Notes to the Consolidated Accounts

1. GENERAL INFORMATION AND GROUP REORGANISATION

(a) The Company was incorporated in the Cayman Islands on 14 July 2005 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Century Yard, Circket Square, Hutchins Dirve, Georage Town, Grand Cayman, British West Indies.

(b) In anticipation of listing of Company on Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company and its subsidiaries (the "Group") has undertaken a group reorganisation (the "Reorganisation"). On 23 November 2005, pursuant to the Reorganisation, the Company acquired the entire share capital of Eastern Supreme Group Limited ("Eastern Supreme") through a share swap and become the holding company of the Group. Details of the Reorganisation are set out in the Prospectus of the Company dated 5 December 2005.

(c) The Company's shares were listed on the Stock Exchange on 15 December 2005.

(d) No balance sheet of the Company as at 31 December 2004 is presented in the accounts as the Company was not yet incorporated on that date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these accounts are set out below. These policies have been consistently applied during the years ended 31 December 2004 and 2005.

(2.1) Basis of preparation

The Reorganisation involved companies under common control, and the Group resulting from the Reorganisation is regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated accounts have been prepared as if the Company had been the holding company of the subsidiaries comprising the Group throughout the year ended 31 December 2005, rather than from the date on which the Reorganisation was completed. The comparative figures as at 31 December 2004 and for the year ended 31 December 2004 have been presented on the same basis.

Inter-company transactions, balances and unrealised gains on transactions between the Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

These accounts are prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). They have been prepared under the historical cost convention.

Notes to the Consolidated Accounts

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2.1) Basis of preparation (Continued)

The preparation of consolidated accounts in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated accounts, are disclosed in Note 4.

(a) *The adoption of revised HKFRS*
When preparing these consolidated accounts, the Group adopted the following new/revised standards and interpretation of HKFRS through out the years 2004 and 2005, which are relevant to its operation.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS Int 15	Operating Leases — Incentives

(b) *Standards, interpretations and amendments to published standards that are not yet effective*
The Group has not early adopted the following new standards, amendments and interpretations to existing standards which are mandatory for the Group's accounting periods beginning on or after 1 January 2006 or later periods. These new standards, amendments and interpretations to existing standards are not relevant to the Group's operations.

- HKAS 19 (Amendment), Employee Benefits (effective from 1 January 2006)
- HKAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective from 1 January 2006)
- HKAS 39 (Amendment), The Fair Value Option (effective from 1 January 2006)
- HKAS 39 and HKFRS 4 (Amendment), Financial Guarantee Contracts (effective from 1 January 2006)

Notes to the Consolidated Accounts

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2.1) Basis of preparation (Continued)

(b) *Standards, interpretations and amendments to published standards that are not yet effective* (Continued)

- HKFRS 1 (Amendment), First-time Adoption of Hong Kong Financial Reporting Standards and HKFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006)

- HKFRS 6, Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006)

- HKFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to HKAS 1, Presentation of Financial Statements — Capital Disclosures (effective from 1 January 2007)

- HKFRS-Int 4, Determining whether an Arrangement contains a Lease (effective from 1 January 2006)

- HKFRS-Int 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective from 1 January 2006)

- HK(IFRIC)-Int 6, Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment (effective from 1 December 2005)

(2.2) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

(2.3) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in property activities within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Notes to the Consolidated Accounts

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2.4) Foreign currency translation

(i) *Functional and presentation currency*
Items included in the accounts of each of the companies now comprising the Group are measured using the currency of the primary economic environment in which the company operates (the "functional currency"). The consolidated accounts are presented in Renminbi (the "RMB").

(ii) *Transactions and balances*
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) *Group companies*
The results and financial positions of the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet of the Group entities are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement of the Group entities are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(2.5) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Property, plant and equipment mainly comprise motor vehicles and office equipments.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the period in which they are incurred.

Notes to the Consolidated Accounts

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2.5) Property, plant and equipment (Continued)

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Office equipment	5–8 years
Motor vehicles	5–10 years
Machinery	5–10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(2.6) Intangible assets

Intangible assets mainly comprise acquired software license. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (two to five years).

(2.7) Impairment of assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit).

(2.8) Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Development cost of property comprises construction costs, borrowing costs and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets unless those will not be realised in one normal operating cycle or within 12 months from the balance sheet date.

Notes to the Consolidated Accounts

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2.9) Completed properties held for sale

Completed properties remaining unsold at the end of the year are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

(2.10) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(2.11) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(2.12) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the respective balance sheet date.

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use.

Other borrowing costs are recognised as an expense in the period in which they are incurred.

Notes to the Consolidated Accounts

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2.13) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using the tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(2.14) Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Pension obligations*

The Group participates in a defined contribution scheme administrated by the relevant authority of the PRC.

Contributions to the schemes are calculated as a percentage of employees' salaries. The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

Notes to the Consolidated Accounts

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2.14) Employee benefits (Continued)

(iii) *Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(2.15) Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(2.16) Revenue recognition

Revenue comprises the fair value for the sale of properties and services, net of discount and after eliminated sales made between the Group entities. Revenue is recognised as follows:

(i) *Sales of properties*

Revenue from sales of properties is recognised when a Group entity has delivered the relevant properties to the purchaser and collectibility of related receivable is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the balance sheets under current liabilities.

(ii) *Property management*

Revenue arising from property management is recognised in the accounting period in which the services are rendered.

(iii) *Decoration services*

Revenue from decoration service is recognised in the accounting period in which the services are rendered.

Notes to the Consolidated Accounts

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2.16) Revenue recognition (Continued)

(iv) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cashflow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(2.17) Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) *The Group is the lessee*

Payments made under operating leases (net of any incentives received from the lessor), including up-front prepayment made for the land use rights, are charged to the income statement on a straight-line basis over the period of the lease.

(ii) *The Group is the lessor*

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment.

(2.18) Dividend distribution

Dividend distribution to the equity holders of the subsidiaries and the Company's shareholders is recognised in the period in which the dividends are approved by the equity holders or shareholders of relevant companies.

Notes to the Consolidated Accounts

3. FINANCIAL RISK MANAGEMENT

The Group conducts its operations in the PRC and accordingly is subject to special considerations and significant risks. These include risks associated with, among others, the political, economic and legal environment, influence of national authorities over pricing regulation and competition in the industry.

(3.1) Financial risk factor

(i) *Foreign exchange risk*

The Group's businesses are principally conducted in RMB, except that certain receipts of sales proceeds are in other foreign currencies. Fluctuation of the exchange rates of RMB against foreign currencies could affect the Group's results of operations.

(ii) *Interest rate risk*

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its long term borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

(iii) *Credit risk*

The Group has no concentrations on credit risk. Sales are made in cash. Cash transactions are limited to high-credit-quality institutions. The extent of the Group's credit exposure is represented by the aggregate balance of cash in bank, trade receivables, other receivables and prepayments.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 30.

(iv) *Liquidity risk*

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its construction commitments.

(3.2) Fair value estimation

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

Notes to the Consolidated Accounts

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the accounts are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

(a) Current taxation and deferred taxation

The Group is subject to enterprise income taxes in the PRC. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred assets and income tax expenses in the periods in which such estimate is changed.

(b) Land appreciation taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

The subsidiaries of the Group engaging in property development business in the PRC are subject to land appreciation taxes, which have been included in the cost of sales. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its land appreciation tax returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the cost of sales and provisions of land appreciation taxes in the period in which such determination is made.

Notes to the Consolidated Accounts

5. SEGMENT INFORMATION

The Group is organised into three business segments: property development, property management and decoration. As less than 10% of the Group's sales, results and assets are attributable to the market outside the PRC, no geographical segment data is presented.

Analysis of sales by category for the years ended 31 December 2005 and 2004 is as follows:

	2005 RMB'000	2004 RMB'000
Property development	**5,264,242**	2,427,880
Property management and related services	**96,909**	83,634
Decoration	**9,463**	37,425
	5,370,614	2,548,939

Segment results and capital expenditure during the years ended 31 December 2005 and 2004 are as follows:

Year ended 31 December 2005

	Property development RMB'000	**Property management RMB'000**	**Decoration RMB'000**	**Elimination RMB'000**	**Group RMB'000**
Gross segment sales	**5,264,242**	**116,811**	**149,553**	**—**	**5,530,606**
Inter-segment sales	**—**	**(19,902)**	**(140,090)**	**—**	**(159,992)**
Sales	**5,264,242**	**96,909**	**9,463**	**—**	**5,370,614**
Segment result	**1,428,556**	**731**	**49,415**	**(10,767)**	**1,467,935**
Finance costs					**(9,873)**
Profit before income tax					**1,458,062**
Income tax expenses					**(475,094)**
Profit for the year					**982,968**
Segment assets	**9,660,223**	**11,441**	**68,341**	**(119,693)**	**9,620,312**
Segment liabilities	**5,136,037**	**31,450**	**45,068**	**(102,368)**	**5,110,187**
Capital expenditure	**273,201**	**6,132**	**4,942**	**—**	**284,275**
Depreciation	**8,046**	**4,343**	**817**	**—**	**13,206**
Amortisation	**27,969**	**43**	**—**	**—**	**28,012**

Notes to the Consolidated Accounts

5. SEGMENT INFORMATION (Continued)

Year ended 31 December 2004

	Property development RMB'000	**Property management** RMB'000	**Decoration** RMB'000	**Elimination** RMB'000	**Group** RMB'000
Gross segment sales	2,427,880	89,063	97,116	—	2,614,059
Inter-segment sales	—	(5,429)	(59,691)	—	(65,120)
Sales	2,427,880	83,634	37,425	—	2,548,939
Segment result	361,042	(6,835)	12,856	(308)	366,755
Finance costs					(17,113)
Profit before income tax					349,642
Income tax expenses					(119,364)
Profit for the year					230,278
Segment assets	5,965,018	133,525	135,081	(104,205)	6,129,419
Segment liabilities	5,241,290	153,450	103,794	(97,502)	5,401,032
Capital expenditure	146,635	2,541	—	—	149,176
Depreciation	6,647	5,035	745	—	12,427
Amortisation	27,721	—	—	—	27,721

Notes to the Consolidated Accounts

6. PROPERTY, PLANT AND EQUIPMENT — GROUP

	Buildings	Motor vehicles	Office equipment	Machinery	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2004					
Cost	4,700	48,269	13,847	10,633	77,449
Accumulated depreciation	(520)	(13,514)	(4,733)	(3,240)	(22,007)
Net book amount	4,180	34,755	9,114	7,393	55,442
Year ended 31 December 2004					
Opening net book amount	4,180	34,755	9,114	7,393	55,442
Additions	—	4,224	1,064	3,462	8,750
Disposals	—	(104)	(80)	(20)	(204)
Depreciation	(223)	(8,418)	(1,893)	(1,893)	(12,427)
Closing net book amount	3,957	30,457	8,205	8,942	51,561
At 31 December 2004					
Cost	4,700	51,744	14,792	14,058	85,294
Accumulated depreciation	(743)	(21,287)	(6,587)	(5,116)	(33,733)
Net book amount	3,957	30,457	8,205	8,942	51,561
Year ended 31 December 2005					
Opening net book amount	3,957	30,457	8,205	8,942	51,561
Additions	4,655	20,759	4,920	747	31,081
Disposals	(2,125)	(1,212)	(52)	(159)	(3,548)
Depreciation	(242)	(9,180)	(2,501)	(1,283)	(13,206)
Closing net book amount	6,245	40,824	10,572	8,247	65,888
At 31 December 2005					
Cost	6,720	67,587	19,604	14,503	108,414
Accumulated depreciation	(475)	(26,763)	(9,032)	(6,256)	(42,526)
Net book amount	6,245	40,824	10,572	8,247	65,888

Notes to the Consolidated Accounts

6. PROPERTY, PLANT AND EQUIPMENT — GROUP (Continued)

Depreciation expense was expensed in the following categories in the consolidated income statement:

	2005 **RMB'000**	2004 RMB'000
Cost of sales	**2,652**	454
Selling and marketing costs	**4,664**	4,272
Administrative expenses	**5,890**	7,701
	13,206	12,427

7. LAND USE RIGHTS — GROUP

	2005 **RMB'000**	2004 RMB'000
Opening	**1,805,663**	1,938,991
Additions	**265,444**	140,195
Amortisation	**(27,697)**	(27,614)
Transfer to cost of sales	**(513,070)**	(245,909)
	1,530,340	1,805,663
Amount will be realised within one normal operating cycle or within 12 months from the balance sheet date included under current assets	**(772,243)**	(474,113)
	758,097	1,331,550
Outside Hong Kong, held on leases of:		
Over 50 years	**1,520,064**	1,797,386
Between 10 to 50 years	**10,276**	8,277
	1,530,340	1,805,663

Notes to the Consolidated Accounts

7. LAND USE RIGHTS — GROUP (Continued)

Land use rights comprise cost of acquiring rights to use certain land, which are all located in the PRC, for property development over fixed periods. Cost of prepaid lease for land use rights is amortised on a straight-line basis over the unexpired period of the rights and the remaining carrying amount is recognised as cost of sales when the relevant properties are sold.

As at 31 December 2005, land use rights of RMB535,679,000 (2004: RMB431,313,000) were pledged as collateral for the Group's borrowings.

As at 31 December 2005, certificates of land use rights of RMB28,391,000 (2004: RMB39,918,000) were not yet obtained.

8. INTANGIBLE ASSETS — GROUP

Intangible assets mainly comprise acquired computer software licenses:

	2005 **RMB'000**	2004 RMB'000
Opening net book amount	**656**	532
Additions	**447**	231
Amortisation	**(315)**	(107)
Closing net book amount	**788**	656
Cost	**1,228**	781
Accumulated amortisation	**(440)**	(125)
Net book amount	**788**	656

Notes to the Consolidated Accounts

9. INVESTMENT IN SUBSIDIARIES — COMPANY

Amount represents investment in Eastern Supreme Group Limited, which is investment in unlisted company and stated at cost.

Particulars of principal subsidiaries are set as below:

Name	Place of incorporation and kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Percentage of attributable equity interest	Principal activities/place of operation
Directly held				
Eastern Supreme Group Limited	British Virgin Islands (the "BVI")/limited liability company	US$10,000	100%	Investment holding/ People's Republic of China (the "PRC")
Indirectly held				
Forever Fame Holdings Limited	BVI/limited liability company	US$2	100%	Investment holding/ PRC
Genesis Global Development Limited	BVI/limited liability company	US$2	100%	Investment holding/ PRC
Top Delight International Limited	BVI/limited liability company	US$2	100%	Investment holding/ PRC
Pomaine International Limited	BVI/limited liability company	US$20	100%	Investment holding/ PRC
Hefty Wealth Group Limited	BVI/limited liability company	US$20	100%	Investment holding/ PRC
Eternal Sun International Limited	BVI/limited liability company	US$20,000	100%	Investment holding/ PRC

Notes to the Consolidated Accounts

9. INVESTMENT IN SUBSIDIARIES — COMPANY (Continued)

Name	Place of incorporation and kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Percentage of attributable equity interest	Principal activities/place of operation
Indirectly held (Continued)				
Rovex Holdings Limited	BVI/limited liability company	US$20,000	100%	Investment holding/ PRC
Mexon Holdings Limited	BVI/limited liability company	US$20,000	100%	Investment holding/ PRC
Maxsino Investments Limited	BVI/limited liability company	US$20,000	100%	Investment holding/ PRC
Chieffield Global Limited	BVI/limited liability company	US$2,000	100%	Investment holding/ PRC
Sino Casa International Limited	BVI/limited liability company	US$2,000	100%	Investment holding/ PRC
Intersino Holdings Limited	BVI/limited liability company	US$20	100%	Investment holding/ PRC
Prospero International Group Limited	BVI/limited liability company	US$2,000	100%	Investment holding/ PRC
Profitica Group Limited	BVI/limited liability company	US$200	100%	Investment holding/ PRC
Boldham Holdings Limited	BVI/limited liability company	US$1,000	100%	Investment holding/ PRC
Primeast International Limited	BVI/limited liability company	US$100	100%	Investment holding/ PRC

Notes to the Consolidated Accounts

9. INVESTMENT IN SUBSIDIARIES — COMPANY (Continued)

Name	Place of incorporation and kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Percentage of attributable equity interest	Principal activities/place of operation
Indirectly held (Continued)				
Evertron International Limited	BVI/limited liability company	US$1,000	100%	Investment holding/ PRC
Makel International Limited	BVI/limited liability company	US$10	100%	Investment holding/ PRC
Sinorinc Investments Limited	BVI/limited liability company	US$20	100%	Investment holding/ PRC
Champoint Holdings Limited	BVI/limited liability company	US$2	100%	Investment holding/ PRC
Success Port Global Limited	BVI/limited liability company	US$1	100%	Investment holding/ PRC
Nga Koi Lok Development and Investment Company Limited	Macau/limited liability company	MOP$25,000	100%	Sales of property/ Macau
Agile Investment Consultants Limited	Hong Kong/limited liability company	HK$2	100%	Marketing/ Hong Kong
Worldwide Trinity Limited	Hong Kong/limited liability company	HK$1	100%	Investment holding/ PRC
中山市雅居樂地產置業有限公司 Zhongshan Agile Property Land Company Limited	PRC/wholly foreign owned enterprise	RMB3,000,000	100%	Management consultants/PRC

Notes to the Consolidated Accounts

9. INVESTMENT IN SUBSIDIARIES — COMPANY (Continued)

Name	Place of incorporation and kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Percentage of attributable equity interest	Principal activities/place of operation
Indirectly held (Continued)				
中山雅居樂雍景園房地產有限公司 Zhongshan Agile Majestic Garden Real Estate Development Limited (note i)	PRC/wholly foreign owned enterprise	RMB131,198,450	100%	Property development/PRC
廣州番禺雅居樂房地產開發有限公司 Guangzhou Panyu Agile Real Estate Development Limited (note i)	PRC/sino-foreign equity joint venture enterprise	RMB100,000,000	98%	Property development/PRC
廣州花都雅居樂房地產開發有限公司 Guangzhou Huadu Agile Real Estate Development Limited (note i)	PRC/sino-foreign equity joint venture enterprise	RMB30,000,000	98%	Property development/PRC
佛山市南海區雅居樂房地產有限公司 Foshan Nanhai Agile Real Estate Development Limited (note i)	PRC/wholly foreign owned enterprise	RMB30,000,000	100%	Property development/PRC
中山市凱茵豪園房地產開發有限公司 Zhongshan Greenville Real Estate Development Limited (note i)	PRC/wholly foreign owned enterprise	RMB42,000,000	100%	Property development/PRC

Notes to the Consolidated Accounts

9. INVESTMENT IN SUBSIDIARIES — COMPANY (Continued)

Name	Place of incorporation and kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Percentage of attributable equity interest	Principal activities/place of operation
Indirectly held (Continued)				
中山市雅建房地產發展有限公司 Zhongshan Ever Creator Real Estate Development Limited (note i)	PRC/wholly foreign owned enterprise	RMB92,224,580	100%	Property development/PRC
廣州白雲雅居樂房地產開發有限公司 Guangzhou Baiyun Agile Real Estate Development Limited (note i)	PRC/sino-foreign cooperative joint venture enterprise	RMB5,298,500	100%	Property development/PRC
廣州雅居樂房地產開發有限公司 Guangzhou Agile Real Estate Development Limited (note i)	PRC/sino-foreign cooperative joint venture enterprise	RMB62,573,422	100%	Property development/PRC
佛山市雅居樂房地產有限公司 Foshan Agile real Estate Development Limited (note i)	PRC/wholly foreign owned enterprise	HK$10,000,000	100%	Property development/PRC
廣州市花都雅居樂物業管理服務有限公司 Guangzhou Huadu Agile Property Management & Services Company Limited (note i)	PRC/wholly foreign owned enterprise	RMB500,000	100%	Property management/PRC

Notes to the Consolidated Accounts

9. INVESTMENT IN SUBSIDIARIES — COMPANY (Continued)

Name	Place of incorporation and kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Percentage of attributable equity interest	Principal activities/place of operation
Indirectly held (Continued)				
廣州雅居樂物業管理服務有限公司 Guangzhou Agile Property Management Services Company Limited (note i)	PRC/wholly foreign owned enterprise	RMB1,000,000	100%	Property management/PRC
佛山市南海區雅居樂物業管理服務有限公司 Foshan Nanhai Agile Property Management Services Company Limited (note i)	PRC/wholly foreign owned enterprise	RMB500,000	100%	Property management/PRC
中山市雅居樂物業管理服務有限公司 Zhongshan Agile Property Management Services Company Limited (note i)	PRC/wholly foreign owned enterprise	RMB6,355,250	100%	Property management/PRC
中山市時興裝飾有限公司 Zhongshan Fashion Decoration Company Limited (note i)	PRC/wholly foreign owned enterprise	RMB5,250,000	100%	Provision of decoration service/PRC

Note i:

The names of the companies represent management's best efforts at translating the Chinese names of these companies as no English names have been registered or available.

Notes to the Consolidated Accounts

10. PROPERTIES UNDER DEVELOPMENT — GROUP

	2005	2004
	RMB'000	RMB'000
Properties under development of which:		
— will be realised in one normal operating cycle or within 12 months from the balance sheet date included in current assets	**1,870,048**	2,127,342
— will not be realised in one normal operating cycle or within 12 months from the balance sheet date included in non-current assets	**47,784**	60,194
	1,917,832	2,187,536
Amount comprises:		
Construction costs	**1,862,041**	2,088,409
Interests capitalised		
Opening balance	**99,127**	97,855
Additions (note 25)	**72,351**	83,976
Transfer to cost of sales	**(65,685)**	(52,682)
Transfer to properties held for sale	**(50,002)**	(30,022)
Closing balance	**55,791**	99,127
	1,917,832	2,187,536

The properties under development are located in the PRC.

As at 31 December 2005, no properties under development (2004: RMB52,996,000) were pledged as collateral for the Group's borrowings.

The capitalisation rate of borrowings is 6.08% for the year ended 31 December 2005 (2004: 5.89%).

Notes to the Consolidated Accounts

11. COMPLETED PROPERTIES HELD FOR SALE — GROUP

All completed properties held for sale are located in the PRC.

As at 31 December 2005, completed properties held for sale of approximately RMB25,122,000 (2004: nil) were pledged as collateral for the Group's bank borrowings.

12. TRADE AND OTHER RECEIVABLES

	Group		Company
	2005	2004	**2005**
	RMB'000	RMB'000	**RMB'000**
Trade receivables (note (a))	**278,940**	47,080	**—**
Other receivables due from:			
— Related parties (note 32(c))	**472**	905,224	**226,126**
— Third parties	**144,999**	132,350	**—**
Prepayments	**137,647**	109,744	**—**
	562,058	1,194,398	**226,126**

As at 31 December 2005, the fair value of trade and other receivables approximated their carrying amounts.

Note (a): Trade receivables mainly arised from sale of properties. Considerations in respect of properties sold are paid in accordance with the terms of the related sales and purchase agreements. At 31 December 2005 and 2004, the ageing analysis of the trade receivables were as follows:

	Group	
	2005	2004
	RMB'000	RMB'000
Within 90 days	**183,275**	47,080
Over 90 days and within 365 days	**95,665**	—
	278,940	47,080

Notes to the Consolidated Accounts

13. RESTRICTED CASH — GROUP

Restricted cash comprised of:

(a) As at 31 December 2005, the Group's cash of approximately RMB25,060,000 (2004: RMB6,607,000) was deposited in certain banks as guarantee deposits for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties.

(b) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place certain amount of pre-sale proceeds of properties at designated bank accounts as guarantee deposits for constructions of related properties. The deposits can only be used for purchase of construction materials and payments of construction fee of the relevant property projects when approval from local State-Owned Land and Resource Bureau is obtained. As at 31 December 2005, the guarantee deposits amounted to approximately RMB141,426,000 (2004: RMB69,778,000). Such guarantee deposits will only be released after completion of construction of related pre-sold properties or issuance of the real estate ownership certificate.

(c) In accordance with regulation approved by local government in 2005, certain property development companies of the Group are required to maintain certain amount of cash at designated bank accounts solely for medical expenses and compensations to the workers carrying out construction projects. As at 31 December 2005, these cash in bank amounted to approximately RMB8,293,000 (2004: nil).

Notes to the Consolidated Accounts

14. CASH AND CASH EQUIVALENTS

	Group		Company
	2005	2004	**2005**
	RMB'000	RMB'000	**RMB'000**
Denominated in RMB (note (a))	**1,037,544**	249,007	**—**
Denominated in other currencies	**3,342,437**	—	**3,174,612**
	4,379,981	249,007	**3,174,612**
For the purpose of cash flow statement, cash and cash equivalent comprises the following:			
Cash at bank and in hand	**2,621,776**	249,007	**1,416,407**
Short-term bank deposits (note (b))	**104,030**	—	**104,030**
Highly liquidity investment (note (c))	**1,654,175**	—	**1,654,175**
Less: Restricted cash (note 13)	**(174,779)**	(76,385)	**—**
	4,205,202	172,622	**3,174,612**

Notes:

(a) The conversion of Renminbi denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

(b) The effective interest rate on short-term bank deposits was 4.04% (2004: nil). These deposits would be matured on 29 March 2006.

(c) The balance represents cash placed in the private wealth management account with Morgan Stanley & Co. International Limited (together with its affiliates, including Morgan Stanley Dean Witter Asia Limited, "Morgan Stanley"), and is available for meeting short-term cash commitments. Save for any actual or contingent liabilities owed by the Group to Morgan Stanley, Morgan Stanley will not exercise any discretion with respect to financial activities in this account and the Group can make withdrawals without restriction or penalty.

Notes to the Consolidated Accounts

15. SHARE CAPITAL AND PREMIUM

	Note	Number of ordinary shares	Nominal value of ordinary shares HK$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total
Authorised						
Ordinary shares of HK$1.0 each upon incorporation	(a)	390,000	390	406	—	406
Subdivision of shares	(c)	3,510,000	—	—	—	—
Ordinary shares of HK$0.1 each		3,900,000	390	406	—	406
Increase in authorised share capital	(c)	9,996,100,000	999,610	1,039,894	—	1,039,894
		10,000,000,000	1,000,000	1,040,300	—	1,040,300
Issued and fully paid						
Ordinary shares of HK$1.00	(b)	2	—	—	—	—
Subdivision of shares	(c)	18	—	—	—	—
		20	—	—	—	—
Share issued in respect of acquisition of Eastern Supreme	(d)	199,999,980	20,000	20,824	—	20,824
Capitalisation of share premium account	(e)	2,291,500,000	229,150	238,591	(238,591)	—
Issue of shares in connection with the Company's listing	(f)	973,760,000	97,376	101,388	3,244,412	3,345,800
Placing and listing expenses		—	—	—	(166,448)	(166,448)
		3,465,260,000	346,526	360,803	2,839,373	3,200,176

Notes to the Consolidated Accounts

15. SHARE CAPITAL AND PREMIUM (Continued)

(a) On 14 July 2005 (the date of incorporation of the Company), the authorised share capital of the Company was HK$390,000 divided into 390,000 ordinary shares of HK$1 each.

(b) On 4 August 2005, one share was allotted and issued as nil-paid to Mr. Chen Zhuo Lin and Ms. Luk Sin Fong, Fion, respectively.

(c) On 17 October 2005, every issued and unissued share of HK$1 each in the capital of the Company was subdivided into 10 shares of HK$0.1 each and the authorised share capital of the Company was increased from HK$390,000 to HK$1,000,000,000.

(d) On 23 November 2005, the Company acquired Eastern Supreme from the Founding Shareholders and allotted and issued 199,999,980 shares to them, and credit as fully paid-up the 10 nil-paid shares held by Mr. Chen Zhuo Lin and Ms. Luk Sin Fong, Fion, respectively.

(e) On 5 December 2005, 2,291,500,000 ordinary shares of the Company were allotted and issued, credited as fully paid at par value of HK$0.1 each to the entities whose name appear on the register of members of the Company in proportion to their then existing shareholdings in the Company, by capitalisation of HK$229,150,000 from the share premium account. Such allotment and capitalisation were conditional on the share premium account being credited as a result of the new shares issued in connection with the listing of the Company's shares on the Stock Exchange.

(f) On 15 December 2005, the Company issued 830,500,000 ordinary shares of HK$0.1 each at HK$3.3 per share in connection with the listing, and raised gross proceeds of approximately HK$2,740,650,000. Besides, on 23 December 2005, pursuant to the exercise of the over-allotment option, additional 143,260,000 shares of HK$0.1 each were issued at HK$3.3 per share and raised gross proceeds of HK$472,758,000.

Notes to the Consolidated Accounts

16. OTHER RESERVES

	Group		
	Merger reserve (note (a))	**Statutory reserve and enterprise expansion fund (note (b))**	**Total**
	RMB'000	RMB'000	RMB'000
Balance at 1 January 2004	366,174	—	366,174
Capital injection by the then shareholders to the subsidiaries of the Group	62,494	—	62,494
Transfer from retained earnings	—	2,863	2,863
Balance at 31 December 2004	428,668	2,863	431,531
Balance at 1 January 2005	428,668	2,863	431,531
Capital injection by the then shareholders to the subsidiaries of the Group	13,727	—	13,727
Transfer from retained earnings	—	51,267	51,267
	442,395	54,130	496,525

(a) Merger reserve of the Group represents the difference between the share capital of subsidiaries acquired pursuant to the Reorganisation (note 1) over the nominal value of the shares of the Company issued in exchange.

(b) Pursuant to the relevant rules and regulation concerning foreign investment enterprise established in the PRC and the articles of association of certain PRC companies now comprising the Group, the subsidiaries are required to transfer an amount of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund may be distributed to equity holders in the form of bonus issue.

The appropriation to the enterprise expansion fund is solely determined by the board of directors of the certain Group entities in the PRC.

(c) The reserves of the Company are the contributed surplus, representing the difference between the costs of investments in Eastern Supreme acquired pursuant to the Reorganisation over the nominal value of the shares of the Company issued in exchange.

Notes to the Consolidated Accounts

17. BORROWINGS — GROUP

	2005 RMB'000	2004 RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings — secured	**1,285,700**	1,001,700
Bank borrowings	**—**	365,000
Less: Amount due within one year	**(507,500)**	(268,500)
	778,200	1,098,200
Borrowings included in current liabilities:		
Bank borrowings — secured	**—**	3,000
Bank borrowings	**—**	47,000
Current portion of long-term borrowings	**507,500**	268,500
	507,500	318,500

The Group's borrowing of RMB1,285,700,000 (2004: RMB1,004,700,000) as at 31 December 2005 are secured by its land use rights and properties.

The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	6 months or less RMB'000	6–12 months RMB'000	1–5 years RMB'000	Over 5 years RMB'000
Borrowings included in non-current liabilities:				
At 31 December 2005	248,200	530,000	—	—
At 31 December 2004	547,700	550,500	—	—
Borrowings included in current liabilities:				
At 31 December 2005	106,500	401,000	—	—
At 31 December 2004	34,000	284,500	—	—

Notes to the Consolidated Accounts

17. BORROWINGS — GROUP (Continued)

The maturity of the borrowings included in non-current liabilities is as follows:

	2005 **RMB'000**	2004 RMB'000
Bank borrowings:		
Between 1 and 2 years	**400,200**	629,000
Between 2 and 5 years	**378,000**	469,200
	778,200	1,098,200

The effective interest rates at balance sheet dates were 6.08% (2004: 5.89%).

The carrying amounts of short-term borrowings and long-term borrowings approximate their fair value.

The carrying amounts of the Group's borrowings as at 31 December 2005 and 31 December 2004 are denominated in RMB.

The Group has the following undrawn borrowing facilities:

	2005 **RMB'000**	2004 RMB'000
Floating rate		
— expiring beyond one year	**925,000**	—

Notes to the Consolidated Accounts

18. DEFERRED INCOME TAX — GROUP

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. As at 31 December 2005, the Group had no deferred income tax assets and liabilities can be offset and the gross amounts of deferred income tax assets and liabilities are as follows:

	2005 **RMB'000**	2004 RMB'000
Deferred income tax assets to be recovered within 12 months	**17,397**	70,453
Deferred income tax liabilities to be recovered after more than 12 months	**(311,615)**	(65,009)

The gross movement on the deferred income tax account is as follows:

	2005 **RMB'000**	2004 RMB'000
Beginning of the year	**5,444**	47,645
Charged to consolidated income statement	**(299,662)**	(42,201)
End of the year	**(294,218)**	5,444

Notes to the Consolidated Accounts

18. DEFERRED INCOME TAX — GROUP (Continued)

The movements in deferred tax assets and liabilities during the year were as follows:

Deferred income tax assets

	Temporary difference on recognition of sales and related cost of sales RMB'000	Temporary difference on recognition of expenses RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2004	80,362	12,148	8,856	101,366
(Charged)/credited to the consolidated income statement	(23,553)	(11,503)	4,143	(30,913)
At 31 December 2004	56,809	645	12,999	70,453
(Charged)/credited to the consolidated income statement	(56,809)	(645)	4,398	(53,056)
At 31 December 2005	—	—	17,397	17,397

Notes to the Consolidated Accounts

18. DEFERRED INCOME TAX — GROUP (Continued)

Deferred income tax liabilities

	Temporary difference on recognition of sales and related cost of sales RMB'000
At 1 January 2004	(53,721)
Charged to the consolidated income statement	(11,288)
At 31 December 2004	(65,009)
Charged to the consolidated income statement	(246,606)
At 31 December 2005	(311,615)

Deferred income tax arose as a result of differences in timing of recognising certain revenues, costs and expenses between the tax based accounts and the HKFRS accounts. This constitutes temporary differences, being the differences between the carrying amount of the assets or liabilities in the consolidated balance sheets and its tax bases in accordance with Hong Kong Accounting Standard 12.

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through the future taxable profits is probable. Losses amounting to approximately RMB9,164,000, RMB17,673,000, RMB12,555,000 and RMB13,326,000 will expire in 2007, 2009, 2010 and 2011 respectively.

Notes to the Consolidated Accounts

19. TRADE AND OTHER PAYABLES

	Group		Company
	2005	2004	**2005**
	RMB'000	RMB'000	**RMB'000**
Trade payables (note (a))	**1,751,458**	1,441,176	**—**
Other payables due to:			
— Related parties (note 32(c))	**33,901**	437,830	**14,998**
— Third parties	**248,116**	211,085	**—**
Advances from customers	**966,725**	1,654,000	**—**
Staff welfare benefit payable	**5,784**	140	**—**
Accruals	**92,384**	29,116	**49,704**
Other taxes payable	**373,650**	125,232	**—**
	3,472,018	3,898,579	**64,702**

Note (a): The ageing analysis of trade payables of the Group as at 31 December 2005 and 2004 is as follows:

	Group	
	2005	2004
	RMB'000	RMB'000
Within 90 days	**1,003,401**	836,960
Over 90 days and within 180 days	**426,914**	438,371
Over 180 days and within 365 days	**143,118**	93,869
Over 365 days	**178,025**	71,976
	1,751,458	1,441,176

20. OTHER LOSSES

	2005	2004
	RMB'000	RMB'000
Net exchange losses	**2,892**	—

Notes to the Consolidated Accounts

21. OTHER INCOME

	2005	2004
	RMB'000	RMB'000
Interest income (note (a))	**48,275**	793
Forfeited deposits from customers	**3,730**	3,352
Miscellaneous	**4,691**	3,175
	56,696	7,320

Note (a): Included in interest income for the year ended 31 December 2005 is an amount of approximately RMB40,106,000 arising from over-subscription of public offering of Company's share.

22. EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs, administration expenses and other expenses are analysed as follows:

	2005	2004
	RMB'000	RMB'000
Staff costs-excluding directors' emoluments (note 23)	**99,002**	67,236
Auditors' remuneration	**2,710**	356
Advertising costs	**156,678**	119,817
Depreciation (note 6)	**13,206**	12,427
Amortisation of intangible assets (note 8)	**315**	107
Amortisation of land use rights (note 7)	**27,697**	27,614
Cost of properties sold	**3,404,538**	1,792,281

Notes to the Consolidated Accounts

23. STAFF COSTS — EXCLUDING DIRECTORS' EMOLUMENTS

	2005	2004
	RMB'000	RMB'000
Wages and salaries	**85,125**	59,562
Pension costs — statutory pension (note (a))	**4,162**	1,050
Staff welfare	**7,156**	5,249
Medical benefits	**817**	160
Other allowances and benefits	**1,742**	1,215
	99,002	67,236

Note (a): Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The gross retirement scheme contributions for the employees, which have been dealt with in the consolidated income statement of the Group, amounted to RMB4,162,000 (2004: RMB1,050,000).

Notes to the Consolidated Accounts

24. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments of each director of the Company for the year ended 31 December 2005 are set out below:

	Fees	**Salary**	**Contribution to pension scheme**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Chen Zhuo Lin	—	391	2	393
Mr. Chan Cheuk Yin	—	490	2	492
Ms. Luk Sin Fong, Fion	—	490	2	492
Mr. Chan Cheuk Hung	—	438	2	440
Mr. Chan Cheuk Hei	—	438	2	440
Mr. Chan Cheuk Nam	—	438	2	440
Dr. Cheng Hong Kwan (*)	28	—	—	28
Mr. Kwong Che Keung (*)	28	—	—	28
Mr. Cheung Wing Yui (*)	28	—	—	28
	84	2,685	12	2,781

The emoluments of each director of the Company for the year ended 31 December 2004 are set out below:

	Salary	**Contribution to pension scheme**	**Total**
	RMB'000	RMB'000	RMB'000
Mr. Chen Zhuo Lin	—	—	—
Mr. Chan Cheuk Yin	240	—	240
Ms. Luk Sin Fong, Fion	240	—	240
Mr. Chan Cheuk Hung	240	—	240
Mr. Chan Cheuk Hei	240	—	240
Mr. Chan Cheuk Nam	240	—	240
	1,200	—	1,200

* Mr. Cheng Hong Kwan, Mr. Kwong Che Keung and Mr. Cheung Wing Yui are independent non-executive directors of the Company. No emoluments were paid to them during the year ended 31 December 2004.

Notes to the Consolidated Accounts

24. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two directors (2004: nil) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three individuals (2004: five) during the year are as follows:

	2005 RMB'000	2004 RMB'000
Salaries and other benefits	**1,439**	1,302
Retirement scheme contributions	**9**	11
Discretionary bonuses	**33**	—
	1,481	1,313

The emoluments fell within the following bands:

	2005	2004
Nil to RMB1,000,000	**5**	5

(c) During the years ended 31 December 2005 and 2004, no emolument was paid by the Group to any of the above directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of offices.

25. FINANCE COSTS

	2005 RMB'000	2004 RMB'000
Interest on bank borrowings wholly repayable within five years	**82,224**	101,089
Less: interest capitalised (note 10)	**(72,351)**	(83,976)
	9,873	17,113

Notes to the Consolidated Accounts

26. INCOME TAX EXPENSES

	2005	2004
	RMB'000	RMB'000
Current income tax		
— Hong Kong profits tax	**—**	—
— PRC enterprise income tax	**175,432**	77,163
Deferred income tax	**299,662**	42,201
	475,094	119,364

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the Group companies as follows:

	2005	2004
	RMB'000	RMB'000
Profit before income tax	**1,458,062**	349,642
Calculated at PRC enterprise income tax rate of 33%	**481,160**	115,382
Effect of		
— Income not subject to income tax (note (a))	**(15,118)**	—
— Expense not deductible for income tax (note (b))	**9,052**	3,982
	475,094	119,364

Notes:

(a) Income not subject to income tax mainly comprises the bank interest income of the Company.

(b) Expense not deductible for income tax mainly comprises donations made to non-official commonweal organisations and certain staff welfare expenses.

Hong Kong profits tax

No Hong Kong profits tax has been provided for as there is no assessable profit derived from Hong Kong for the years ended 31 December 2005 and 2004.

Notes to the Consolidated Accounts

26. INCOME TAX EXPENSES (Continued)

PRC enterprise income tax

PRC enterprise income tax is provided for on 33% of the profit for the PRC statutory financial reporting purpose, adjusted for those items, which are not assessable or deductible for the PRC enterprise income tax purpose.

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use right, borrowing costs and all property development expenditures.

Business taxes

The PRC subsidiaries of the Group are subjected to business taxes on their revenue at the following rates:

Category	**Rate**
Sales of properties	5%
Property management	5%
Decoration services	3%

27. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	2005 **RMB'000**	2004 RMB'000
Profit attributable to equity holders of the Company	**978,693**	227,609
Weighted average number of ordinary shares in issue (thousands)	**2,536,853**	2,491,500
Basic earnings per share (RMB per share)	**0.386**	0.091

No diluted earnings per share is presented as there were no potential dilutive shares in issue during the years ended 31 December 2005 and 2004.

Notes to the Consolidated Accounts

28. DIVIDENDS

	2005 RMB'000	2004 RMB'000
Dividends declared by the subsidiaries to their then equity holders (note (a))	**77,451**	—
Special dividends (note (b))	**313,179**	—
Proposed final dividend of HK$0.028 per ordinary share (note (c))	**100,908**	—
	491,538	—

Notes:

(a) The dividends were declared and paid by the Group companies to their then equity holders prior to the Reorganisation.

(b) Subsequent to completion of the Reorganisation, the Group had declared a special dividend of approximately RMB319,805,000. The special dividend would be paid prior to the commencement of listing of the Company's shares on the Stock Exchange. As disclosed in the Company's prospectus dated 5 December 2005, unpaid dividend prior to the listing of the Company's shares on the Stock Exchange would be waived by the relevant equity holders. The special dividend paid to the shareholders of the Company and the minority shareholders of the subsidiaries prior to 15 December 2005, the date of listing of the Company's shares on the Stock Exchange, amounted to approximately RMB313,179,000 and RMB1,479,000, respectively, and accordingly, the unpaid dividends of approximately RMB5,147,000 were waived.

(c) A final dividend in respect of 2005 of HK$0.028 per share, amounting to total dividend of HK$97,027,000 (equivalent to RMB100,908,000) is to be proposed at the Annual General Meeting on 18 May 2006. These accounts do not reflect this dividend payable.

Notes to the Consolidated Accounts

29. CASH GENERATED FROM OPERATIONS

	2005 RMB'000	2004 RMB'000
Profit for the year	**982,968**	230,278
Adjustment for:		
Income tax expenses (note 26)	**475,094**	119,364
Interest income (note 21)	**(48,275)**	(793)
Interest expenses (note 25)	**9,873**	17,113
Depreciation (note 6)	**13,206**	12,427
Amortisation of intangible assets (note 8)	**315**	107
Loss of disposal of property, plant and equipment (note (a))	**3,548**	204
Net exchange losses (note 20)	**2,892**	—
Changes in working capital:		
Property under development and completed properties held for sales	**(189,018)**	(278,442)
Land use rights	**275,323**	170,679
Restricted cash	**(98,394)**	(55,833)
Trade and other receivables	**(272,412)**	(150,487)
Trade and other payables	**(72,239)**	983,041
Cash generated from operations	**1,082,881**	1,047,658

Note (a): Loss on disposals of property, plant and equipment of the years ended 31 December 2005 and 2004 represents the net book value of the property, plant and equipment disposed.

30. CONTINGENCIES

The Group has arranged mortgage loan facility for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. As at 31 December 2005, the outstanding guarantees amounted to RMB3,377,599,000 (2004: RMB2,575,895,000). Such guarantees terminate upon earlier of (i) issuance of the real estate ownership certificate which will generally be available within one to two years after the Group deliver possession of the relevant property to its purchasers; and (ii) the satisfaction of mortgaged loan by purchaser of property.

Notes to the Consolidated Accounts

31. COMMITMENTS

Operating leases commitments

The future aggregate minimum lease payments under non-cancelable operating leases are as follows:

	2005 **RMB'000**	2004 RMB'000
Property, plant and equipment		
— Not later than one year	**2,458**	2,516
— Later than one year and not later than five years	**5,337**	432
— Later than five years	**240**	—
	8,035	2,948

Other commitments

	2005 **RMB'000**	2004 RMB'000
Property development activities		
— contracted but not provided for	**1,454,559**	1,042,797
Land use rights acquisition		
— contracted but not provided for	**805,300**	—
	2,259,859	1,042,797

Notes to the Consolidated Accounts

32. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
The Founding Shareholders, including Mr. Chen Zhuo Lin, Mr. Chan Cheuk Yin, Ms. Luk Sin Fong, Fion, Mr. Chan Cheuk Hei, Mr. Chan Cheuk Hung, and Mr. Chan Cheuk Nam	The Founding Shareholders are also the Directors of the Company
中山市雅居樂集團有限公司 Zhongshan Agile Group Company Limited (note (i))	Controlled by the Founding Shareholders
中山市雅居樂房地產開發有限公司 Zhongshan Agile Property Development Company Limited (note (i), (ii))	Controlled by the Founding Shareholders and their close family members
廣州南湖雅居樂房地產開發有限公司 Guangzhou Agile (Nanhu) Real Estate Development Company Limited (note (i))	Controlled by the Founding Shareholders
中山長江高爾夫球場 Zhongshan Changjiang Golf & Country Club (note (i))	Controlled by the Founding Shareholders
Agile International Company Limited	Controlled by the Founding Shareholders
時代家具廠有限公司 Dynasty Furniture Company Limited (note (i), (iii))	Controlled by the Founding Shareholders
中山市雅居樂酒店有限公司 Zhongshan Agile Hotel Company Limited (note (i))	Controlled by the Founding Shareholders

Notes:

(i) The names of certain of the companies referred to in these accounts represent management's best efforts at translating the Chinese names of these companies as no English names have been registered or available.

(ii) Effective from 10 October 2005, equity interests in Zhongshan Agile Property Development Company Limited held by the Founding Shareholders and their close family members were transferred to third parties. Accordingly, Zhongshan Agile Property Development Company Limited is no longer a related party since 10 October 2005.

(iii) Effective from 1 November 2005, equity interests in Dynasty Furniture Company Limited held by the Founding Shareholders were transferred to third parties. Accordingly, Dynasty Furniture Company Limited is no longer a related party since 1 November 2005.

Notes to the Consolidated Accounts

32. RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties

During the years ended 31 December 2005 and 2004, the Group had the following significant transactions with related parties, which are carried out in the normal course of the Group's business:

	2005 **RMB'000**	2004 RMB'000
Decoration fee income:		
— Zhongshan Agile Property Development Company Limited (note (i))	**9,437**	33,491
Loan interest charged by a related party:		
— Zhongshan Agile Group Company Limited (note (ii))	**—**	11,996
Management fee charged by related parties (note (iii)):		
— Zhongshan Agile Group Company Limited	**5,307**	17,444
— Agile International Company Limited	**1,580**	4,444
	6,887	21,888
Restaurant and hotel service fee charged by Zhongshan Agile Hotel Company Limited (note (iv)):	**1,050**	623
Golf facilities service fee charged by Zhongshan Changjiang Golf & Country Club (note (v))	**1,970**	1,646
Purchase of property, plant and equipment from Dynasty Furniture Company Limited (note (vi))		
— Dynasty Furniture Company Limited	**2,636**	—
Key management compensation:		
— Salaries and other short-term employee benefits	**4,112**	1,302
— Retirement scheme contributions	**41**	11
	4,153	1,313

Notes to the Consolidated Accounts

32. RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties (Continued)

Notes:

(i) Decoration fee were charged in accordance with the terms of the underlying agreements.

(ii) Interest on loan from a related party was charged at interest rate of bank borrowings in similar terms.

(iii) Management fee were charged based on the service rendered by the related parties to the Group and in accordance with the terms of the underlying agreements.

(iv) Restaurant and hotel service fees were charged in accordance with the terms of the underlying agreements. In the opinion of the directors, the fees were determined with reference to the market price at the prescribed year.

(v) Golf facilities service fees were charged in accordance with the terms of the underlying agreements. In the opinion of the directors, the fees were determined with reference to the market price at the prescribed year.

(vi) The price was negotiated with related party with reference to the market value of the related property, plant and equipment.

In the opinion of the directors of the Company, the above related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.

As at 31 December 2005, no bank borrowings of the Group were pledged by related parties' land use rights or properties (2004: RMB844,200,000).

Notes to the Consolidated Accounts

32. RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

As at 31 December 2005 and 2004, the Group had the following significant non-trade balances with related parties:

	2005 RMB'000	2004 RMB'000
Due from related parties (note (i)):		
Zhongshan Agile Group Company Limited	**—**	319,015
Zhongshan Agile Property Development Company Limited	**—**	395,378
Guangzhou Agile (Nanhu) Real Estate Development Company Limited	**—**	5,541
Zhongshan Changjiang Golf & Country Club	**120**	101,117
Agile International Company Limited	**—**	74,222
Dynasty Furniture Company Limited	**—**	7,969
Zhongshan Agile Hotel Company Limited	**—**	1,982
Top Coast Investment Limited	**352**	—
	472	905,224

Particulars of the amounts due from directors are as follows:

Name of director	**Amount outstanding at 31 December**		**Maximum outstanding during the year**
	2005 RMB'000	2004 RMB'000	**2005 RMB'000**
Mr. Chen Zhuo Lin	**—**	—	**31**
Ms. Luk Sin Fong, Fion	**—**	—	**3,000**
Mr. Chan Cheuk Hung	**—**	—	**2,000**
Mr. Chan Cheuk Hei	**—**	—	**2,000**
	—	—	**7,031**

Notes to the Consolidated Accounts

32. RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties (Continued)

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

	2005 RMB'000	2004 RMB'000
Due to related parties (note (i)):		
Zhongshan Agile Group Company Limited	**40**	156,152
Zhongshan Agile Property Development Company Limited	**—**	170,580
Agile International Company Limited	**5,312**	71,307
Dynasty Furniture Company Limited	**—**	2,577
Guangzhou Agile (Nanhu) Real Estate Development Company Limited	**—**	35,048
Zhongshan Changjiang Golf & Country Club	**1,810**	1,645
Zhongshan Agile Hotel Company Limited	**—**	521
Mr. Chen Zhuo Lin	**208**	—
Ms. Luk Sin Fong, Fion	**32**	—
Mr. Chan Cheuk Yin	**208**	—
Mr. Chan Cheuk Hung	**177**	—
Mr. Chan Cheuk Hei	**177**	—
Mr. Chan Cheuk Nam	**777**	—
Close family members of the founding shareholders	**25,160**	—
	33,901	437,830

Note (i): Amounts due from/to related parties are unsecured, interest-free and have no fixed terms of repayment, which are cash advances in nature.

Most of the above balances as at 31 December 2004 have been settled by the end of October 2005.

33. ULTIMATE HOLDING COMPANY

The directors regard Top Coast Investments Limited, a company incorporated in the BVI, to be its ultimate holding company.

34. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors of the Company on 23 March 2006.