

# Condensed Consolidated Interim Financial Information

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	As at	
		30 June 2006 (unaudited) RMB'000	31 December 2005 (audited) RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	70,420	65,888
Land use rights	6	1,838,785	758,097
Intangible assets	6	2,698	788
Properties under development	7	41,784	47,784
Deferred income tax assets		22,167	17,397
		<b>1,975,854</b>	889,954
<b>Current assets</b>			
Land use rights	6	942,670	772,243
Properties under development	7	1,933,449	1,870,048
Completed properties held for sale	8	954,278	1,101,218
Payments for acquisition of land use rights	9	1,208,680	132,533
Trade and other receivables	10	552,558	429,525
Income tax recoverable		35,472	44,810
Restricted cash	11	277,811	174,779
Cash and cash equivalents	12	2,749,687	4,205,202
		<b>8,654,605</b>	8,730,358
<b>Total assets</b>		<b>10,630,459</b>	9,620,312
<b>OWNERS' EQUITY</b>			
<b>Capital and reserves attributable to the shareholders of the Company</b>			
Share capital and premium	13	3,200,176	3,200,176
Other reserves	14	509,725	496,525
Retained earnings			
— Proposed dividend		178,305	100,908
— Unappropriated retained earnings		1,094,731	706,600
		<b>4,982,937</b>	4,504,209
<b>Minority interests</b>		<b>14,072</b>	5,916
<b>Total equity</b>		<b>4,997,009</b>	4,510,125

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET**

	Note	As at	
		30 June 2006 (unaudited) RMB'000	31 December 2005 (audited) RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank borrowings	15	1,906,700	778,200
Deferred income tax liabilities		558,215	311,615
		<b>2,464,915</b>	1,089,815
<b>Current liabilities</b>			
Trade and other payables	16	2,918,566	3,472,018
Current income tax liabilities		24,969	40,854
Bank borrowings	15	225,000	507,500
		<b>3,168,535</b>	4,020,372
<b>Total liabilities</b>		<b>5,633,450</b>	5,110,187
<b>Total equity and liabilities</b>		<b>10,630,459</b>	9,620,312
<b>Net current assets</b>		<b>5,486,070</b>	4,709,986
<b>Total assets less current liabilities</b>		<b>7,461,924</b>	5,599,940

The notes on pages 21 to 44 form an integral part of this condensed consolidated interim financial information.

**CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT**

	Note	Six months ended 30 June	
		2006 (unaudited) RMB'000	2005 (audited) RMB'000
Sales	5	<b>3,047,328</b>	2,378,074
Cost of sales		<b>(2,029,423)</b>	(1,617,541)
<b>Gross profit</b>		<b>1,017,905</b>	760,533
Other income	18	<b>60,477</b>	1,834
Selling and marketing costs		<b>(92,976)</b>	(104,453)
Administrative expenses		<b>(89,271)</b>	(46,581)
Other operating expenses		<b>(3,496)</b>	(2,191)
Exchange losses, net	19	<b>(26,621)</b>	—
<b>Operating profit</b>		<b>866,018</b>	609,142
Finance costs	20	<b>(10,251)</b>	(5,797)
<b>Profit before income tax</b>		<b>855,767</b>	603,345
Income tax expense	21	<b>(270,811)</b>	(199,717)
<b>Profit for the period</b>		<b>584,956</b>	403,628
<b>Attributable to:</b>			
Shareholders of the Company		<b>579,636</b>	401,653
Minority interests		<b>5,320</b>	1,975
		<b>584,956</b>	403,628
<b>Basic earnings per share for profit attributable to the shareholders of the Company during the period</b> (expressed in RMB per share)	22	<b>0.167</b>	0.161
<b>Dividends</b>	23	<b>178,305</b>	77,451

The notes on pages 21 to 44 form an integral part of this condensed consolidated interim financial information.

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**

	Unaudited				
	Attributable to the shareholders of the Company				
	Share capital and premium	Other reserves	Retained earnings	Minority interests	Total
	RMB'000 (note 13)	RMB'000 (note 14)	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2005 (Audited)</b>	20,824	431,531	270,444	5,588	728,387
Capital injection to subsidiaries by their then shareholders	—	10,603	—	—	10,603
Profit for the period	—	—	401,653	1,975	403,628
Transfer to statutory reserve and enterprise expansion fund	—	12,982	(12,982)	—	—
Dividend to the subsidiaries' then shareholders (note 23)	—	—	(77,451)	—	(77,451)
<b>Balance at 30 June 2005</b>	20,824	455,116	581,664	7,563	1,065,167
<b>Balance at 1 January 2006 (Audited)</b>	<b>3,200,176</b>	<b>496,525</b>	<b>807,508</b>	<b>5,916</b>	<b>4,510,125</b>
<b>Profit for the period</b>	—	—	<b>579,636</b>	<b>5,320</b>	<b>584,956</b>
<b>Transfer to statutory reserve and enterprise expansion fund</b>	—	<b>13,200</b>	<b>(13,200)</b>	—	—
<b>Minority interest — acquisition of subsidiaries</b>	—	—	—	<b>3,240</b>	<b>3,240</b>
<b>Dividends (note 23)</b>	—	—	<b>(100,908)</b>	<b>(404)</b>	<b>(101,312)</b>
<b>Balance at 30 June 2006</b>	<b>3,200,176</b>	<b>509,725</b>	<b>1,273,036</b>	<b>14,072</b>	<b>4,997,009</b>

The notes on pages 21 to 44 form an integral part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Note	Six months ended 30 June	
		2006 (unaudited) RMB'000	2005 (audited) RMB'000
<b>Operating profit before changes in working capital</b>		<b>852,322</b>	615,708
<b>Changes in working capital:</b>			
(Increase)/decrease in working capital related to acquisition of land use rights		<b>(1,657,334)</b>	47,676
Decrease in properties under development and completed properties held for sale		<b>251,712</b>	60,717
Changes in other working capital components		<b>(769,801)</b>	(328,715)
<b>Net cash (used in)/generated from continuing operations</b>		<b>(1,323,101)</b>	395,386
PRC enterprise income tax paid		<b>(181,809)</b>	(98,588)
Interest paid		<b>(46,378)</b>	(41,168)
<b>Cash (used in)/generated from continuing operations</b>		<b>(1,551,288)</b>	255,630
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(589,184)</b>	165,633
<b>Net cash inflow/(outflow) from financing activities</b>		<b>711,578</b>	(353,319)
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(1,428,894)</b>	67,944
Exchange losses on cash and cash equivalents		<b>(26,621)</b>	—
Cash and cash equivalents at 1 January	12	<b>4,205,202</b>	172,622
<b>Cash and cash equivalents at 30 June</b>	12	<b>2,749,687</b>	240,566

The notes on pages 21 to 44 form an integral part of this condensed consolidated interim financial information.

# Notes to the Condensed Consolidated Interim Financial Information

## 1. GENERAL INFORMATION

Agile Property Holdings Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands on 14 July 2005 and is principally engaged in investment holding. The address of its registered office is Century Yard, Cricket Square, Hutchins Drive, P. O. Box 2681 GT, George Town, Grand Cayman, British West Indies. The Company’s subsidiaries are principally engaged in property development in mainland China.

The Company’s shares were listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 15 December 2005.

The condensed consolidated interim financial information was approved for issue on 24 August 2006.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

### 2.1 Basis of preparation

This unaudited condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The condensed consolidated interim financial information should be read in conjunction with the annual accounts for the year ended 31 December 2005.

### 2.2 Accounting policies

The accounting policies adopted are consistent with those used in the annual accounts for the year ended 31 December 2005.

The preparation of this condensed consolidated interim financial information in conformity with Hong Kong Financial Reporting Standards (the “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 condensed consolidated accounts, are disclosed in Note 4.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31 December 2006.

- Amendment to HKAS 19, “Actuarial gains and losses, group plans and disclosures”, effective for annual periods beginning on or after 1 January 2006.
- Amendment to HKAS 39, Amendment to “The fair value option”, effective for annual periods beginning on or after 1 January 2006.
- Amendment to HKAS 21, Amendment “Net investment in a foreign operation”, effective for annual periods beginning on or after 1 January 2006.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

### 2.2 Accounting policies (Continued)

- Amendment to HKAS 39, Amendment “Cash flow hedge accounting of forecast intragroup transactions”, effective for annual periods beginning on or after 1 January 2006.
- Amendment to HKAS 39 and HKFRS 4, Amendment “Financial guarantee contracts”, effective for annual periods beginning on or after 1 January 2006.
- HKFRS 6, “Exploration for and evaluation of mineral resources”, effective for annual periods beginning on or after 1 January 2006.
- HK(IFRIC)-Int 4, “Determining whether an arrangement contains a lease”, effective for annual periods beginning on or after 1 January 2006.
- HK(IFRIC)-Int 5, “Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds”, effective for annual periods beginning on or after 1 January 2006.
- HK(IFRIC)-Int 6, “Liabilities arising from participating in a specific market — waste electrical and electronic equipment”, effective for annual periods beginning on or after 1 December 2005.

The directors of the Company are of the view that these new standards, amendments and interpretations to existing standards are not relevant to the Group’s operations.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006 and have not been early adopted:

- HK(IFRIC)-Int 7, “Applying the Restatement Approach under HKFRS 29”, effective for annual periods beginning on or after 1 March 2006. Management do not expect the interpretation to be relevant for the Group;
- HK(IFRIC)-Int 8, “Scope of HKFRS 2”, effective for annual periods beginning on or after 1 May 2006. Management is currently assessing the impact of HK(IFRIC)-Int 8 on the Group’s operations;
- HK(IFRIC)-Int 9, “Reassessment of Embedded Derivatives”, effective for annual periods beginning on or after 1 June 2006. Management do not expect the interpretation to be relevant for the Group;
- HKFRS 7, “Financial instruments: Disclosures”, effective for annual periods beginning on or after 1 January 2007. HKAS 1, “Amendments to capital disclosures”, effective for annual periods beginning on or after 1 January 2007. The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by the amendment of HKAS 1. The Group will apply HKFRS 7 and the amendment to HKAS 1 for annual period beginning on 1 January 2007.

### 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. As at 30 June 2006, the non-RMB assets and liabilities of the Group are mainly bank deposits denominated in Hong Kong dollars ("HK\$"). 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 24.

(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.



#### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements used in preparing this condensed consolidated interim financial information 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 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 as stipulated in the relevant tax legislations 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.

## 5. SEGMENT INFORMATION

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

The segment assets and liabilities as at 30 June 2006 and 2005, and segment results, capital expenditure for the six months ended 30 June 2006 and 2005 are as follows:

### Six months ended 30 June 2006 and 2005

	Property development		Property management		Decoration service		Elimination		Group	
	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000
Gross segment sales	<b>2,989,846</b>	2,322,329	<b>67,172</b>	52,601	<b>39,603</b>	105,447	—	—	<b>3,096,621</b>	2,480,377
Inter-segment sales	—	—	<b>(9,690)</b>	(3,544)	<b>(39,603)</b>	(98,759)	—	—	<b>(49,293)</b>	(102,303)
Sales	<b>2,989,846</b>	2,322,329	<b>57,482</b>	49,057	—	6,688	—	—	<b>3,047,328</b>	2,378,074
Segment result	<b>854,198</b>	590,010	<b>(5,520)</b>	(903)	<b>9,328</b>	30,053	<b>8,012</b>	(10,018)	<b>866,018</b>	609,142
Finance costs									<b>(10,251)</b>	(5,797)
Profit before income tax									<b>855,767</b>	603,345
Income tax expense									<b>(270,811)</b>	(199,717)
Profit for the period									<b>584,956</b>	403,628
Segment assets	<b>10,572,981</b>	5,872,766	<b>164,133</b>	115,542	<b>68,501</b>	110,410	<b>(175,156)</b>	(183,069)	<b>10,630,459</b>	5,915,649
Segment liabilities	<b>5,585,537</b>	4,800,976	<b>188,014</b>	136,072	<b>30,127</b>	83,088	<b>(170,228)</b>	(169,654)	<b>5,633,450</b>	4,850,482
Capital expenditure	<b>1,555,366</b>	249,913	<b>5,542</b>	—	<b>1,272</b>	463	—	—	<b>1,562,180</b>	250,376
Depreciation	<b>5,706</b>	3,809	<b>2,692</b>	2,145	<b>473</b>	367	—	—	<b>8,871</b>	6,321
Amortisation	<b>15,763</b>	14,727	<b>30</b>	32	—	—	—	—	<b>15,793</b>	14,759

## 6. LAND USE RIGHTS, PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	<b>Land use rights RMB'000</b>	<b>Property, plant and equipment RMB'000</b>	<b>Intangible assets RMB'000</b>
<b>Six months ended 30 June 2005</b>			
Opening net book amount as at 1 January 2005	1,805,663	51,561	656
Additions	241,883	8,277	216
Disposals	—	(758)	—
Depreciation/amortisation charges (note 17)	(14,681)	(6,321)	(78)
Transfer to cost of sales	(266,839)	—	—
Closing net book amount as at 30 June 2005	1,766,026	52,759	794
<b>Six months ended 30 June 2006</b>			
Opening net book amount as at 1 January 2006	1,530,340	65,888	788
Acquisition of subsidiaries	669,928	1,104	—
Additions	876,370	12,469	2,309
Disposals	—	(170)	—
Depreciation/amortisation charges (note 17)	(15,394)	(8,871)	(399)
Transfer to cost of sales	(279,789)	—	—
Closing net book amount as at 30 June 2006	2,781,455	70,420	2,698
Land use rights included in non-current assets	1,838,785		
Land use rights will be realised within one normal operating cycle or 12 months from balance sheet date included in current assets	942,670		
	2,781,455		

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. Land use rights are 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 relevant properties are sold.

## 6. LAND USE RIGHTS, PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (Continued)

As at 30 June 2006, land use rights of RMB391,142,000 (31 December 2005: RMB535,679,000) were pledged as collateral for the Group's bank borrowings.

As at 30 June 2006, certificates of land use rights of RMB334,932,000 (31 December 2005: RMB28,391,000) were not yet obtained.

## 7. PROPERTIES UNDER DEVELOPMENT

	<b>30 June 2006 RMB'000</b>	31 December 2005 RMB'000
Properties under development of which:		
— will be realised within one normal operating cycle or 12 months from balance sheet date included in current assets	<b>1,933,449</b>	1,870,048
— will not be realised within one normal operating cycle or 12 months from balance sheet date included in non-current assets	<b>41,784</b>	47,784
	<b>1,975,233</b>	1,917,832
Amount comprises:		
Construction costs	<b>1,928,362</b>	1,862,041
Interests capitalised		
Opening balance	<b>55,791</b>	99,127
Additions (note 20)	<b>36,127</b>	72,351
Transfer to cost of sales	<b>(25,825)</b>	(65,685)
Transfer to properties held for sale	<b>(19,222)</b>	(50,002)
Ending balance	<b>46,871</b>	55,791
	<b>1,975,233</b>	1,917,832

The properties under development are located in the PRC.

The capitalisation rate of borrowings is 5.84% for the six months ended 30 June 2006 (2005: 6.08%).

## 8. COMPLETED PROPERTIES HELD FOR SALE

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

As at 30 June 2006, completed properties held for sale of approximately RMB24,162,000 (31 December 2005: RMB25,122,000) were pledged as collateral for the Group's bank borrowings.

## 9. PAYMENTS FOR ACQUISITION OF LAND USE RIGHTS

Amounts represent up-front payments for acquiring land use rights for property development. The amounts will be transferred to land use rights in the balance sheet when the Group obtains contractual usage rights of the land.

## 10. TRADE AND OTHER RECEIVABLES

	<b>30 June 2006 RMB'000</b>	31 December 2005 RMB'000
Trade receivables (note (a))	<b>188,893</b>	278,940
Other receivables due from:		
Related parties (note 27(c))	—	472
Third parties	<b>335,467</b>	144,999
Prepayments	<b>28,198</b>	5,114
	<b>552,558</b>	429,525

As at 30 June 2006, the fair value of trade and other receivables approximated their carrying amounts.

*Note (a):* Trade receivables are mainly arised from sale of properties. As at 30 June 2006 and 31 December 2005, the ageing analysis of the trade receivables were as follows:

	<b>30 June 2006 RMB'000</b>	31 December 2005 RMB'000
Within 90 days	<b>129,494</b>	183,275
Over 90 days and within 365 days	<b>59,399</b>	95,665
	<b>188,893</b>	278,940

**11. RESTRICTED CASH**

	<b>30 June 2006 RMB'000</b>	31 December 2005 RMB'000
Guarantee deposits for mortgage loans (note (a))	<b>35,031</b>	25,060
Guarantee deposits for construction of pre-sale properties (note (b))	<b>213,106</b>	141,426
Deposits for accident compensation (note (c))	<b>29,674</b>	8,293
	<b>277,811</b>	174,779

*Notes:*

- (a) The amount represents guarantee deposits placed with certain banks for mortgage loan facilities granted to the purchasers of the Group's properties.
- (b) In accordance with relevant stipulations by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place at designated bank accounts certain amount of pre-sale proceeds of properties as guarantee deposits for constructions of related properties. The deposits can only be used for payments of construction of the relevant property projects when approval from local State-Owned Land and Resource Bureau is obtained. These deposits will only be released upon completion of construction of related properties or issuance of the real estate ownership certificate.
- (c) Certain property development companies of the Group are required to maintain certain amount of cash at designated bank accounts for payments of compensations to workers when accident occurs at construction projects in accordance with certain local government regulations.

**12. CASH AND CASH EQUIVALENTS**

	<b>30 June 2006 RMB'000</b>	31 December 2005 RMB'000
Cash and cash equivalent comprises the following:		
Cash at bank and in hand	<b>3,019,079</b>	2,621,776
Short-term bank deposits	—	104,030
High liquidity investment (note (a))	<b>8,419</b>	1,654,175
	<b>3,027,498</b>	4,379,981
Less: Restricted cash (note 11)	<b>(277,811)</b>	(174,779)
	<b>2,749,687</b>	4,205,202
Denominated in RMB (note (b))	<b>1,929,445</b>	1,037,544
Denominated in other currencies	<b>1,098,053</b>	3,342,437
	<b>3,027,498</b>	4,379,981

*Notes:*

- (a) Amount represents the cash placed in the account maintained with Morgan Stanley & Co. International Limited, which the Group can make withdrawals without restriction or penalty.
- (b) The conversion of RMB 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.

**13. SHARE CAPITAL AND PREMIUM**

	<b>Number of ordinary shares of HK\$0.1 each</b>	<b>Nominal value of ordinary shares HK\$'000</b>	<b>Equivalent nominal value of ordinary shares RMB'000</b>	<b>Share premium RMB'000</b>	<b>Total RMB'000</b>
<b>Six months ended 30 June 2005</b>					
Balances as at 1 January 2005					
and 30 June 2005 (note (a))	2,491,500,000	249,150	259,415	(238,591)	20,824
<b>Six months ended 30 June 2006</b>					
Balances as at 1 January 2006					
and 30 June 2006	3,465,260,000	346,526	360,803	2,839,373	3,200,176

*Note (a):* 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 appeared 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. As the group reorganisation has been accounted for on the basis of merger accounting, this allotment and capitalisation were recognised retrospectively in the consolidated accounts for the year ended 31 December 2005.



**14. OTHER RESERVES**

	<b>Merger reserve RMB'000 (note (a))</b>	<b>Statutory reserve and enterprise expansion fund RMB'000 (note (b))</b>	<b>Total RMB'000</b>
<b>Six months ended 30 June 2005</b>			
Balance at 1 January 2005	428,668	2,863	431,531
Capital injection by the then equity holders of the subsidiaries of the Group	10,603	—	10,603
Transfer from retained earnings	—	12,982	12,982
Balance at 30 June 2005	439,271	15,845	455,116
<b>Six months ended 30 June 2006</b>			
Balance at 1 January 2006	442,395	54,130	496,525
Transfer from retained earnings	—	13,200	13,200
Balance at 30 June 2006	442,395	67,330	509,725

(a) Merger reserve of the Group represents the difference between the share capital of subsidiaries acquired pursuant to the group reorganisation 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 Group's subsidiaries in the PRC, the subsidiaries are required to transfer an amount of their profit after tax to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund may be distributable 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 of the Group's subsidiaries in the PRC.

**15. BANK BORROWINGS**

	<b>30 June 2006 RMB'000</b>	31 December 2005 RMB'000
Bank borrowings included in non-current liabilities:		
— Secured	<b>1,861,700</b>	1,285,700
— Unsecured	<b>270,000</b>	—
Less: Amount due within one year	<b>(225,000)</b>	(507,500)
	<b>1,906,700</b>	778,200
Bank borrowings included in current liabilities:		
Current portion of long-term borrowings	<b>225,000</b>	507,500

As at 30 June 2006, the Group's bank borrowings of RMB1,861,700,000 (31 December 2005: RMB1,285,700,000) are secured by its land use rights and properties.

Movements in bank borrowings are analysed as follows:

	<b>RMB'000</b>
<b>Six months ended 30 June 2005</b>	
Opening amount as at 1 January 2005	1,416,700
Additions of bank borrowings	261,000
Repayments of bank borrowings	(316,500)
<b>Closing amount as at 30 June 2005</b>	<b>1,361,200</b>
<b>Six months ended 30 June 2006</b>	
Opening amount 1 January 2006	1,285,700
Additions of bank borrowings	1,245,000
Repayments of bank borrowings	(399,000)
<b>Closing amount as at 30 June 2006</b>	<b>2,131,700</b>

**15. BANK BORROWINGS** (Continued)

The effective interest rates at balance sheet dates were as follows:

	<b>30 June 2006</b>	31 December 2005
Bank borrowings	<b>5.84%</b>	6.08%

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

The carrying amounts of all the Group's bank borrowings as at 30 June 2006 and 31 December 2005 are denominated in RMB.

**16. TRADE AND OTHER PAYABLES**

	<b>30 June 2006 RMB'000</b>	31 December 2005 RMB'000
Trade payables (note (a))	<b>1,438,395</b>	1,751,458
Other payables due to:		
— Related parties (note 27(c))	—	33,901
— Third parties	<b>325,985</b>	248,116
Advances from customers	<b>555,646</b>	966,725
Staff welfare benefit payable	<b>4,751</b>	5,784
Accrued expenses	<b>51,397</b>	92,384
Other taxes payable	<b>542,392</b>	373,650
	<b>2,918,566</b>	3,472,018

Note (a): The ageing analysis of trade payables of the Group as at 30 June 2006 and 31 December 2005 is as follows:

	<b>30 June 2006 RMB'000</b>	31 December 2005 RMB'000
Within 90 days	<b>937,726</b>	1,003,401
Over 90 days and within 180 days	<b>235,481</b>	426,914
Over 180 days and within 365 days	<b>149,764</b>	143,118
Over 365 days	<b>115,424</b>	178,025
	<b>1,438,395</b>	1,751,458

**17. EXPENSE BY NATURE**

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

	<b>Six months ended 30 June</b>	
	<b>2006</b>	2005
	<b>RMB'000</b>	RMB'000
Staff costs — excluding directors' emoluments	<b>80,172</b>	45,010
Auditors' remuneration	<b>1,543</b>	937
Advertising costs	<b>71,153</b>	65,342
Depreciation (note 6)	<b>8,871</b>	6,321
Amortisation of intangible assets (note 6)	<b>399</b>	78
Amortisation of land use rights (note 6)	<b>15,394</b>	14,681
Cost of properties sold	<b>1,930,219</b>	1,583,830

**18. OTHER INCOME**

	<b>Six months ended 30 June</b>	
	<b>2006</b>	2005
	<b>RMB'000</b>	RMB'000
Interest income	<b>49,757</b>	591
Forfeited customer deposits	<b>4,263</b>	974
Miscellaneous	<b>6,457</b>	269
	<b>60,477</b>	1,834

**19. EXCHANGE LOSSES, NET**

Amount mainly arose from transfer of Hong Kong dollar bank deposit to Renminbi bank accounts of the Group's PRC subsidiaries and revaluation of the remaining Hong Kong dollar bank deposits as at balance sheet date as a result of appreciation of Renminbi for the six months ended 30 June 2006.

**20. FINANCE COSTS**

	<b>Six months ended 30 June</b>	
	<b>2006</b>	2005
	<b>RMB'000</b>	RMB'000
Interest on bank borrowings wholly repayable within five years	<b>46,378</b>	41,168
Less: interest capitalised	<b>(36,127)</b>	(35,371)
	<b>10,251</b>	5,797

**21. INCOME TAX EXPENSE**

	<b>Six months ended 30 June</b>	
	<b>2006</b>	2005
	<b>RMB'000</b>	RMB'000
Current tax		
— Hong Kong profits tax	<b>154</b>	—
— PRC enterprise income tax	<b>175,108</b>	58,348
Deferred income tax	<b>95,549</b>	141,369
	<b>270,811</b>	199,717

**Hong Kong profits tax**

Hong Kong profits tax has been provided for at the rate of 17.5% for the six months ended 30 June 2006.

**PRC enterprise income tax**

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

**22. EARNINGS PER SHARE**

Basic earnings per share arising from continuing operations is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	<b>Six months ended 30 June</b>	
	<b>2006</b>	2005
Profit attributable to shareholders of the Company (RMB'000)	<b>579,636</b>	401,653
Weighted average number of ordinary shares in issue (thousands)	<b>3,465,260</b>	2,491,500
Basic earnings per share (RMB per share)	<b>0.167</b>	0.161

No diluted earnings per share is presented as there was no potential dilutive share in issue during the six months ended 30 June 2006 and 2005.

**23. DIVIDENDS**

	<b>Six months ended 30 June</b>	
	<b>2006</b> <b>RMB'000</b>	2005 RMB'000
Dividends declared by the subsidiaries to their then shareholders (note (a))	—	77,451
Proposed interim dividend of HK\$0.05 per ordinary share (note (c))	<b>178,305</b>	—
	<b>178,305</b>	77,451

*Note (a):* Amounts represent the dividends were declared and paid by the Group companies to their then shareholders during the six months ended 30 June 2005.

*Note (b):* A final dividend in respect of 2005 of HK\$0.028 per share, amounting to total dividends of approximately HK\$97,027,000 (equivalent to RMB100,908,000) has been declared in the Annual General Meeting on 18 May 2006.

*Note (c):* An interim dividend in respect of six months ended 30 June 2006 of HK\$0.05 per ordinary share, amounting to HK\$173,263,000 (equivalent to RMB178,305,000) was proposed at the board meeting on 24 August 2006. The condensed consolidated interim financial information does not reflect this dividend payable.

## 24. CONTINGENCIES

The Group has assisted its customers in acquiring its properties through mortgage loan arrangement by providing corporate guarantees for the mortgage. As at 30 June 2006, the outstanding guarantees amounted to RMB2,947,270,000 (31 December 2005: RMB3,377,599,000). 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) satisfaction of mortgaged loan by the mortgagors.

## 25. COMMITMENTS

### (a) Operating leases commitments

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

	<b>30 June 2006 RMB'000</b>	31 December 2005 RMB'000
Property, plant and equipment:		
— Not later than one year	<b>5,332</b>	2,458
— Later than one year and not later than five years	<b>4,210</b>	5,337
— Later than five years	<b>121</b>	240
	<b>9,663</b>	8,035
Lease of areas adjacent to the property development projects:		
— Not later than one year	<b>400</b>	—
— Later than one year and not later than five years	<b>1,600</b>	—
— Later than five years	<b>35,750</b>	—
	<b>37,750</b>	—
	<b>47,413</b>	8,035

**25. COMMITMENTS** (Continued)**(b) Other commitments**

	<b>30 June 2006 RMB'000</b>	31 December 2005 RMB'000
Properties under development:		
— contracted but not provided for	<b>940,214</b>	1,454,559
Acquisition of land use rights		
— contracted but not provided for	<b>3,408,329</b>	805,300
	<b>4,348,543</b>	2,259,859

**26. ACQUISITION OF SUBSIDIARIES**

Pursuant to the agreements entered into among Supermacy Development Limited, a wholly-owned subsidiary of the Company, True Merit Limited and Mr. Ma Chi Man during the period, the Group effectively acquired 89.5% equity interest in Huizhou Bailuhu Property Development Company Limited (惠州白鷺湖旅遊實業開發有限公司) (“Bailuhu”).

Bailuhu is established for the purpose of developing a property project in Huizhou City of Guangdong Province. The major assets of Bailuhu at the time of acquisition by the Group were payments for acquisition of usage right of various parcels of lands in Huicheng District, Huizhou City, Guangdong Province, the PRC, of which State-owned Land Use Right Certificates of site area of approximately 1,664,000 square meters have been obtained while the certificates of the remaining site area of approximately 336,000 square meters are under application.

There was no income contributed to the Group by Bailuhu during the period as its property was still under development as at 30 June 2006.

The acquirees' carrying amount of net assets at the date of acquisition amounted to approximately RMB351 million while the preliminary fair value of net assets acquired amounted to approximately RMB645 million. The difference of approximately RMB294 million, which mainly comprised surplus of revaluation of land use rights of approximately RMB443 million and deferred tax liability of approximately RMB146 million arisen from the said revaluation.



**26. ACQUISITION OF SUBSIDIARIES** (Continued)

Goodwill on acquisition:

	<b>RMB'000</b>
<hr/>	
Total consideration per contract	304,886
Settlement of liabilities in the acquired subsidiaries assumed by the Group	339,896
Less: fair value of net assets acquired	(644,782)
<hr/>	
Goodwill	—
<hr/>	

Details of cash outflow on acquisition:

	<b>RMB'000</b>
<hr/>	
Total amounts settled in cash	644,782
Cash and cash equivalents in subsidiaries acquired	(20,147)
<hr/>	
Cash outflow on acquisition	624,635
<hr/>	

**27. RELATED PARTY TRANSACTIONS****(a) Name and relationship with related parties**

<b>Name</b>	<b>Relationship</b>
The Founding Shareholders, including Mr. Chen Zhuo Lin, Mr. Chan Cheuk Yin, Ms. Luk Sin Fong, Fion, Mr. Chan Cheuk Hung, Mr. Chan Cheuk Hei and Mr. Chan Cheuk Nam	The Founding Shareholders are also the Directors of the Company
The independent directors, including Dr. Cheng Hon Kwan, Mr. Kwong Che Keung Gordon and Mr. Cheung Wing Yui	The independent directors of the Company
中山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))	Formerly 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
Zhongshan Changjiang Golf Course	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))	Formerly controlled by the Founding Shareholders
中山市雅居樂酒店有限公司 Zhongshan Agile Hotel Co., Ltd. (note (i))	Controlled by the Founding Shareholders

**27. RELATED PARTY TRANSACTIONS** (Continued)

**(a) Name and relationship with related parties** (Continued)

*Notes:*

- (i) The names of certain companies referred to in this condensed consolidated financial information represent management's best efforts at translating their Chinese names into English 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.

**27. RELATED PARTY TRANSACTIONS** (Continued)**(b) Transactions with related parties**

During the six months ended 30 June 2006 and 2005, the Group had the following significant transactions with related parties:

	<b>Six months ended 30 June</b>	
	<b>2006 RMB'000</b>	2005 RMB'000
Decoration fee income: Zhongshan Agile Property Development Company Limited (note i)	—	6,688
Management fee charged by related parties (note ii): Zhongshan Agile Group Company Limited Agile International Company Limited	— —	3,917 1,580
	—	5,497
Restaurant and hotel service fee charged by Zhongshan Agile Hotel Company Limited (note iii)	<b>238</b>	750
Golf facilities service fee charged by Zhongshan Changjiang Golf Course (note iv)	<b>1,794</b>	1,000
Directors' emoluments	<b>9,954</b>	600
Key management compensation — Salaries and other short-term employee benefits — Retirement scheme contributions	<b>4,670</b> <b>26</b>	1,369 6
	<b>4,696</b>	1,375

*Notes:*

- (i) Decoration fee were charged in accordance with the terms of the underlying agreements.
- (ii) 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.
- (iii) Restaurant and hotel service fees were charged in accordance with the terms of the underlying agreements. In the opinion of the directors of the Company, the fees were determined with reference to the market price at the prescribed year.
- (iv) Golf facilities service fees were charged in accordance with the terms of the underlying agreements. In the opinion of the directors of the Company, the fees were determined with reference to the market price at the prescribed year.

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.

**27. RELATED PARTY TRANSACTIONS** (Continued)**(c) Balances with related parties**

As at 30 June 2006 and 31 December 2005, the Group had the following significant non-trade balances with related parties:

	<b>30 June 2006 RMB'000</b>	31 December 2005 RMB'000
Due from related parties (note (i)):		
Zhongshan Changjiang Golf Course	—	120
Top Coast Investment Limited	—	352
	—	472
Due to related parties (note (i)):		
Zhongshan Agile Group Company Limited	—	40
Agile International Company Limited	—	5,312
Zhongshan Changjiang Golf Course	—	1,810
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

*Note (i):* As at 31 December 2005, amounts due from/to related parties are unsecured, interest-free and have no fixed terms of repayment, which are cash advances in nature.