March 2003 to March 2006, the banks ceased to charge any interest, details of such arrangement are set out below. The imputed interest rate of the bank loans for the year ended 31st December, 2005 and the nine months ended 30th September, 2006 was 12.5% per annum.

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,			As at 30th September,
	2003	**2004**	**2005**	**2006**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Fair value	109,388	100,794	114,424	–

On 7th March, 2003, Concordia 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 carried at fixed interest rate of 12.6% per annum 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 agreed not to 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.

The bank loans were fully repaid in 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 HK$47,551,000 (equivalent to approximately 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.

21. SHARE CAPITAL

	Number of shares	Amount
		MOP'000
Quota shares of MOP1,000 each:		
Authorised, issued and fully paid	100,000	100,000

22. CAPITAL RESERVE

The capital reserve represents the excess of the amounts contributed by the shareholders of Concordia over the shares issued at the date of allotment.

23. MAJOR NON-CASH TRANSACTIONS

During the year ended 31st December, 2005, the loan from a related party, 粵中發展有限公司, was partially settled by the transfer of Concordia's property at the agreed value of MOP3,500,000 and by offsetting the loan to the same party of MOP22,660,000.

During the nine months ended 30th September, 2006, loans from and to related parities of MOP322,738,000 and MOP15,763,000, respectively, were assigned to a shareholder of Concordia. In addition, shareholders' loans of MOP1,624,021,000 were acquired by the immediate holding company pursuant to the Concordia Acquisition.

24. PLEDGE OF ASSETS

At each of the balance sheet dates, the banking facilities granted by the banks to Concordia were secured by the leasehold land of Concordia which had expired in 2006 with no carrying value.

25. OPERATING LEASES

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

	Year ended 31st December,			Nine months ended 30th September,	
	2003	**2004**	**2005**	**2005**	**2006**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited)*	*(Audited)*
Premises	–	–	–	–	129

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

	As at 31st December,			As at 30th September,
	2003	**2004**	**2005**	**2006**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Within one year	–	–	–	424
In the second to fifth year	–	–	–	282
	–	–	–	706

Operating lease payments represent rentals payable by Concordia for its office premises. The leases were negotiated at fixed amount for an average term of two years.

26. CAPITAL COMMITMENTS

	As at 31st December,			As at 30th September,
	2003	**2004**	**2005**	**2006**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the Financial Information	–	–	–	968

27. RELATED PARTY DISCLOSURES

During the Relevant Periods, other than the balances with related parties disclosed above, Concordia had the following transactions with related parties:

Name of related parties	Year ended 31st December,			Nine months ended 30th September,	
	2003	2004	2005	2005	2006
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited)*	*(Audited)*
Interest charge:					
粵中發展有限公司	10,378	14,710	4,895	4,895	–
中山市財政局	6,553	7,029	2,305	2,305	–
岐江(澳門)發展有限公司	2,966	2,975	975	975	–
實利地產置業發展有限公司	621	1,234	405	405	–
澳門聯實業有限公司	24,388	24,455	8,018	8,018	–
吳鋼	10,337	10,365	3,398	3,398	–
新興中發展有限公司	17,025	17,072	5,597	5,597	–
崔樂奇	405	406	133	133	–
Goal Oriental Finance Inc.	–	–	1,311	1,311	–
吳漢疇	6,484	6,502	821	821	–
志濠投資有限公司	1,351	1,355	444	444	–
姚開	473	474	156	156	–
孫觀	7,904	7,926	2,599	2,599	–
	88,885	94,503	31,057	31,057	–
Interest income:					
集平實業有限公司	297	298	97	97	–
新創興國際投資有限公司	415	416	137	137	–
	712	714	234	234	–
Sale proceeds on disposal of property, plant and equipment:					
粵中發展有限公司 *(note a)*	–	–	3,500	–	–
Rental expense and building management fee paid:					
大華行投資有限公司*(note b)*	–	–	–	–	129

Notes:

(a) The sale proceeds were set off with loan from the related party.

(b) This company is beneficially owned by the family members of certain directors of Concordia.

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Concordia in respect of any periods subsequent to 30th September, 2006.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

2. MANAGEMENT DISCUSSION AND ANALYSIS OF CONCORDIA

For the nine months ended 30th September, 2006

Business Review

During the period, the overdue land premium of MOP140.8 million and bank loans of MOP114.4 million have been fully settled by Concordia and a written request has been submitted to the Government of Macau for the Renewal, which is being reviewed by the Government of Macau. The overdue interest of MOP107.2 million in relation to the above land premium has not yet been settled which final amount and payment terms may be subject to further negotiation with the Government of Macau. Pursuant to the terms of the Concordia Acquisition, should the final settlement amount differ from MOP107.2 million, the shortfall or remaining balance shall be compensated by or paid to the vendor of the Concordia Acquisition.

After full settlement of land premium and bank loans during the period as well as cessation of charging interest on loans due to shareholders since May 2005, finance costs were substantially reduced from MOP44.7 million for the year ended 31st December, 2005 to MOP3.7 million for the nine months ended 30th September, 2006. Loss for the nine months ended 30th September, 2006 was MOP7.3 million, showing a decrease of about MOP55.0 million from the loss of MOP62.3 million as reported for the year ended 31st December, 2005.

Borrowing and Gearing

As at 30th September, 2006, Concordia had loans from shareholders of MOP2,006.9 million (31st December, 2005: MOP1,327.2 million), which are of no fixed terms of repayment, and net deficit of shareholders' fund of approximately MOP2,004.9 million (2005: MOP1,997.6 million). The gearing ratio, calculated with reference to total liabilities of MOP2,114.3 million and total assets of MOP109.4 million, is approximately 19.3.

For the year ended 31st December, 2005

Business Review

There was an overdue land lease premium of approximately MOP140.8 million due to the Government of Macau and the penalty interest for the year ended 31st December, 2005 of approximately MOP14.3 million was included in the administrative expenses. During the year, all shareholders and affiliates of a holding company of Concordia agreed to cease charging interest on the loans due from Concordia with effect from 1st May, 2005. After partially set off by the increase in interest expense of MOP13.6 million on adoption of new accounting standard to restate a bank loan at fair value (details as set out in note 2 to the financial statements), finance costs were substantially reduced from MOP94.5 million for the year ended 31st December, 2004 to MOP44.7 million for the year ended 31st December, 2005. Loss for the year ended 31st December, 2005 was MOP62.2 million, showing a decrease of about MOP47.2 million from the loss of MOP109.4 million as reported for the year ended 31st December, 2004.

Borrowing and Gearing

As at 31st December, 2005, total borrowings amounted to MOP1,764.3 million (2004: MOP1,762.9 million) which included bank loans of MOP114.4 million (2004: MOP118.1 million). In accordance with a debt restructuring agreement signed in 2003, among other matters, the lending bank agreed to cease charging interest on the outstanding principal which shall be repaid in full by March 2006. Other borrowings included loans from shareholders of approximately MOP1,327.2 million and affiliates of the holding company of approximately MOP322.7 million, all of which had no fixed terms of repayment.

Except for certain bank loan of MOP36.9 million which was denominated in Hong Kong dollars, all the borrowings were denominated in Macau Patacas.

Due to the expiry of the land lease in 2000, all unamortised cost in relation to the land lease had been written off which resulted in a substantial deficit of approximately MOP1,656.9 million. As at 31st December, 2005, there was a net deficiency in shareholders' fund of approximately MOP1,997.6 million (2004: MOP1,952.6 million). The gearing ratio, calculated with reference to total liabilities of MOP2,013.4 million and total assets of MOP15.8 million, is approximately 127.4.

For the year ended 31st December, 2004

Business Review

There was an overdue land lease premium of approximately MOP140.8 million due to the Government of Macau and the penalty interest for the year ended 31st December, 2004 of approximately MOP13.5 million was included in the administrative expenses. Finance costs of approximately MOP94.5 million (2003: MOP94.8 million) mainly represented the charge calculated at 14.4% over the loans from the Concordia's shareholders and affiliates of a holding company. Loss for the year ended 31st December, 2004 was MOP109.5 million, showing an increase of about MOP69.1 million from the loss of MOP40.4 million as reported for the year ended 31st December, 2003.

Borrowing and Gearing

As at 31st December, 2004, total borrowings amounted to approximately MOP1,762.9 million (2003: MOP1,668.4 million) which included bank loans of approximately MOP118.1 million (2003: MOP138.7 million). In accordance with a debt restructuring agreement signed in 2003, among other matters, the lending bank agreed to cease charging interest on the outstanding principal which shall be repaid in full by March 2006. Other borrowings included loans from shareholders of approximately MOP1,304.7 million and affiliates of the holding company of approximately MOP340.1 million, all of which had no fixed terms of repayment.

Except for certain bank loan of MOP38.1 million which was denominated in Hong Kong dollars, all the borrowings were denominated in Macau Patacas.

Due to the expiry of the land lease in 2000, all unamortised cost in relation to the land lease had been written off which resulted in a substantial deficit of approximately MOP1,656.9 million. As at 31st December, 2004, there was a net deficiency in shareholders' fund of approximately MOP1,952.6 million (2003: MOP1,843.1 million). The gearing ratio, calculated with reference to total liabilities of MOP1,996.7 million and total assets of MOP44.1 million, is approximately 45.3.

For the year ended 31st December, 2003

Business Review

During the year, the Concordia entered into separate debt restructuring agreements with two lending banks in which the lenders agreed to waive certain principal and interest due by the Concordia. As a result, a gain from debt restructuring of approximately MOP73.0 million was recognised. Penalty interest of approximately MOP12.7 million in respect of an overdue land lease premium of approximately MOP140.8 million owed to the Government of Macau for year ended 31st December, 2003 was included in the administrative expenses. Finance costs of approximately MOP94.8 million mainly represented the charge calculated at 14.4% over the loans from Concordia's shareholders and affiliates of a holding company. Loss for the year ended 31st December, 2003 was MOP40.4 million.

Borrowing and Gearing

As at 31st December, 2003, total borrowings amounted to MOP1,668.4 million which included bank loans of MOP138.7 million. In accordance with the debt restructuring agreements entered into between Concordia and the lending banks during the year, among other matters, the lenders agreed to cease charging interest on the outstanding principal of which MOP20.6 million was repayable in 2004 while another MOP118.1 million should be repaid in full by March 2006. Other borrowings included loans from shareholders of approximately MOP1,236.1 million and affiliates of the holding company approximately MOP293.6 million, all of which had no fixed terms of repayment.

Except for certain bank loan of MOP58.7 million which was denominated in Hong Kong dollars, all the borrowings were denominated in Macau Patacas.

Due to the expiry of the land lease in 2000, all unamortised cost in relation to the land lease had been written off which resulted in a substantial deficit of approximately MOP1,656.9 million. As at 31st December, 2003, there was a net deficiency in shareholders' fund of approximately MOP1,843.1 million. The gearing ratio, calculated with reference to total liabilities of MOP1,887.8 million and total assets of MOP44.7 million, is approximately 42.2.

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE GROUP IMMEDIATELY AFTER THE OPTION SHARES COMPLETION

A. Introduction

The accompanying unaudited pro forma statement of assets and liabilities of the Group has been prepared to illustrate the effects of the proposed Option Shares Acquisition. The Option Shares Acquisition will be settled as to HK$35 payable upon Option Shares Completion together with an advance of HK$100 million by Million Orient to Orient Town on the date of Option Shares Completion and all are to be settled in cash from the 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 Option Shares Acquisition and the advance of the Shareholder's Loan had taken place on 30th September, 2006.

The unaudited pro forma statement of assets and liabilities of the Group is prepared based on the unaudited consolidated balance sheet of the Group at 30th September, 2006, which has been extracted from the interim report of the Company for the six months ended 30th September, 2006 with adjustments to reflect the effects as if the Option Shares Acquisition had been completed on 30th September, 2006.

The unaudited pro forma statement of assets and liabilities of the Group is prepared to provide information on the Group as a result of completion of the Option Shares Acquisition. As it is prepared for illustrative purpose only, it does not purport to represent the financial position of the Group on the completion of the Option Shares Acquisition or any future date.

B. Unaudited pro forma statement of assets and liabilities of the Group immediately after Option Shares Completion

	The Group as at 30th September, 2006	Pro forma adjustment *(Note 1)*	Pro forma adjustment *(Note 2)*	The Group immediately after the Option Shares Completion
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	261,396			261,396
Prepaid lease payments of leasehold land	101,169			101,169
Premium on prepaid lease payments of leasehold land	133,062			133,062
Intangible assets	2,605			2,605
Interests in associates	–	–		–
Loan and interest due from an associate	906,240		100,000	1,006,240
Other loan receivables	4,635			4,635
Deposits paid on acquisition of property, plant and equipment	1,815			1,815
Goodwill	14,817			14,817
Deferred tax assets	1,520			1,520
	1,427,259	–	100,000	1,527,259
Current assets				
Inventories	89,090			89,090
Properties held for sale	58,730			58,730
Investments held-for-trading	31,914			31,914
Debtors, deposits and prepayments	203,066			203,066
Other loan receivables	314,013			314,013
Prepaid lease payments of leasehold land	2,419			2,419
Pledged bank deposits	23,000			23,000
Bank balances and cash	1,195,610	–	(100,000)	1,095,610
	1,917,842	–	(100,000)	1,817,842

	The Group as at 30th September, 2006	Pro forma adjustment *(Note 1)*	Pro forma adjustment *(Note 2)*	The Group immediately after the Option Shares Completion
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities				
Creditors and accrued charges	135,027			135,027
Tax payable	12,538			12,538
Obligations under finance leases				
– due within one year	23			23
Convertible note payables	2,958			2,958
Bank borrowings – due within one year	95,591			95,591
Bank overdraft	645			645
Unsecured other borrowings	39,425			39,425
	286,207	–	–	286,207
Net current assets	1,631,635	–	(100,000)	1,531,635
Total assets less current liabilities	3,058,894	–	–	3,058,894
Non-current liabilities				
Obligations under finance leases				
– due after one year	84			84
Convertible note payables	1,313,473			1,313,473
Bank borrowings – due after one year	13,793			13,793
Deferred tax liabilities	33,331			33,331
	1,360,681	–	–	1,360,681
	1,698,213	–	–	1,698,213

C. Notes:

(1) The adjustments represent the recognition of further interest in an associate, Orient Town, pursuant to the proposed further acquisition of 5% equity interest of Orient Town for a cash consideration of HK$35. No goodwill or discount on acquisition would arise from the Option Shares Acquisition, assuming that the fair values of the assets and liabilities of Orient Town Group at 30th September, 2006 approximate to their carrying amounts.

(2) The adjustment represents the Shareholder's Loan of HK$100 million to be advanced to Orient Town according to the agreement for the Option Shares Acquisition, which will be paid in cash from internal resources of the Group on the date of Option Shares Completion.

2. UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE GROUP IMMEDIATELY AFTER THE COMPLETION

A. Introduction

The accompanying unaudited pro forma statement of assets and liabilities of the Group has been prepared to illustrate the effects of the proposed Acquisition. The Consideration of HK$245.7 million will be settled in cash from the internal resources of the Group upon Completion. According to the Acquisition Agreement, the Group undertakes to advance the Additional Concordia Loan of HK$70 million to Concordia which will also be paid in cash from internal resources of the Group upon Completion.

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 Acquisition and payment of the Additional Concordia Loan had taken place on 30th September, 2006.

The unaudited pro forma statement of assets and liabilities of the Group is prepared based on the unaudited consolidated balance sheet of the Group at 30th September, 2006, which has been extracted from the interim report of the Company for six months ended 30th September, 2006 with adjustments to reflect the effects as if both the Acquisition and payment of the Additional Concordia Loan had been completed on 30th September, 2006.

The unaudited pro forma statement of assets and liabilities of the Group is prepared to provide information on the Group as a result of completion of the Acquisition and payment of the Additional Concordia Loan. As it is prepared for illustrative purpose only, it does not purport to represent the financial position of the Group on the completion of the Acquisition and payment of the Additional Concordia Loan or any future date.

B. Unaudited pro forma statement of assets and liabilities of the Group immediately after Completion

	The Group as at 30th September, 2006 *HK$'000*	Pro forma adjustment *(Note 1)* *HK$'000*	Pro forma adjustment *(Note 2)* *HK$'000*	The Group immediately after the Completion *HK$'000*
Non-current assets				
Property, plant and equipment	261,396			261,396
Prepaid lease payments of leasehold land	101,169			101,169
Premium on prepaid lease payments of leasehold land	133,062			133,062
Intangible assets	2,605			2,605
Interests in associates	–	134,684		134,684
Loan and interest due from an associate	906,240	111,016	70,000	1,087,256
Other loan receivables	4,635			4,635
Deposits paid on acquisition of property, plant and equipment	1,815			1,815
Goodwill	14,817			14,817
Deferred tax assets	1,520			1,520
	1,427,259	245,700	70,000	1,742,959
Current assets				
Inventories	89,090			89,090
Properties held for sale	58,730			58,730
Investments held-for-trading	31,914			31,914
Debtors, deposits and prepayments	203,066			203,066
Other loan receivables	314,013			314,013
Prepaid lease payments of leasehold land	2,419			2,419
Pledged bank deposits	23,000			23,000
Bank balances and cash	1,195,610	(245,700)	(70,000)	879,910
	1,917,842	(245,700)	(70,000)	1,602,142

	The Group as at 30th September, 2006	Pro forma adjustment *(Note 1)*	Pro forma adjustment *(Note 2)*	The Group immediately after the Completion
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities				
Creditors and accrued charges	135,027			135,027
Tax payable	12,538			12,538
Obligations under finance leases				
– due within one year	23			23
Convertible note payables	2,958			2,958
Bank borrowings – due within one year	95,591			95,591
Bank overdraft	645			645
Unsecured other borrowings	39,425			39,425
	286,207	–	–	286,207
Net current assets	1,631,635	(245,700)	(70,000)	1,315,935
Total assets less current liabilities	3,058,894	–	–	3,058,894
Non-current liabilities				
Obligations under finance leases				
– due after one year	84			84
Convertible note payables	1,313,473			1,313,473
Bank borrowings – due after one year	13,793			13,793
Deferred tax liabilities	33,331			33,331
	1,360,681	–	–	1,360,681
	1,698,213	–	–	1,698,213

C. Notes:

(1) The adjustments represent the recognition of the 8.7% equity interest in Concordia of which HK$134.7 million is payable for the Sale Shares and HK$111.0 million for the Sale Loan which is to be financed by the internal resources of the Group. Goodwill of HK$134.7 million would arise from the Acquisition, assuming that the fair values of the assets and liabilities of Concordia at 30th September, 2006 approximate to their carrying amounts.

(2) The adjustments represent the payment of the Additional Concordia Loan which is to be financed by the internal resources of the Group.

3. 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

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 of the Company for illustrative purposes only, to provide information about how the proposed acquisition of interests in Orient Town Limited and Empresa De Fomento Industrial E Comercial Concórdia, S.A. might have affected the financial information presented, for inclusion in Appendix VI to the circular dated 7th March, 2007 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on pages 256 to 263 of 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 judgments 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 the future and may not be indicative of the financial position of the Group as at 30th September, 2006 or at 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 29(1) of Chapter 4 of the Listing Rules.

The following is the text of a letter prepared for inclusion in this circular received from S.H. Ng & Co., Ltd. and Wai & Ko Real Estate Ltd., both being independent valuers, in connection with their valuation as at 7th March, 2007 of the Property.

WAI & KO REAL ESTATE LTD.
Real Estate Consultant
Block 111, 7/B
Rua da Peha 20–22
Macau, China
Tel/Fax: (853) 28337476

S.H. NG & CO., LTD.
Real Estate Consultant
21/F., Chun Wo Commercial Building
25–27 Wing Wo Street
Central, Hong Kong
Tel: 28827291 Fax: 28815905

7th March, 2007

The Directors
Macau Prime Properties Holdings Limited
29th Floor, Paul Y. Centre
51 Hung To Road
Kwun Tong, Kowloon
Hong Kong

Dear Sirs,

ESTRADA DE SEAC PAI VAN, MACAU, CHINA (THE "PROPERTY")

We refer to the instructions from Macau Prime Properties Holdings Limited (the "Company") for us to provide our opinion of the market "Site Value" and the "Gross Development Value" of the Property in accordance with the development proposal prepared by LKPL Architect, an architectural firm. We understand that our opinion of value will be included in the circular of the Company for the purpose of complying with the relevant requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). We confirm that we have carried out inspection, made relevant enquiries and obtained such other further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 7th March, 2007 (the "date of valuation").

Basis of Valuation

Market Value is 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.

Our valuations have been made on the assumption that the owner sells the Property or the property interest on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the Property.

Valuation Methodology

We have valued the Property on an open market basis as a site ready for development in its existing state by reference to the comparable site sales in the vicinity of the Property. We have also carried out a residual valuation to counter check on our opinion of value. Residual Value is arrived at from the total Gross Sale Value and deducting from it the total cost of construction, including costs of financing, as well as any premium due and profit for the developer. We have carried out inspection of the Property. However, we have not carried out geotechnical survey on the site to verify the suitability of the soil for construction. We have assumed that the site is in normal condition and would not incur extraordinary cost to the development.

Our opinion of the Gross Sale Value of the Property is our estimated sale value of the development after completion. We have made reference to the achieved sales comparable and offers for similar types of developments in Coloane and Taipa.

Valuation Assumptions

As the Property is held by the owner on lease, we have assumed that the grantee or the user of the Property has free and uninterrupted rights to use and/or to assign the Property or property interest for the whole of the unexpired term of the lease. We have assumed that all consents, approvals and licenses from the Government of Macau for the legal use of the Property had been granted. According to our standard practice, we must state that we have not taken into account of any tax liabilities, which might affect the net profit or value of the Property.

In valuing the property interest, we have complied with all the requirements contained in Chapter 5 of the Listing Rules and the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors effective from 1st January, 2005.

We would like to point out that the Government of Macau may charge a premium on land calculated in accordance with the regulations currently in force in Macau under the Administrative Regulation No.16/2004. However it should be noted that, as with all new developments in Macau as well as those that are to be re-started for development, the final payment is subject to negotiation. This is particularly true of large projects, such as the subject development. We have assumed in our valuation that land premium, if required had already been paid.

Limiting Conditions

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as statutory notices, easements, tenure, lettings, site and floor areas and all other relevant matters.

We have been supplied with the title documents relating to the Property. However, we have not searched the original documents to verify ownership or to verify any lease amendments, which may not appear on the copies handed to us. All documents and leases have been used for reference only and all dimensions, measurements and areas are approximate only. No on site measurements have been taken.

No allowance has been made in our report for any charges, mortgages or amount owing on the Property nor for any expenses or taxation, which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and out-goings of an onerous nature which could affect value.

We have no reasons to doubt the truth and accuracy of the information provided to us by the Company. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

Title and Ownership Particulars

The registered owner of the Property is Empresa De Fomento Industrial E Comercial Concórdia, S.A. ("Concordia"). (Chinese translation is "聯生發展股份有限公司" and English translation is Concord Industrial and Commercial Development Enterprise Limited).

Under the terms of the Sino-Portugese Agreement, all properties are understood to be held for a period of 50 years from 20th December, 1999, on which date the Territory reverted to the Chinese Sovereignty.

The Property is registered in the Boletim Official de Macau (Macau Government Gazette) by reference to a registration document dated 23rd November, 1993 to comprise a total of 14 lots as follows (in square metres):–

		Permitted Gross Floor Area (sq.m.)			
Lot	**Site Area**	**Residential**	**Commercial**	**Car park**	**Facility**
A	5,344	54,903	7,692	16,186	3,345
B	2,346	16,586	3,053	7,206	–
C	3,763	32,316	5,143	11,177	–
D	3,915	34,888	5,102	11,913	3,345
E	2,998	34,888	3,620	7,638	1,100
F	3,231	40,031	3,857	9,403	224
G	4,169	34,888	5,766	12,755	3,345
H	6,828	50,755	8,877	17,833	875
I	3,778	32,827	4,673	11,142	–
J	4,856	45,240	6,151	14,201	–
L	3,922	31,724	5,029	11,557	–
M	3,924	36,687	4,891	10,271	875
N	2,343	22,676*	–	2,343	–
O	4,235	38,715*	9,345	12,706	–
Total:	55,652	507,124	73,199	156,331	13,109

Note: N* for Hotel use and O* for office use.

According to the 50/81 Order, the annual ground rents for the "Property" are to be assessed at MOP$10 per sq.m. (based on site area) during the construction period. After completion and issue of the occupation permit to be assessed as follows (reassessed every 5 years):–

Residential – MOP$10 per sq.m. of gross area.
Commercial – MOP$15 per sq.m. of gross area.
Hotel – MOP$15 per sq.m. of gross area.
Office – MOP$15 per sq.m. of gross area.
Car Park – MOP$10 per sq.m. of gross area.

We have been supplied with the following documents (in Chinese and Portuguese) which relate to the land ownership, joint venture of the related parties and the development of the subject property interests, the salient points of which are mentioned as follows (translation only):–

Attachment 1 – copies of the lots grant and related amendments

Attachment 2 – copies of the written report issued by the Macau Government Gazette

Attachment 3 – copies of the "Concordia's report and Memorandum and Articles of Association"

Attachment 4 – copies of document dated 7th October, 2003 issued by the Transport and Public Works Department (No.446/8082.04/DSODEP/2003)

Legal Opinion

The legal opinion on the subject land lease whether should be a Renewal or a New Concession had been opined by Mr. Leong Hon Man (an Advogado) in his letter dated 25th May, 2006:–

In accordance with the practice of the Government of Macau in similar cases, the concessionaire should request a new concession, instead of renewal of the concession terminated in 2000.

There is no legislation on regulations about the premium policy in case of a new concession followed by the termination of the concession period. For other cases the Government of Macau should take into consideration the difference between a genuine new concession (40% of the expected profit for the land premium is chargeable) and a new concession as successive of an old concession, whose construction works have not been completed due to the reasonable justifications.

The overdue land premium had been fully settled by Concordia and a written request has been submitted to the Government of Macau for Renewal, which is being reviewed by the Government of Macau. The land premium payable on the Lease Renewal will not be the same as any other new concession without any historical background.

Location of the Proposed Development

The development occupies a large site on the the northwestern side of Estrada de Seac Pai Van, in the area called S. Francisco Xavier (Coloane). It is located on the western side of Coloane Island to the south of the recently formed Cotai district in Macau.

Coloane was originally the furthest island to the south of Macau proper and Taipa. It is linked to Taipa by the Taipa – Coloane Causeway and to Macau proper by the Macau – Taipa Bridge and the Ponte de Amizade Friendship Bridge, and the recently opened "all weather" bridge. It has recently been announced that a tunnel is to be constructed between Macau and Taipa but no fixed date has been given for its commencement.

Existing State and Condition

At the time of our inspection on 9th November, 2006, the site was lying wasted and grown with shrubs and with some dump waste found on various parts.

The site on the whole is low-lying and was formed, laid out and all services including roads, electricity and drainage were connected. The site is ready for immediate development in accordance with the format set out in the "Boletim Official de Macau" dated 15th December, 1993.

The Site

An irregular shaped site with a total gross area of 208,490 sq.m. (2,244,186 sq.ft.). It is formed by 14 smaller lots to provide a total construction site area of 55,652 sq.m. (5.5652 hectares) with the remainder of the area given over for use as roads and public facilities.

The Development Proposal

The proposed development stands on a site with a total gross site area of 123,525 sq.m. (including internal access roads). Lots A-J and L-O amounts to 55,652 sq.m. and Lots R-X amounts to 28,572 sq.m.

We have been provided with a development proposal of the Property prepared by the Architect originally for Orient Town Limited (the developer) in September 2005. The development is planned to be developed in five (5) phases, to comprise 15 high-rise residential towers built over podium floors, and service apartments cum hotel over an egg podium 1 & 2. The total gross floor area for each phase is as follows (in sq.m.):

	Phase I	**Phase II**	**Phase III**	**Phase IV**	**Total**
Residential	203,130	68,625	79,605	101,565	452,925
	(1,500 units)	(500 units)	(600 units)	(750 units)	(3,350 units)
Commercial	5,220	43,442	23,527	2,278	74,467
Service Apartment	–	38,760	–	–	38,760
Hotel	–	23,460	–	–	23,460
Parking	74,400	17,597	19,092	46,440	157,529
	(2,125 nos.)	(500 nos.)	(545 nos.)	(1,300 nos.)	(4,470 nos.)
Total	282,750	191,884	122,224	150,283	747,141

Notes:

(1) Additional facility area required is 13,109 sq.m.

(2) Phase V of the development is planned as a recreational area to include facilities such as club-house, soccer field, basket-ball field, tennis courts and children playgrounds which are not counted as building area.

We were informed that the project is currently at the overall scheme design stage. Foundation work is expected to commence in 2007 with Phase I of the development expected for completion by around 2008.

The Macau Property Market

The usual gloom merchants who predicted that the property market would fall by the end of 2006 but this was not the case. Instead property prices continued to rise and the final news of the year was that two complete towers of a prime development known as One Central, over-looking the Nam Van Lakes in core central Macau, had been sold to investors at a price in excess of HK$45,000 a square metre. In an out of town area close to the border crossing with the Mainland, sales of property in the "La Cite" development area steady and achieving prices in the region of HK$20,000 a square metre.

On the island of Taipa, units at the Manhattan residential complex are now selling at HK$32,000 a square metre and a recent sale of a luxury apartment in the well known, but aging, Hellene Garden complex at Hac Sa on the island of Coloane fetched a price in excess of HK$16,000 a square metre. The Nova City development in Taipa now constantly sells at in excess of HK$20,000 a square metre and the prices are steadily increasing.

Offices in good, modern buildings are in demand and prices are moving steadily upwards with prices in the popular NAPE area rising to some HK$16,000 a square metre and show little sign of slowing down. Demand is also good for property in well located offices in core central with prices at around the same level.

The big winners are shop property where demand is increasing rapidly due to the increasing demand for quality goods from both tourists and locals alike. In a side street in a central area a shop with a registered area of only 180.05 square metres was offered at HK$88,000,000 with one on the Praia Grande having an area of 47.80 square metres fetched HK$16,000,000.

In a side street in NAPE a shop of 394.46 square metres is on sale at HK$48,000,000 and close to the St. Paul's ruins a shop with an area of 56.10 square metres changed hands in September 2006 for some HK$12,000,000.

With tourism increasing steadily and a consequent increase in hotel room occupancy demand for established hotels is also increasing. Recently a 31.7% stake in a 3-star hotel with a casino sold at 45% profit after a period of approximately one year.

The current spate of building in Cotai has not come on line as yet but the Venetian is expected to open in mid-2007 and with that should come conference traffic as well as an increase in international events.

The only current problems are infra-structural and it seems as if those are slowly being rectified. Road traffic is getting slower and slower and the supply of taxis is insufficient to meet the demand but the Government of Macau now proposed that an elevated light rail system be constructed to serve the perimeter of the Macau peninsular and the island of Taipa up to the Cotai strip.

There have been major problems with the salinity of water supply to Macau during the year but, with 98% of Macau's water coming from Zhuhai, arrangements for improvements to the supply have now been entered into with the relevant authorities there. These are expected to radically improve the situation during 2007.

Similarly, the Electricity Company has entered into arrangements with their Zhuhai counterparts to increase the supply available to Macau.

The current market situations are likely to improve as the new hotels come on line and there seems to be little likelihood of current prices falling, indeed the opposite is more likely with a steady increase in prices achieved over the coming year.

The Comparables

In the course of our valuation, we have been able to gather comparable information from our enquiry with the developers, local agents and the newspapers. We have sourced information from published public documents, local licenced agents such as Midland

Realty and Centaline, the Government of Macau servants and transactions reported and recorded by other local agents. Some of the actual and asking sales of sites and the sales and rentals on the residential, commercial and hotels in the Taipa and Coloane districts (some of the building names are translation only) are as follows:–

Land Price

We have noted some land sales in various parts of Macau within year 2005 and 2006 and two property valuations carried out by qualified valuers for public document purposes. We have used these comparables as a reference to form our opinion of the land value of the subject development.

Location	Approx. Land Area/ Gross Area (GFA)	Asking/ Achieved Price *(HK$)*	Accommodation Value *(HK$)*
(1) Site close to Century Hotel, Taipa	GFA – 5,249 sq.m.	$45,000,000	$8,573 per sq.m.
(2) Reclamation Area, close to Hyatt Hotel/ University, Taipa	Site: 8,631 sq.m. GFA – 86,308 sq.m.	–	$4,306 per sq.m.
(3) Av. Wai Long, Taipa (close to airport)	Site: 78,700 sq.m. GFA – 390,200 sq.m. (office/hotel/ residential)	$1,614,000,000 in January 2006	$4,135 per sq.m.
(4) Lot No.21202, Estada de Seac Pai Wan, S. Francsico Xavier, Coloane	Site: 9,045 sq.m. Plot ratio 10 for domestic use and 15 for non-domestic use	Valuation: as at 7th September, 2005 in public document for Cheuk Nang (Holdings) Limited at $1,050,000,000	$11,608 per sq.m. (for domestic) or $7,740 per sq.m. for non-domestic use
(5) City of Dreams site in Cotai, Taipa	Site: 113,325 sq.m. GFA – 452,400 sq.m. (two 4-star hotels, one 5-star hotel, two residential/ serviced apartment towers, casino, retail complex, entertainment hall and theater etc.	Land Premium: $509,000,000. Land cost: $1,680,000,000 Valuation: as at 11th May, 2005 in public document for Melco Hotels was at $4,500,000,000	$4,839 per sq.m. (based on land cost + premium) or at $9,947 per sq.m. (based on valuation)
(6) Site at Est Lou Lim Ieok (adjoining Hyatt Hotel), Taipa	Site: 8,000 sq.m. GFA – 117,626 sq.m. (residential development with club-house)	Asking (around December 2006): $1,800,000,000	$15,300 per sq.m. (vacant site)

Notes:

1. Asking price is an offer price not yet achieved. Claimed price is a price already achieved but with insufficient details of the transaction available.

2. The above land comparables show a range of accommodation value between $4,306 to $15,300 per sq.m. The wide difference lies much on the basis of the information, the location and the development envelope of each of the property.

3. The subject development is to be more high-class residential orientated and with smaller amount of commercial space available as compared with those in comparable 4 and 5, even though they are comparable to the subject Property in terms of location. We are therefore of the opinion that the accommodation value for the Property should be for comparable of more of a residential nature, such as comparable 2 and 3.

Residential Properties (prices achieved in August 2006 to January 2007)

Address of Property	**Gross Area** *(sq.m.)*	**Unit Rate** *(HK$/sq.m.)*
House Prices		
Coloane Village, Av. de Cinco de Outubro, Coloane		$27,986
Chok Wan Hou Yuen, R. Dois dos de Cheoc Van, Coloane	436.64 sq.m. – 929.02 sq.m.	$23,680 – $32,292 (Average at $27,986)
A Peninsula, R. de Hac Sa Long Chao Kok, Coloane	278.71 sq.m. Site: 484.95 sq.m.	$61,860 (asking)
Apartment Prices		
Hellene Garden, Est. de Hac Sa/Est. Nova de Hac Sac, Coloane	222.97 sq.m.	$25,834
Nova City, Av. de Guimaraes/ Av. de Kwong Tung, Taipa	100.43 sq.m. – 232.72 sq.m.	$18,450 – $26,792 (Average at $22,621)
Flower City, Av. Olimpica, Taipa	191.38 sq.m.	$16,792 – $26,640 (Average at $21,716)
Hillville, Av. de Kwong Tung, Taipa	169.92 sq.m.	$22,368
Jardins de Oceano, Av. dos Jardins do Oceano, Taipa	95.69 sq.m. – 139.63 sq.m.	$19,644 – $23,982 (Average at $21,813)
Edf. Chun Hung Garden, Av. Dr. Sun Yat Sen, Taipa	128.21 sq.m. – 180.14 sq.m.	$14,435 – $20,872 (Average at $17,654)

Address of Property	Gross Area *(sq.m.)*	Unit Rate *(HK$/sq.m.)*
Ocean Garden, 18-56 Second Street, Taipa	88.26 sq.m. – 135.27 sq.m.	$16,146 – $32,292 (Average at $24,219)
The Manhattan, Taipa Hill, Taipa (Two 37-storeys' blocks)	148.88 sq.m. – 231.14 sq.m.	$27,986 – $40,900 (Average at $33,368)

Note: Some units were sold with the benefit of a car parking space.

Commercial Properties (around last quarter of 2006)

Address/District	Gross Area	Asking/ Achieved Price *(HK$)*	Unit Rate *(HK$/sq.m.)*
G/F, Plaza Grade Chin, Av. Dr. Sun Yat Sen, Taipa	92.90 sq.m.	$8,000,000	$86,112
G/F, Av. Dr. Sun Yat Sen, Taipa (close to New Century Hotel/University)	112.97 sq.m.	$8,200,000 or rental $28,000 per month	$72,586 or $248 per sq.m. (rent)
G/F, Rua do Cunha, Taipa	167.22 sq.m.	$12,000,000	$71,762 per sq.m.
G/F, Rua do Sol, Taipa	204.38 sq.m.	$9,900,000	$58,714 per sq.m.
G/F, Edf. Nam San, Av. de Kwong Tung, Taipa	66.89 sq.m.	$2,600,000	$38,870 per sq.m.
G/F Rua do Cunha, Taipa	65.03 sq.m.	$6,000,000	$92,265 per sq.m.

Coloane, where the Property is situated, is a better location for high-class residential and hotel developments as compared to Taipa. Cotai in between Taipa and Coloane is a more recently developing commercial/residential area in Macau. However, there only a few proposed developments, not to mention new or existing high-rise developments, in the area. Therefore only limited number of transactions were concluded. We have therefore also referred to some of the comparable developments in Taipa as reference on the possible sale price for the Property.

Carpark Transactions

Carparks are mostly transacted between HK$200,000 to HK$300,000 each, dependent on the location and the ratio of the carparks to the number of units within the same development. Some of the transacted/asking prices for car parks (mainly in Taipa) are as follows:

Location of Car Park	Car Park Price
Jardim Dragao Precioso, Av. Dr. Sun Yat Sen/Av. de Guimaraes	MOP$230,000
New World Garden, Rue de Evora/Rue de Nam Keng	MOP$240,000
Flower City, Av. Olimpica/Rue de Nam Keng	MOP$280,000
Edf. Nova Taipa Garden, Av. de Guimaraes/Rue de Seng Tau	MOP$190,000
Edf. Jardim De Wa Bao, Av. Olimpica	MOP$238,000

Hotel Transactions

There were hardly any recorded hotel sales in Macau. There is a hearsay offer for sale of Hotel Rossio da Taipa on Est Governador Albanode Oliveira. It is an operating 407 room 3-stars hotel with a total floor area of 10,072.74 sq.m. standing on a site of 1,535.78 sq.m. The asking price around late 2006 was MOP$580,000,000 or at MOP$1,425,000 per room.

Another hearsay offer for sale is the New Central Hotel at 264, 270 & 278 Avenida De Almeida Ribeiro. It is an operating 161 room 2/3-star hotel on a site of 706.95 sq.m. The asking price around late 2006 was MOP$350,000,000 or at MOP$2,170,000 per room. As advised the site has redevelopment potential and with good retail value.

Building Costs

The building cost on various components of the proposed development are advised by a practicing architect in Macau and by reference to the quarterly price index on Macau developments prepared by Messrs. Levett and Bailey Quantity Surveyors Ltd. ("Levett & Bailey"), a quantity surveyor firm. The construction costs are based on prices obtained by competitive tendering for lump sum fixed price contracts with a normal contract period.

	High Quality *(MOP/sq.m.)*	**Medium Quality** *(MOP/sq.m.)*	**Ordinary Quality** *(MOP/sq.m.)*
Office	$10,300 – $13,400	$8,700 – $10,400	$7,100 – $9,100
Residential	$7,300 – $9,500	$6,000 – $7,800	$5,000 – $6,200

5 – Star Hotel – MOP$16,400 to MOP$20,200 per sq.m. (including FF&E)

3 – Star Hotel – MOP$13,100 to MOP$15,700 per sq.m. (including FF&E)

Carpark with 2 basement levels between MOP$4,900 to MOP$6,700 per sq.m.

The Valuation

We are instructed to provide our opinion on the "Site Value" and on the "Gross Development Value" of the Property in accordance with the "Architect's" development proposal as stated above. Bearing in mind the above, our opinion of value of the Property is as follows: –

Gross Sale Value

The "Gross Sale Value" is the total aggregate sale value of the development assuming to be completed and available for sale as at the date of valuation. It is arrived at on the assumption that all floor areas available for sale were sold at the date of valuation on strata title basis. Our opinion of the "Gross Sale Value" on each component of the development is made by reference to recent comparable transactions and offers for similar type of properties in the vicinity of the development.

We understand that the development will be built in four phases, however for the purpose of assessment we have assumed that the sale prices on the various components of the development will be stable throughout the development period. The estimated "Gross Sale Value" of the development is as follows: –

Type	**Gross Area**	**Unit Rate/sq.m.** *(HK$)*		**Valuation** *(HK$)*
Residential (High Quality)	452,925 sq.m.	$24,000	=	$10,870,200,000
Commercial	74,467 sq.m.	$42,000	=	$3,127,614,000
Office	38,760 sq.m.	$9,500	=	$368,220,000
Hotel – (assumed a 380 room 4-star hotel)	23,460 sq.m.	$1,600,000 each	=	$608,000,000
4,470 Car parks	157,529 sq.m.	$220,000 each	=	$983,400,000
		Total Value:		$15,957,434,000

Note: The sale prices of the residential units, commercial units and carparks used above are arrived at with reference to the comparables set out above having taken into account of the high quality of the development, the anticipated population growth in the neighborhood of the development and the commercial norm. Such sale prices generally fall within the mid range of the prices represented by the comparables.

There were hardly any recorded hotel transactions in Macau, the sale prices of the hotel room are principally based on cost of constructions and those hotels offering for sale.

Site Value

We have arrived at our opinion of the open market value of the Property by means of direct comparison method from the available recorded land sales and by reference to the valuations provided by professional valuers in two public documents.

However, we are mindful of the fact that it is not easy to confirm the exact detail of the land sales in Macau due to the land registration system and the practices etc. We have therefore also made reference to the "residual method" of valuation in order to cross check our opinion of the value of the Property. "Residual Value" is the remaining value after deduction of all costs, fees, finance charges and possible developer's profit incurred in the construction of the development from the "Gross Sale Value" of the entire development.

Residual Valuation Parameters:–

Cost of Construction:	Based on the costs of construction advised by a practising architect in Macau and by reference to Levett & Bailey's quarterly average costs.
Professional Fees:	Taken at 6% on costs of construction, to include architect, engineers, land surveyor and quantity surveyor fees.
Finance Charge:	Taken at 8% (prime lending rate in October 2006) for 1/2 of 3 years (normal construction period).
Developer's Profit:	Taken at 15% on gross sale value (in line with developer's current expectation).
Present Value:	Taken at 8% for 3 years for the residual site value.

Valuation:

	HK$
The estimated Gross Sale Value	$15,957,434,000
Less: The estimated costs of construction (including finance charges, professional fees and developer's profit but excluding tax and Government premium)	$10,233,220,064
	$5,724,213,936
Present Value at 8% for 3 years	0.7938322
Residual Site Value:	$4,544,065,342
	(say: HK$4,544,000,000)

Opinion of Value

Bearing in mind the above our opinion of the open market value of the Property (1) as a site ready for development after payment of land premium and (2) the total gross sale value after completion in accordance with the permitted development magnitude described and mentioned above and assuming available for sale with the benefit of vacant possession as at 31st January, 2007 are as follows (before tax):–

Clear Site Value:–

HK$4,544,000,000 (Hong Kong Dollars Four Billion Five Hundred and Forty Four Million Only). 3.0% and 8.7% values are HK$136,320,000 and HK$395,328,000 respectively.

Gross Sale Value:–

HK$15,957,434,000 (Hong Kong Dollars Fifteen Billion and Nine Hundred and Fifty Seven Million and Four Hundred and Thirty Four Thousand Only). 3.0% and 8.7% values are HK$478,723,020 and HK$1,388,296,758 respectively.

Yours faithfully,
For and on behalf of
Wai & Ko Real Estate Ltd.
A.G. Wilkinson
FRICS, FHKIS, FCIArb, CRA

Yours faithfully,
For and on behalf of
S.H. Ng & Co., Ltd.
Ng Sai Hee
FHKIS, MCIREA, RPS(GP)

Mr. A.G. Wilkinson is a Fellow of the Royal Institution of Chartered Surveyor and a Fellow of The Hong Kong Institute of Surveyors. He has over 50 years of worldwide experience in valuation and is a practising valuation surveyor stationed in Macau since 1991 up to the present.

Mr. Ng Sai Hee is a Fellow of The Hong Kong Institute of Surveyors, a Registered Professional Surveyor and is an approved valuer under the Hong Kong Stock Exchange list of valuers. He has over 30 years of valuation experience in Hong Kong, Macau, China and South East Asia and is a practising valuation surveyor in Hong Kong.

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 ("Mr. Cheung")	Long position	Beneficial owner	2,500,000	–	2,500,000	0.11
Mr. Ho Hau Chong, Norman ("Mr. Ho")	Long position	Interest of controlled corporation	71,417,726 *(Note 1)*	113,636,363 *(Note 1)*	185,054,089	8.00
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 71,417,726 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 *HK$*	Number of share options	Approximate percentage of the issued share capital of the Company *(%)*
Mr. Cheung	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. Wong Kam Cheong, Stanley	15th August, 2006	15th August, 2006 – 14th August, 2008	0.50	2,000,000	0.09
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 Holdings Limited ("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 Corporation Limited ("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 Kwok Keung, Charles ("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	71,417,726 *(Note 2)*	3.09
Mr. Ho	Long position	Interest of controlled corporation	71,417,726 *(Note 2)*	3.09
Mr. Ho Hau Hay, Hamilton	Long position	Interest of controlled corporation	71,417,726 *(Note 2)*	3.09
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
Stark Investments (Hong Kong) Limited ("Stark HK")	Long position	Investment manager	214,252,725 *(Note 3)*	9.27

Name of Shareholder	Long position/ Short position	Capacity	Number of issued Shares	Approximate percentage of the issued share capital of the Company *(%)*
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	70,016,817 *(Note 5)*	3.03
Highbridge GP, Ltd. ("Highbridge GP")	Long position	Interest of controlled corporation	70,016,817 *(Notes 5 and 6)*	3.03
Mr. Clive Harris	Long position	Interest of controlled corporation	70,016,817 *(Note 6)*	3.03
Mr. Richard Crawshaw	Long position	Interest of controlled corporation	70,016,817 *(Note 6)*	3.03
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
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
Harmony Investment Fund Limited ("Harmony")	Long position	Beneficial owner	51,205,000	2.21

(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. Richard Crawshaw	Long position	Interest of controlled corporation	147,012,987 *(Note 6)*	6.36
Gandhara	Long position	Investment manager	357,142,857	15.45
Evolution Master	Long position	Beneficial owner	48,571,429	2.10
Evolution Capital	Long position	Investment manager	48,571,429	2.10
Harmony	Long position	Beneficial owner	114,285,714	4.94

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 June 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 June 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 June Note) which are held by Loyal Concept and 42,857,142 underlying Shares (in respect of the HK$30 million 2006 June 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 71,417,726 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 June 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 70,016,817 Shares, HK$10 million 2005 August Note and HK$87 million 2006 June 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. Richard Crawshaw owns 50% interest in Highbridge GP.

(iii) Other members of the Group

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the following persons (not being a Director or chief executive of the Company) 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:

Name of subsidiary	Name of shareholder	Approximate percentage of the existing issued share/ registered capital *(%)*
廣州番禺蓮花山高爾夫球度假俱樂部 (Guangzhou Panyu Golf & Country Club)	廣州市番禺旅遊總公司	35
廣州市蓮翠房產物業管理有限公司 (Guangzhou Lian Chui Property Management Company Limited)	廣州市番禺旅遊總公司	35
番禺偉迪斯高爾夫房地產有限公司 (Pan Yu Wei Di Si Golf Property Company Limited)	廣州市番禺旅遊總公司	34.91
三亞亞龍灣風景高爾夫文化公園有限公司 (Sanya Yalong Bayview Golf Garden Co., Ltd.)	三亞博後經濟開發有限公司	20

Save as disclosed above, 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, 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	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
	Shun Tak Holdings Limited	Property investment in Macau	As an independent non-executive 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 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, 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 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 ("Donson"), a then indirect 55.57% owned subsidiary of Everight.

On 5th January, 2007, the Group further entered into an agreement with various vendors, including Mr. Lai, to acquire the entire issued share capital of Braniff Developments Limited ("Braniff") and certain loan for an aggregate consideration of approximately HK$98.3 million ("Braniff Acquisition"). After completion of the Braniff Acquisition on 28th February, 2007, Mr. Lai ceased to have any direct or indirect beneficial interest in Donson.

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. 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;

2. 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;

3. 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;

4. 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;

5. 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;

6. the sale and purchase agreement dated 29th March, 2006 entered into between Pacific Wish as vendor, and Million Orient as purchaser, in relation to the Initial Acquisition;

7. 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 June Note;

8. 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 June Note;

9. 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 June Note;

10. 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 June Note;

11. 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;

12. the subscription agreement dated 6th October, 2006 entered into among More Profit, Dragon Rainbow Limited ("Dragon Rainbow"), Group Success International Limited ("Group Success"), Get Nice Holdings Limited and Mr. Cheung Chung Kin in relation to the Subscription;

13. the undertaking dated 6th October, 2006 entered into among Mr. Hung Hong Man, Dragon Rainbow and Group Success in relation to the Subscription;

14. the sale and purchase agreement dated 11th December, 2006 entered into between the First International Property Planning & Management Company Limited as vendor, and Hayton Limited, a wholly-owned subsidiary of the Company, as purchaser in relation to the acquisition of 44 residential units in Macau;

15. the agreement dated 5th January, 2007 entered into between AIM Pacific Limited and Mr. Chang Rong Wu as vendors, Mr. Chan Jink Chou, Eric and Mr. Lai as guarantors, and Everight as purchaser in relation to the acquisition of issued share capital of Braniff;

16. the agreement dated 5th January, 2007 entered into between Cheerview Development Limited as vendor, and Everight as purchaser in relation to the acquisition of 3.28% in the issued share capital of Donson;

17. the agreement dated 5th January, 2007 entered into between Great Honest Investment Limited as vendor and Everight as purchaser in relation to the acquisition of 7.59% in the issued share capital of Donson;

18. the Acquisition Agreement; and

19. the agreement dated 27th February, 2007 entered into between Macau Prime (B.V.I.) Limited as vendor and Master Journal Limited as purchaser in relation to the disposal of the entire issued share capital of Tung Fong Hung Investment Limited.

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. 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).

6. 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	Certified public accountants
Leong Hon Man	Macau lawyer
S.H. Ng & Co., Ltd.	Professional valuers
Wai & Ko Real Estate Ltd.	Professional valuers

Each of the above experts 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 the above experts 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 the above experts 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.

7. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial and trading position of the Group since 31st March, 2006, being the date to which the latest published audited financial statements of the Group were made up.

8. 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 23rd March, 2007:

– the memorandum and bye-laws of the Company;

– 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 years ended 31st March, 2006;

– the interim report of the Company for the six months ended 30th September, 2006;

– the accountants' report on Orient Town Group, the text of which is set out in Appendix IV of this circular;

– the accountants' report on Concordia, the text of which is set out in Appendix V of this circular;

– the accountants' report on the unaudited pro forma statement of assets and liabilities, the text of which is set out in Appendix VI of this circular;

– the valuation report on the Property, the text of which is set out in Appendix VII of this circular;

- the letters of consent referred to in the section headed "Experts and consents" in this appendix;
- the Everight Circular;
- the circular of the Company dated 22nd May, 2006 in respect of the issue of the 2006 June Note;
- the Orient Town Circular;
- the circular of the Company dated 12th July, 2006 in respect of the Cancellation;
- the Great China Circular;
- the circular of the Company dated 18th December, 2006 in respect of the acquisition of 44 residential units in Macau; and
- the circular of the Company dated 5th February, 2007 in respect of the acquisition of the entire issued share capital of Braniff and further interest in Donson.

9. 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, 23rd March, 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 resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**:

   (a) the exercise of the right to acquire 35 shares (the "Option Shares") in Orient Town Limited ("Orient Town") by Million Orient Limited ("Million Orient"), an indirect wholly-owned subsidiary of the Company, from Pacific Wish Limited ("Pacific Wish"), under the call option granted under the acquisition agreement dated 29th March, 2006 (the "Initial Acquisition Agreement") entered into between Million Orient and Pacific Wish (the "Option Shares Acquisition"), and the advance by Million Orient to Orient Town of a shareholder's loan of HK$100 million in accordance with the terms of the Initial Acquisition Agreement on completion of the acquisition of the Option Shares (the "Provision of Shareholder's Loan"), and the transactions contemplated thereunder, be and are hereby approved; and

   (b) 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 for the implementation of the Option Shares Acquisition and the Provision of Shareholder's Loan and all transactions contemplated thereunder."

* *For identification purpose only*

2. "**THAT**:

(a) the agreement dated 25th January, 2007 (the "Acquisition Agreement", a copy of which has been produced to this meeting and marked "A" and signed by the chairman of the meeting for the purpose of identification) entered into between Top Century International Limited ("Top Century"), an indirect wholly-owned subsidiary of the Company, and Forever Charm Group Limited ("Forever Charm") whereby, *inter alia*, Top Century conditionally agreed:

(i) to acquire 8.7% of the registered share capital of Empresa De Fomento Industrial E Comerical Concórdia, S.A. ("Concordia") and a shareholder's loan with interests accrued thereon due by Concordia to Forever Charm for a total cash consideration of HK$245.7 million; and

(ii) to advance to Concordia a shareholder's loan of HK$70 million after completion of the Acquisition Agreement;

and the performance and implementation of the transactions contemplated under the Acquisition Agreement be and are hereby confirmed, approved and ratified; and

(b) 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 Acquisition 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 March, 2007

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 of members of the Company 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 Director)*
Mr. Wong Kam Cheong, Stanley *(Deputy 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