

## FINANCIAL ANALYSIS

### INTERIM OPERATING RESULTS

For the six months ended 30 June 2006, the revenue of the Group (mainly included sales of shops and rental income) was HK\$88,140,000, representing an increase of 13.5 times as compared to 2005 (the corresponding period in 2005: HK\$6,061,000). The increase in revenue was mainly attributed to the completion of the first phase of Suifenhe Shimao project during the period, and the revenue generated from the pre-sale in 2005 has been recognised as revenue in the first half of 2006. Profit attributable to shareholders of the Company was HK\$40,890,000, a growth of 3.5 times as compared to 2005 (the corresponding period in 2005: HK\$9,179,000).

Other operating income amounted to HK\$37,941,000 (the corresponding period in 2005: HK\$20,636,000), which mainly included the increase in fair value of investment properties of the Group.

Finance cost was HK\$21,131,000 (the corresponding period in 2005: HK\$2,703,000). Due to the increase in borrowings and interest rate, the interest expenses rose subsequently. In addition, the increase in finance cost is attributable to the amortisation of promissory notes and convertible notes of the Company.

### LIQUIDITY, FINANCIAL RESOURCES AND BANK LOANS

During the period under review, the Group's liquidity maintained at a healthy level and its financial resources were well distributed. As of 30 June 2006, total assets of the Group reached HK\$2,290,627,000, of which current assets amounted to HK\$312,376,000. Total liabilities was HK\$1,501,865,000 and non-current liabilities was HK\$985,951,000. The equity attributable to the shareholders of the Company amounted to HK\$788,762,000.

As of 30 June 2006, the Group had aggregate cash and bank balances of approximately HK\$19,871,000 (31 December 2005: HK\$27,574,000), and an aggregate short-term and long-term bank borrowings of approximately HK\$399,316,000 (31 December 2005: HK\$407,639,000). The average interest rate of the bank loans ranged between 5.4% p.a. to 6.5% p.a..

### PLEDGE OF ASSETS

As of 30 June 2006, the Group had properties with a total carrying amount of approximately HK\$542,163,000 (31 December 2005: HK\$518,974,000) under pledge in favour of banks to secure the facilities granted to the Group. Its respective bank borrowings were HK\$399,316,000.

## CONTINGENT LIABILITIES

The Company has provided guarantee in respect of banking facilities in an aggregate amount of HK\$399,316,000 (31 December 2005: HK\$407,639,000) granted to its subsidiaries. As of 30 June 2006, the banking facilities utilised by these subsidiaries amounted to approximately HK\$399,316,000 (31 December 2005: HK\$407,639,000).

## FOREIGN EXCHANGE RISK

Most of the Group's assets, liabilities and business transactions are denominated in Hong Kong dollar and Renminbi, with a small proportion in US dollar. The exchange rates of other major currencies remained relatively stable during the period. The Directors do not expect substantial exchange fluctuation risks to the Group. However, it cannot be guaranteed that the exchange risk will not affect the Group's business in the future. As of 30 June 2006, the Group had not issued any financial instrument nor entered into any contract for hedging purpose.

## FINANCIAL POLICIES

The Group will continue to control financial risks in a prudent manner and proactively adopt internationally-recognised corporate management standards to safeguard the interests of shareholders.

## EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2006, the Group employed a total of 110 employees. The benefits and remuneration packages of the staff of the Group are determined according to individual experience and academic attainments with reference to general market conditions. Year-end bonuses and incentives are provided according to the Group's results and individual staff's performance. The Group also provides adequate training and continuous professional development opportunities to its employees.