# Notes to the Consolidated Financial Statements

For year ended December 31, 2006

## 1. GROUP RESTRUCTURING AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability. Its ultimate and immediate holding company is Hillwealth Holdings Limited ("Hillwealth"), a limited company incorporated in the British Virgin Islands ("BVI"). The address of the registered office and principal place of business of the Company is 14th Floor, Wheelock House, 20 Pedder Street, Central, Hong Kong.

Pursuant to a corporate reorganization (the "Corporate Reorganization") in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing"), the Company became the holding company of the Group on April 22, 2006 by issuing shares in exchange for the entire share capital of Cheergain Group Limited ("Cheergain"). Details of the Corporate Reorganization are set out in the prospectus dated February 9, 2007 issued by the Company.

The shares of the Company have been listed on the Stock Exchange since February 23, 2007.

The Group resulting from the Corporate Reorganization is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as if the group structure under the Corporate Reorganization had been in existence throughout the two years ended December 31, 2006 or since their respective dates of incorporation or establishment or date of acquisition, whichever is the shorter period, in accordance with the respective equity interests in the individual companies attributable to the controlling shareholder throughout the two years ended December 31, 2006 and 2005, except for the acquisition of 1.21% equity interest in Shanghai Minhang Concord Property Development Co., Ltd. ("Minhang Concord") and 0.6% equity interest in Shanghai Yingduoli Property Management Company Limited ("Property Management Co") on March 21, 2005, the acquisition of 8% equity interest in Shanghai Jingan-Concord Real Estate Co., Ltd. ("Jingan Concord") and 4% equity interest in Property Management Co on December 31, 2005 which have been accounted for from the respective effective date of the acquisitions.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 37.

The functional currency of the respective group entities is Renminbi ("RMB"), the currency of the primary economic environment in which the Group operates. For the purpose of the consolidated financial statements and convenience of the financial statements users, the results and financial position of the Group are expressed in Hong Kong dollars, the presentation currency for the consolidated financial statements.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early applied the following new Hong Kong Accounting Standards ("HKAS(s)"), Hong Kong Financial Reporting Standards ("HKFRS(s)"), amendment or interpretations that have been issued by the HKICPA but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

| | |
|---|---|
| HKAS 1 (Amendment) | Capital disclosures[1] |
| HKFRS 7 | Financial instruments: Disclosures[1] |
| HKFRS 8 | Operating segments[2] |
| HK(IFRIC)-INT 7 | Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[3] |
| HK(IFRIC)-INT 8 | Scope of HKFRS 2[4] |
| HK(IFRIC)-INT 9 | Reassessment of embedded derivatives[5] |
| HK(IFRIC)-INT 10 | Interim financial reporting and impairment[6] |
| HK(IFRIC)-INT 11 | HKFRS 2-Group and Treasury Share Transactions[7] |
| HK(IFRIC)-INT 12 | Service concession arrangements[8] |

[1] Effective for annual periods beginning on or after January 1, 2007.
[2] Effective for annual periods beginning on or after January 1, 2009.
[3] Effective for annual periods beginning on or after March 1, 2006.
[4] Effective for annual periods beginning on or after May 1, 2006.
[5] Effective for annual periods beginning on or after June 1, 2006.
[6] Effective for annual periods beginning on or after November 1, 2006.
[7] Effective for annual periods beginning on or after March 1, 2007.
[8] Effective for annual periods beginning on or after January 1, 2008.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis, except for certain properties and financial instruments, which are measured at fair values.

The consolidated financial statements have been prepared in accordance with HKFRSs. The principal accounting policies adopted are as follows:

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

### Acquisition of additional interests in a subsidiary

The cost of the acquisition is measured at the consideration paid for the additional interest. The goodwill is calculated as the difference between the consideration paid and the book value of the net assets of the subsidiary attributable to the additional interest acquired.

### Merger accounting for business combination under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Merger accounting for business combination under common control (continued)

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

### Business combination other than common control combinations

The acquisitions of subsidiaries under business combination other than common control combinations are accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

### Revenue recognition

Revenue is measured at the fair value at consideration received or receivable.

Revenue from sale of properties in the ordinary course of business is recognized when all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The above criteria are met when the construction of relevant properties has been completed, the title of properties has been transferred or the properties have been delivered to the purchasers pursuant to the sales agreement whichever is earlier and the collectibility of related receivables is reasonably assumed. Deposits received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet under current liabilities.

Rental income from properties under operating leases is recognized in the consolidated income statement on a straight-line basis over the terms of the relevant leases.

Service income is recognized when services are provided.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Revenue recognition (continued)

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

### Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Non-current assets classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

### Property, plant and equipment

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

Leasehold land originally classified as investment property carried at fair value is transferred to property, plant and equipment at a deemed cost equal to its fair value at the date of change in use.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

| | |
|---|---|
| Leasehold land | Over the lease terms |
| Buildings | 4.5% |
| Others | 18%-19% |

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

### Prepaid lease payments

Prepaid lease payments are carried at cost and amortized over the lease term on a straight-line basis.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the year in which they arise.

Leasehold land held for construction of properties for rental purpose is classified as an investment property and is stated at fair value. Changes in fair value of the leasehold land held for construction of properties for rental purpose are recognized directly in profit or loss for the year in which changes take place. Costs for construction of investment properties, which comprise construction costs, borrowing costs capitalized and professional fees, are classified as development in progress and are stated at cost less any identified impairment losses until construction is complete, at which time they are reclassified to investment properties (see accounting policy for development in progress below).

### Development in progress

Development in progress, representing costs for construction of investment properties and properties for future owner-occupied purpose, is carried at cost less any identified impairment losses. Costs comprise construction costs, borrowing costs capitalized, amortization of leasehold land held for construction of properties for future owner-occupied purpose and professional fees incurred during the development period. Upon completion of construction, costs for the construction of investment properties and owner occupied properties are transferred to investment properties and property, plant and equipment respectively.

When the leasehold land and buildings are in the course of development for owner-occupied purpose, the leasehold land component is classified as a prepaid lease payment and amortized over a straight-line basis over the lease terms. During the construction period, the amortization charge provided for the leasehold land is included as part of costs of buildings under development. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

### Properties under development for sales

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

Development cost of property comprises construction costs, borrowing costs capitalized according to the Group's accounting policy and professional fees incurred during the development period. On completion, the properties are transferred to properties held for sale.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Properties held for sales

Properties held for sales are stated at the lower of cost and net realizable value.

### Financial instruments

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

### Financial assets

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

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables including trade and other receivables amounts due from related companies, pledged bank deposits and bank balances are carried at amortized cost using the effective interest method, less any identified impairment losses. An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial assets (continued)

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, held-to-maturity investments and loans and receivables. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognized in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognized in equity is removed from equity and recognized in profit or loss. Any impairment losses on available-for-sale financial assets are recognized in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods.

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

### Financial liabilities and equity

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

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

*Financial liabilities*

Financial liabilities including bank loans, trade and other payables and loans from related companies are subsequently measured at amortized cost, using the effective interest method.

*Equity instruments*

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Derecognition

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

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

### Impairment losses

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

### Leasing

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

*The Group as lessor*

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

*The Group as lessee*

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalized as part of the cost of those assets. Capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the year in which they are incurred.

### Income tax expense

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income and expenses that are taxable or deductible in other years, and it further excludes items of income and expenses that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited in the consolidated income statement.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the year in which they arise.

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

### Retirement benefits costs

Payments to the defined contribution retirement benefit schemes and state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 3, management has made various estimates based on past experience, expectations of the future and other information. The key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next 12 months or significantly affect the amounts recognized in the consolidated financial statements are disclosed below.

### Estimate of fair value of investment properties

As describe in note 16, investment properties were revalued as at December 31, 2006 on a market value existing use basis by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each balance sheet date.

### Valuation of properties under development for sales and properties held for sales

Properties under development for sales and properties held for sales are stated at the lower of the cost or net realizable value. Cost of each unit in each phase of development is determined using the weighted average method. The estimated net realizable value is estimated selling price less selling expenses and estimated cost of completion (if any), which are estimated based on best available information.

### Allocation of construction cost for properties under development

When developing properties, the Group typically divides the development projects into phases. Costs directly related to the development of a phase are recorded as the cost of such phase. Cost of the unit sold is determined by the floor area in the square meter sold during the year times the average cost of per square meter of that particular phase of the project.

## 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

## 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Currency risk

The Group's transactions are mainly denominated in RMB, (which are the same functional currency of respective group entities), except for the bank loans denominated in United States dollars as disclosed in note 26. The Group has not used any derivative contracts to hedge its exposure to currency risk. A significant depreciation in the RMB against United States dollars may have a material impact on the Group's results. The Group currently does not have a foreign currency hedging policy. However, the management maintains foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

### Interest rate risk

The Group is exposed to interest rate risk in respect of such changes have on interest income and interest expense from short-term deposits and other interest-bearing financial assets and liabilities.

The Group has exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rates on bank deposits and bank loans which carried at prevailing market interest rates. The directors consider the Group's exposure to interest rate risk is not significant as interest bearing bank balances and within short maturity periods.

The Group's fair value interest rate risk relates primarily to its fixed rate bank loans (see note 26 for details of these loans). The Group has not used any derivative contracts to hedge its exposure to interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

### Credit risk

As at December 31, 2006, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from:

- the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheet; and
- the contingent liabilities as disclosed in note 31.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each amount due from related companies at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit rankings assigned by international credit-rating agencies.

## 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Credit risk (continued)

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties.

For properties that are still under construction, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand that the Group to repay the outstanding amount under the loan and any accrued interest thereon until the properties have been delivered to the purchasers and the registration of the mortgage with the relevant mortgage registration authorities has been completed. Under such circumstances, the Group is able to retain the customer's deposit and sell the property to recover any amounts paid by the Group to the bank. In this regards, the directors of the Company consider that the Group's credit risk is significantly reduced.

### Price risk

As at December 31, 2006, the carrying amounts of accruals for construction costs is approximately HK$230,868,000. The Group consumes large quantities of building materials, including raw iron, steel and concrete, in the property development operations. The Group typically enters into fixed or guaranteed maximum price construction contracts with independent construction companies, each of which covers the development of a significant part of the overall project. These contracts typically cover both the supply of the building materials and the construction of the facility, for a construction period of one to three years. If the price of building materials was to increase significantly prior to the Group entering into a fixed or guaranteed maximum price construction contract, the Group might be required to pay more to prospective contractors.

### Fair value

The fair value of financial assets and liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

## 6. SEGMENT INFORMATION

The Group is principally engaged in the property development and property investment in the PRC. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

| | | |
|---|---|---|
| Property development | - | developing and selling of properties in the PRC |
| Property investment | - | leasing of investment properties |
| Other | - | provision of building management and construction consultancy services |

### Income statement

**For the year ended December 31, 2006**

| | Property development HK$'000 | Property investment HK$'000 | Other HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Revenue | 868,416 | 22,706 | 12,213 | 903,335 |
| Segment result | 391,546 | 71,167 | (2,476) | 460,237 |
| Unallocated other income | | | | 1,312 |
| Unallocated corporate expenses | | | | (46,353) |
| Income tax expense | | | | (207,701) |
| Profit for the year | | | | 207,495 |

### Balance sheet

**As at December 31, 2006**

| | Property development HK$'000 | Property investment HK$'000 | Other HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Segment assets | 2,476,683 | 12,191,934 | 2,197 | 14,670,814 |
| Unallocated corporate assets | | | | 1,738,237 |
| Total assets | | | | 16,409,051 |
| **LIABILITIES** | | | | |
| Segment liabilities | 3,047,380 | 11,854 | 6,304 | 3,065,538 |
| Unallocated corporate liabilities | | | | 6,144,251 |
| Total liabilities | | | | 9,209,789 |

## 6. SEGMENT INFORMATION (CONTINUED)

### Other information

**For the year ended December 31, 2006**

| | Property development HK$'000 | Property investment HK$'000 | Unallocated HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Capital additions | – | 428,274 | 2,776 | 431,050 |
| Depreciation of property, plant and equipment | – | – | 3,881 | 3,881 |
| Amortization of prepaid lease payments | – | – | 383 | 383 |

### Income statement

For the year ended December 31, 2005

| | Property development HK$'000 | Property investment HK$'000 | Other HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Revenue | 1,227,175 | 14,555 | 6,560 | 1,248,290 |
| Segment results | 354,501 | (13,916) | (2,491) | 338,094 |
| Unallocated other income | | | | 5,177 |
| Unallocated corporate expenses | | | | (32,808) |
| Discount on acquisition of additional equity interest in a subsidiary | | | | 18,550 |
| Income tax expense | | | | (183,672) |
| Profit for the year | | | | 145,341 |

## 6. SEGMENT INFORMATION (CONTINUED)

### Balance sheet

As at December 31, 2005

| | Property development HK$'000 | Property investment HK$'000 | Other HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Segment assets | 2,311,669 | 11,605,330 | 3,696 | 13,920,695 |
| Unallocated corporate assets | | | | 1,265,458 |
| Total assets | | | | 15,186,153 |
| **LIABILITIES** | | | | |
| Segment liabilities | 2,675,816 | 13,740 | 5,783 | 2,695,339 |
| Unallocated corporate liabilities | | | | 5,902,824 |
| Total liabilities | | | | 8,598,163 |

### Other information

For the year ended December 31, 2005

| | Property development HK$'000 | Property investment HK$'000 | Unallocated HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Capital additions | – | 107,212 | 2,556 | 109,768 |
| Depreciation of property, plant and equipment | – | – | 3,450 | 3,450 |
| Amortization of prepaid lease payments | – | – | 317 | 317 |

As all of the revenue and operating results of the Group is derived in the PRC, an analysis of revenue and operating results of the Group by geographical location is not presented.

All significant identifiable assets and liabilities of the Group are located in the PRC. Accordingly, no geographical segmental analysis is presented.

## 7. REVENUE AND OTHER INCOME

| | 2006<br>HK$'000 | 2005<br>HK$'000 |
|---|---|---|
| Revenue | | |
| Sales of properties | **868,416** | 1,227,175 |
| Property rental income | **22,706** | 14,555 |
| Property management income | **12,213** | 6,560 |
| | **903,335** | 1,248,290 |
| Other income | | |
| Forfeiture of tenants' deposits | **396** | – |
| Others | **916** | 5,304 |
| | **1,312** | 5,304 |
| Total income | **904,647** | 1,253,594 |

## 8. FINANCE COSTS

| | 2006<br>HK$'000 | 2005<br>HK$'000 |
|---|---|---|
| Interest on: | | |
| Bank loans wholly repayable within five years | **56,528** | 28,363 |
| Loans from related companies | **37,794** | 40,039 |
| Total borrowing costs | **94,322** | 68,402 |
| Less: Amount capitalized in development in progress and properties under development for sales | **(94,322)** | (68,402) |
| | **–** | – |

## 9. PROFIT BEFORE TAXATION

| | 2006 HK$'000 | 2005 HK$'000 |
|---|---|---|
| Profit before taxation has been arrived at after charging (crediting): | | |
| Directors' emoluments (note 11) | **276** | 5,276 |
| Other staff costs | **27,362** | 25,127 |
| Total staff costs | **27,638** | 30,403 |
| Less: Amount capitalized in development in progress and properties under development for sales | **(13,515)** | (19,405) |
| | **14,123** | 10,998 |
| Auditors' remuneration | **963** | 32 |
| Amortization of prepaid lease payments | **383** | 317 |
| Depreciation of property, plant and equipment | **3,881** | 3,450 |
| Less: Amount capitalized in development in progress | **(1,382)** | (1,232) |
| | **2,499** | 2,218 |
| Cost of properties sold (included in cost of sales) | **405,798** | 779,437 |
| Professional and other expenses incurred relating to the Listing (note) | **30,315** | 12,615 |
| Compensation to purchasers of properties (included in administrative expenses) | **13,772** | 4,147 |
| Project development expenses | **–** | 7,862 |
| Change in fair values of held-for-trading investments | **–** | 302 |
| Gain on disposal of available-for-sale investments | **(129)** | – |

Note: Pursuant to HKAS 32, the transaction costs of an equity transaction are accounted for as deduction from equity to the extent they are directly attributable to the issuing of new shares as disclosed in note 38(i). The remaining costs are recognised as an expense when incurred.

## 10. INCOME TAX EXPENSE

| | 2006<br>HK$'000 | 2005<br>HK$'000 |
|---|---|---|
| Current taxation: | | |
| Enterprise income tax in the PRC for the year | **74,728** | – |
| Land appreciation tax ("LAT") in the PRC | **90,806** | 89,494 |
| | **165,534** | 89,494 |
| Deferred tax (note 27) | **42,167** | 94,178 |
| | **207,701** | 183,672 |

In accordance with the applicable enterprise income tax law of the PRC and the relevant rules promulgated by the Shanghai municipal government, Jingan Concord, Minhang Concord and Property Management Co are subject to a tax rate of 33% on their assessable profits for the year.

Shanghai Baili Construction Management and Consultancy Company Limited ("Construction Management Co") is subject to a tax rate of 33%. Pursuant to the relevant laws and regulations in the PRC, Construction Management Co is exempted from PRC income tax for two financial years starting from April 4, 2005 (date of its establishment), followed by a 50% reduction for the next three years. Accordingly, no provision for PRC income tax was made by Construction Management Co for the year.

Shanghai Zhengtian Construction Management and Consultancy Company Limited ("Construction Consultancy Co") is subject to a tax rate of 33%. Pursuant to the letter issued by the relevant PRC tax authority on July 25, 2006, Construction Consultancy Co, under article 8 of "Rule of the PRC on Enterprises Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and for Foreign Enterprise" (中華人民共和國外商投資企業和外國企業所得稅法實施細則), is exempted from PRC income tax for two financial years, starting from first profit making year, followed by a 50% reduction for the next three years, provided that more than 50% of the income of Construction Consultancy Co is generated from productive services pursuant to the "Notice in respect of the Preferential Tax Treatment applicable to Foreign Investment Enterprise which engages in both Productive and Non-Productive Services" (國家稅務總局關於外商投資企業兼營生產性和非生產性業務如何享受稅收優惠問題的通知). Accordingly, no provision for PRC income tax was made by Construction Consultancy Co for the year.

No provision for Hong Kong Profit Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Under the Provisional Regulations on LAT implemented upon the issuance of the Provisional Regulations of the PRC on January 27, 1995, all gains arising from transfer of real estate property in the PRC effective from January 1, 1994 are subject to LAT 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 borrowings costs and all property development expenditures.

## 10. INCOME TAX EXPENSE (CONTINUED)

The tax expense for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

| | 2006<br>HK$'000 | 2005<br>HK$'000 |
|---|---|---|
| Profit before taxation | 415,196 | 329,013 |
| Tax at PRC enterprise income tax rate of 33% | 137,015 | 108,574 |
| Tax effect of income not taxable for tax purpose | – | (6,121) |
| Tax effect of expenses not deductible for tax purpose | 9,846 | 21,258 |
| LAT | 90,806 | 89,494 |
| Tax effect of LAT | (29,966) | (29,533) |
| Tax expense for the year | 207,701 | 183,672 |

## 11. DIRECTORS' EMOLUMENTS

### Directors' emoluments

| | 2006<br>HK$'000 | 2005<br>HK$'000 |
|---|---|---|
| Fees | – | – |
| Salaries and allowances | 276 | 276 |
| Discretionary bonus | – | 5,000 |
| Retirement benefit scheme contributions | – | – |
| | 276 | 5,276 |

The discretionary bonus is determined with reference to the involvement and the performance of the directors.

The emoluments paid to the directors were as follows:

**For the year ended December 31, 2006**

| | Salaries and allowances<br>HK$'000 | Discretionary bonus<br>HK$'000 | Retirement benefits scheme contribution<br>HK$'000 | Total 2006<br>HK$'000 |
|---|---|---|---|---|
| Executive director: | | | | |
| Xu Li Chang | 276 | – | – | 276 |

## 11. DIRECTORS' EMOLUMENTS (CONTINUED)

For the year ended December 31, 2005

| | Salaries and allowances HK$'000 | Discretionary bonus HK$'000 | Retirement benefits scheme contribution HK$'000 | Total 2005 HK$'000 |
|---|---|---|---|---|
| Executive director: | | | | |
| Xu Li Chang | 276 | – | – | 276 |
| Non-executive director: | | | | |
| Kwan Kai Cheong | – | 5,000 | – | 5,000 |
| | 276 | 5,000 | – | 5,276 |

The emolument of Mr. Xu Li Chang, an executive director, was paid by the Group during both years. During both years, certain directors of the Company were employed by Pacific Concord Holding Limited ("PCH"), and its subsidiaries other than the Group (hereinafter referred to as "PCH Group") and served both the Group and PCH Group. Their remunerations were paid by PCH Group and recharged to the Group during both years. The emoluments of Mr. Kwan Kai Cheong, a non-executive director, were recharged to the Group by PCH Group only for the year ended December 31, 2005.

During both years, no emoluments were paid by the Group or recharged to the Group by PCH Group to Dr. Wang Shih Chang, George and Mr. Wong, the executive directors, Mr. Warren Talbot Beckwith, Mr. Luk Koon Hoo, Mr. Garry Alides Willinge, Mr. Wu Zhi Gao and Mr. Cheng Chaun Kwan, Michael, the independent non-executive directors.

### Employees' emoluments

The emoluments for the five individuals with the highest emoluments in the Group did not include any director for the year ended December 31, 2006 and included one non-executive director for the year ended December 31, 2005, details of whose emoluments are set out above. The emoluments of the five highest paid individuals (2005: four) were as follows:

| | **2006 HK$'000** | 2005 HK$'000 |
|---|---|---|
| Salaries and allowances | **3,595** | 2,828 |
| Retirement benefit scheme contributions | **60** | 45 |
| | **3,655** | 2,873 |

# Notes to the Consolidated Financial Statements

For year ended December 31, 2006

## 11. DIRECTORS' EMOLUMENTS (CONTINUED)

Their emoluments were within the following bands:

| | **2006 Number of employees** | 2005 Number of employees |
|---|---|---|
| Nil to HK$1,000,000 | **5** | 4 |

During both years, no remuneration was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any remuneration during both years.

## 12. EARNINGS PER SHARE

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

| | **2006 HK$'000** | 2005 HK$'000 |
|---|---|---|
| Earnings for the purpose of basic earnings per share (profit for the year attributable to equity holders of the Company) | **207,495** | 137,899 |

| | **2006 '000** | 2005 '000 |
|---|---|---|
| Weighted average number of ordinary shares for the purposes of basic earnings per share | **1,330,006** | 1,284,255 |

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been adjusted for the capitalization issue of 1,349,048,700 shares on February 22, 2007. The details of the capitalization issue are set out in note 38 to the consolidated financial statements.

## 13. DIVIDENDS

No dividend was paid or declared by the Company during both years.

## 14. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold land HK$'000 | Buildings HK$'000 | Leasehold improvements HK$'000 | Office equipment, furniture and fixtures HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **COST** | | | | | | |
| At January 1, 2005 | 50,497 | 17,376 | 961 | 8,177 | 3,721 | 80,732 |
| Exchange adjustments | – | 300 | 16 | 137 | 64 | 517 |
| Additions | – | – | – | 2,155 | 401 | 2,556 |
| At December 31, 2005 | 50,497 | 17,676 | 977 | 10,469 | 4,186 | 83,805 |
| Exchange adjustments | 2,798 | 663 | 40 | 402 | 165 | 4,068 |
| Additions | – | – | 126 | 1,659 | 991 | 2,776 |
| At December 31, 2006 | 53,295 | 18,339 | 1,143 | 12,530 | 5,342 | 90,649 |
| **DEPRECIATION** | | | | | | |
| At January 1, 2005 | 2,464 | 2,349 | 470 | 5,179 | 1,299 | 11,761 |
| Exchange adjustments | – | 46 | 9 | 98 | 28 | 181 |
| Provided for the year | 1,232 | 783 | 81 | 763 | 591 | 3,450 |
| At December 31, 2005 | 3,696 | 3,178 | 560 | 6,040 | 1,918 | 15,392 |
| Exchange adjustments | 252 | 147 | 25 | 126 | 92 | 642 |
| Provided for the year | 1,382 | 799 | 146 | 963 | 591 | 3,881 |
| At December 31, 2006 | 5,330 | 4,124 | 731 | 7,129 | 2,601 | 19,915 |
| **CARRYING VALUES** | | | | | | |
| At December 31, 2006 | 47,965 | 14,215 | 412 | 5,401 | 2,741 | 70,734 |
| At December 31, 2005 | 46,801 | 14,498 | 417 | 4,429 | 2,268 | 68,413 |

Certain of the Group's buildings with a carrying value of approximately HK$5,069,000 (2005: HK$5,081,000) were pledged to secure certain banking facilities granted to the Group.

The leasehold land is located in the PRC under medium-term lease.

## 15. PREPAID LEASE PAYMENTS

The carrying amount of prepaid lease payments comprises land use rights in the PRC as follows:

| | **2006** | 2005 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Long lease | **759** | 786 |
| Medium-term lease | **6,634** | 6,725 |
| | **7,393** | 7,511 |

Certain of the Group's land use rights with a carrying value of approximately HK$2,821,000 (2005: HK$2,874,000) were pledged to secure certain banking facilities granted to the Group.

## 16. INVESTMENT PROPERTIES

| | **2006** | 2005 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **FAIR VALUE** | | |
| Properties held for rental purpose | | |
| At beginning of the year | **941,200** | 987,200 |
| Exchange adjustments | **18,764** | 9,180 |
| Additions | **–** | 243 |
| Cost adjustment* | **–** | (15,678) |
| Transfer from development in progress | **52,360** | – |
| Transfer from leasehold land held for construction of properties for rental purpose | **20,100** | – |
| Net change in fair value recognized in the consolidated income statement | **(25,724)** | (39,745) |
| At end of the year | **1,006,700** | 941,200 |
| Leasehold land held for construction of properties for rental purpose | | |
| At beginning of the year | **9,287,900** | 9,225,100 |
| Exchange adjustments | **39,757** | 15,681 |
| Additions | **8,708** | 5,097 |
| Transfer to properties held for rental purpose | **(20,100)** | – |
| Transfer from properties under development for sales | **–** | 23,598 |
| Net change in fair value recognized in the consolidated income statement | **79,235** | 18,424 |
| At end of the year | **9,395,500** | 9,287,900 |
| Total | **10,402,200** | 10,229,100 |

* The amount represented the reversal of accrued construction cost in prior years after the judgment of final contract sum determined by the court during the year ended December 31, 2005.

# Notes to the Consolidated Financial Statements

For year ended December 31, 2006

## 16. INVESTMENT PROPERTIES (CONTINUED)

The fair values of the Group's investment properties were arrived at on the basis of a valuation carried out on those dates by Colliers International (Hong Kong) Limited. Colliers International (Hong Kong) Limited is a firm of independent qualified professional valuers not connected with the Group, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations, which conform to International Valuation Standards, were arrived at by reference to market conditions existing at each valuation date.

The carrying value of investment properties shown above situated on leasehold land in the PRC as follows:

| | **2006** | 2005 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Long lease | **2,031,700** | 1,893,000 |
| Medium-term lease | **8,370,500** | 8,336,100 |
| | **10,402,200** | 10,229,100 |

Certain of the Group's investment properties with a carrying value of approximately HK$3,009,999,000 (2005: HK$3,116,742,000) were pledged to secure certain banking facilities granted to the Group.

## 17. DEVELOPMENT IN PROGRESS

| | **2006** | 2005 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| At cost | | |
| At beginning of the year | **1,325,579** | 1,174,326 |
| Exchange adjustments | **46,162** | 22,951 |
| Additions | **419,566** | 101,872 |
| Transfer to properties held for rental purpose | **(52,360)** | – |
| Transfer from properties under development for sales | **–** | 26,430 |
| At end of the year | **1,738,947** | 1,325,579 |

Included in the cost of development in progress is net interest capitalized of approximately HK$374,007,000 (2005: HK$305,479,000).

Certain of the Group's development in progress with a carrying value of approximately HK$760,135,000 (2005: HK$374,654,000) were pledged to secure certain banking facilities granted to the Group.

## 18. AVAILABLE-FOR-SALE INVESTMENTS

| | 2006 HK$'000 | 2005 HK$'000 |
|---|---|---|
| Unlisted social legal person shares to the PRC | – | 24,874 |

The above unlisted investments represent an investment in 4.29% equity interest in 運盛(上海)實業股份有限公司 (translated in English as Winsan (Shanghai) Industrial Corporation, Ltd.) ("Winsan"), a joint stock limited company established in the PRC whose A shares are listed on the Shanghai Stock Exchange and was a subsidiary of PCH. The Group holds 14,625,000 社會法人股, (translated in English as Social Legal Person shares) of Winsan. On February 15, 2006, the Group, a fellow subsidiary and a third party entered into a share transfer agreement to sell its entire interest in Winsan and the fellow subsidiary agreed to sell its 25.61% equity interest in Winsan to the third party for a total consideration of RMB181,800,000 (approximately to HK$180,842,000) of which approximately RMB26,078,000 (approximately HK$25,003,000) was to be received by the Group. Accordingly, they were classified as assets classified as held for sale as at December 31, 2005. The transfer was completed on November 13, 2006.

As at December 31, 2005, the available-for-sale investments were pledged to secure certain bank facilities granted to PCH Group. The pledge was released on April 13, 2006.

## 19. PROPERTIES UNDER DEVELOPMENT FOR SALES

| | 2006 HK$'000 | 2005 HK$'000 |
|---|---|---|
| At cost | | |
| At beginning of the year | 1,835,568 | 2,057,512 |
| Exchange adjustments | 60,308 | 30,856 |
| Additions | 526,380 | 633,119 |
| Transfer to properties held for sales | (1,299,843) | (835,891) |
| Transfer to development in progress | – | (26,430) |
| Transfer to leasehold land held for construction of properties held for rental purpose | – | (23,598) |
| At end of the year | 1,122,413 | 1,835,568 |
| Properties under development for sales of which: | | |
| – will be realized within twelve months | 339,499 | 377,041 |
| – will not be realized within twelve months | 782,914 | 1,458,527 |
| | 1,122,413 | 1,835,568 |

## 19. PROPERTIES UNDER DEVELOPMENT FOR SALES (CONTINUED)

Included in the cost of properties under development for sales is net interest capitalized of approximately HK$133,868,000 (2005: HK$108,074,000).

Certain of the Group's properties under development for sales with a carrying value of approximately HK$951,185,000 (2005: HK$685,934,000) were pledged to secure certain banking facilities granted to the Group.

The carrying amount of properties under development for sales situated on land use rights in the PRC as follows:

| | **2006**<br>**HK$'000** | 2005<br>HK$'000 |
|---|---|---|
| Long lease | **1,009,698** | 1,724,715 |
| Medium-term lease | **112,715** | 110,853 |
| | **1,122,413** | 1,835,568 |

## 20. PROPERTIES HELD FOR SALES

Certain of the Group's properties held for sales with a carrying value of approximately HK$253,862,000 (2005: HK$252,770,000) were pledged to secure certain banking facilities granted to the Group.

## 21. TRADE AND OTHER RECEIVABLES

Trade receivables are mainly arisen from sales of properties. Consideration in respect of properties sold are paid in accordance with the terms of the related sales and purchase agreements, normally within 45 days from the agreement. Consideration under pre-sales contracts will be fully received prior to the delivery of the properties to the purchasers. The trade receivables at December 31, 2005 were less than 90 days.

| | **2006**<br>**HK$'000** | 2005<br>HK$'000 |
|---|---|---|
| Trade receivables (current) | **–** | 781 |
| Prepayment of business taxes and other PRC taxes | **137,863** | 122,121 |
| Other receivables, deposits and prepayments | **57,436** | 20,091 |
| | **195,299** | 142,993 |

## 22. AMOUNTS DUE FROM RELATED COMPANIES

The amounts due from PCH Group at the balance sheet date are non-trade nature, interest-free, unsecured and repayable on demand. The amount together with loans from related companies were settled prior to the Listing.

## 22. AMOUNTS DUE FROM RELATED COMPANIES (CONTINUED)

Particulars of its amounts due from PCH Group are as follows:

| | **2006** **HK$'000** | 2005 HK$'000 |
|---|---|---|
| Balances at the beginning of the year | **1,088,412** | 801,405 |
| Balances at the end of the year | **1,517,546** | 1,088,412 |
| Maximum balances outstanding during the year | **1,517,546** | 1,088,412 |

The ultimate shareholder of the related companies is Mr. Wong.

## 23. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

The following bank deposits have been pledged to secure:

| | **2006** **HK$'000** | 2005 HK$'000 |
|---|---|---|
| Bank loans of the Group | **13,940** | 38,351 |
| Bank loan procured by the purchasers of the Group's properties under development for sales (Note 31(a)) | **77,614** | 82,080 |
| | **91,554** | 120,431 |

All of the pledged bank deposits have been pledged to secure short-terms bank loans and are therefore classified as current assets.

The pledged bank deposits carry effective interest rates which range from 0.72% to 1.62% (2005: 2.07%). The pledged bank deposits will be released upon the settlement of relevant bank borrowings. Bank balances carry interest at market rates which range from 0.72% to 1.15%.

The aggregate amount of pledged bank deposits, bank balances and cash amounting to approximately HK$119,419,000 (2005: HK$126,097,000) as at December 31, 2006 were denominated in RMB which is not freely convertible into other currencies.

## 24. TRADE AND OTHER PAYABLES

| | **2006** **HK$'000** | 2005 HK$'000 |
|---|---|---|
| Accruals for construction costs | **230,868** | 113,814 |
| Other payables and accruals | **85,841** | 42,065 |
| | **316,709** | 155,879 |

## 25. LOANS FROM RELATED COMPANIES

The loans from PCH Group at the balance sheet date are unsecured and repayable on demand. At the balance sheet date, HK$643,094,000 (2005: HK$771,492,000) bore interest at effective interest rates of 5.58% (2005: 4.80%). The remaining balances were non-interest bearing. The amount together with amounts due from related companies were settled prior to the Listing.

## 26. BANK LOANS, SECURED

| | **2006**<br>**HK$'000** | 2005<br>HK$'000 |
|---|---|---|
| The bank loans are repayable as follows: | | |
| On demand or within one year | **383,816** | 86,290 |
| More than one year, but not exceeding two years | **397,891** | 504,349 |
| More than two years, but not exceeding five years | **–** | 115,053 |
| | **781,707** | 705,692 |
| Less: Amount due within one year shown under current liabilities | **(383,816)** | (86,290) |
| | **397,891** | 619,402 |

The exposure of the Group's fixed-rate borrowings and the contractual maturity dates (or repricing dates) are as follows:

| | **2006**<br>**HK$'000** | 2005<br>HK$'000 |
|---|---|---|
| Fixed-rate borrowings: | | |
| Within one year | **44,762** | 47,939 |

In addition, the Group has variable-rate borrowings which carry interest at London Inter-Bank Offered Rate + 2% to 110% of The People's Bank of China 1-3 year loan base rate. Interest is repriced every six months.

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

| | **2006** | 2005 |
|---|---|---|
| Effective interest rate: | | |
| Fixed-rate borrowings | **7.25% to 10.50%** | 5.49% |
| Variable-rate borrowings | **6.10% to 7.37%** | 5.56% to 6.23% |

The Group's borrowings are all denominated in RMB except for the bank loans of approximately US$43,650,000 (2005: US$60,150,000) which were denominated in United States dollars.

## 27. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognized and movements thereon during the year and prior years:

| | Fair value adjustment of investment properties HK$'000 | Other temporary differences HK$'000 | Total HK$'000 |
|---|---|---|---|
| At January 1, 2005 | 2,908,140 | 132,021 | 3,040,161 |
| Exchange adjustments | 21,762 | 2,499 | 24,261 |
| (Credit) charge to consolidated income statement (note 10) | (7,036) | 101,214 | 94,178 |
| At December 31, 2005 | 2,922,866 | 235,734 | 3,158,600 |
| Exchange adjustments | 24,057 | 2,763 | 26,820 |
| Charge to consolidated income statement (note 10) | 17,659 | 24,508 | 42,167 |
| At December 31, 2006 | 2,964,582 | 263,005 | 3,227,587 |

Other temporary differences mainly represent the temporary differences arising from the construction costs capitalized in development in progress, properties under development for sale and properties held for sales which were deductible for tax purpose in the year those costs incurred.

The Group had no significant unprovided deferred tax during the year and at the balance sheet date.

## 28. SHARE CAPITAL

| | Par value of each ordinary share HK$ | Number of shares | Share capital HK$'000 |
|---|---|---|---|
| Ordinary shares | | | |
| Authorized: | | | |
| On date of incorporation and at December 31, 2005 (Note a) | 1 | 380,000 | 380 |
| Share subdivision (Note b) | | 3,420,000 | – |
| At December 31, 2006 | 0.1 | 3,800,000 | 380 |
| Issued: | | | |
| 1 share allotted and issued nil paid on date of incorporation and at December 31, 2005 (Note a) | 1 | 1 | – |
| Issue of shares on Corporate Reorganization (Note c) | 1 | 95,129 | 95 |
| Share subdivision (Note b) | | 856,170 | – |
| Issue of shares on a private placement (Note d) | 0.1 | 48,700 | 5 |
| At December 31, 2006 | 0.1 | 1,000,000 | 100 |

Notes:

(a) The Company was incorporated in the Cayman Islands on March 14, 2005 with an authorized share capital of HK$380,000 divided into 380,000 shares of HK$1 each. 1 share of HK$1 was issued nil paid to the subscriber on date of incorporation.

(b) Pursuant to written resolutions of the sole shareholder of the Company passed on April 22, 2006, each issued and unissued share of HK$1 in the Company was subdivided into 10 shares of HK$0.1 each.

(c) On April 22, 2006, the Company acquired from Hillwealth 100% of the entire issued share capital of Cheergain in consideration of the allotment and issue of 95,129 shares of HK$1 each in the Company to Hillwealth and paying up of the 1 nil paid share of HK$1 in the Company issued to Hillwealth. The net assets of the acquirees at the date of acquisition were approximately HK$6,600,216,000.

(d) Pursuant to a subscription agreement dated March 6, 2006, Indopark Holdings Limited ("Indopark"), an independent third party, agreed to subscribe for a total of 48,700 shares of HK$0.1 each of the Company (representing about 4.87% of total issued share capital enlarged by such subscription) at a total subscription price of US$50 million. The subscription was completed on April 22, 2006 after the Corporate Reorganization.

## 28. SHARE CAPITAL (CONTINUED)

For the purpose of the consolidated financial statements, the share capital of the Group as at December 31, 2005 represented the share capital of the Company as if the shares issued upon the Corporate Reorganization (and before the shares to Indopark) on April 22, 2006, have been existed at that date.

## 29. TRANSFER OF CONTROLLING INTERESTS IN SUBSIDIARIES

On June 29, 2006, PCH Group transferred 100% of the issued share capital of Charm World International Limited ("Charm World") and its subsidiary for a consideration of HK$50,000 to the Group.

The net assets of Charm World and its subsidiary, Construction Consultancy Co, as at the date of the transaction are as follows:

| | **Transfee's carrying amount before combination and fair value** HK$'000 |
|---|---|
| Net assets transferred: | |
| Amounts due from related companies | 3,926 |
| Bank balances and cash | 8 |
| Loans from related companies | (3,884) |
| Total net assets required and consideration satisfied by cash | 50 |
| Net cash arising on transfer: | |
| Cash consideration paid | (50) |
| Bank balances and cash transferred | 8 |
| Net cash outflow of cash and cash equivalents in respect of the transfer of controlling interest in subsidiaries | (42) |

Charm World and its subsidiary did not contribute any significant revenue and profit to the Group between the date of transfer and the balance sheet date.

## 30. MAJOR NON-CASH TRANSACTIONS

On April 22, 2006, the Company transferred the entire issued share capital of Cheergain from Hillwealth by the allotment and issue of 95,129 shares of HK$1 each in the Company and paying up of the 1 nil paid share of HK$1 in the Company issued to Hillwealth.

On December 31, 2005, a subsidiary of PCH acquired the entire issued share capital of Wise Way International Limited ("Wise Way") from a third party at a consideration of approximately HK$408,779,000 which is equivalent to the net asset value of Wise Way as at December 31, 2005 which mainly comprised an 8% equity interest in Jingan Concord. The subsidiary of PCH transferred the entire issued share capital of Wise Way to the Group at the same consideration as it acquired Wise Way from the independent third party. The consideration was settled through the current account with a related company.

## 31. CONTINGENT LIABILITIES

(a) As at December 31, 2006, the financial guarantees given to banks in respect of banking facilities utilized by third parties amounted to approximately HK$1,857,803,000 (2005: HK$2,437,125,000). The guarantees are given to banks with respect to loans procured by the purchasers of the Group's properties. Such guarantees will be released by banks upon the delivery of the properties to the purchasers and completion of the registration of the mortgage with the relevant mortgage registration authorities. In the opinion of the directors, the fair value of the financial guarantee contracts is not significant. Deposits received on properties sold prior to the date of revenue recognition are classified as current liabilities in the consolidated balance sheet.

(b) In prior years, guarantees were given to banks with respect to loans to related companies, entities other than PCH Group in which Mr. Wong has beneficial interests. All bank loans guaranteed by the Group had been repaid in 2005 and the guarantees had been released upon repayment. No provision for financial guarantee was recognized as in the opinion of the directors, the fair value of the financial guarantee contracts is not significant.

(c) As at December 31, 2005, the Group pledged the entire issued capital of Silatop Associates Limited ("Silatop") and China Channel Limited ("China Channel"), and charged the assets of Silatop and Concord Properties Holding (Shanghai) Limited ("Concord Properties (Shanghai)") as well as the accounts receivables of Jingan Concord and Minhang Concord (the "Pledges") to banks to secure certain loans granted to PCH Group. As at December 31, 2005, the outstanding balance of the loans amounted to approximately HK$360,000,000. The Group had no pledge of assets at December 31, 2006 as the Pledges were released on April 21, 2006.

(d) There were claims instigated by individual and corporate plaintiffs which were pending against the Group in respect of disputes over pre-sale contracts, disputes on design and landscape matters and disputes over construction matters. No provision was made for the claims amounting to approximately HK$4.9 million as at December 31, 2005.

## 32. OTHER COMMITMENTS

| | 2006<br>HK$'000 | 2005<br>HK$'000 |
|---|---|---|
| Construction commitment contracted for but not provided in respect of properties, plant and equipment and investment properties | **117,492** | 45,962 |

## 33. OPERATING LEASE COMMITMENTS

### As lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

| | 2006<br>HK$'000 | 2005<br>HK$'000 |
|---|---|---|
| Within one year | **17,046** | 12,162 |
| In the second to fifth year inclusive | **69,266** | 49,369 |
| After five years | **30,303** | 29,210 |
| | **116,615** | 90,741 |

The properties are expected to generate rental yields of average 1% to 4% on an ongoing basis. All the properties held have committed tenants from 3 to 10 years.

## 34. RETIREMENT BENEFIT PLANS

According to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated 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 principal obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme. The total contributions incurred in this connection for the year were approximately HK$2,380,000 (2005: HK$3,062,000).

## 35. SHARE OPTION SCHEMES

PCH operated a share option scheme (the "PCH Share Option Scheme") since February 28, 1997 for the purpose of providing incentive and rewards to eligible participants who contribute to the success of PCH and its subsidiaries (including the Group). Options were granted to certain directors of the Company and employees of the Group. During the period from January 1, 2002 to October 22, 2003, no options were granted or exercised by the option holders. Pursuant to a scheme of arrangement under Section 166 of the Hong Kong Companies Ordinance, all the outstanding options under the PCH Share Option Scheme were canceled on October 22, 2003. No further options have been granted under the PCH Share Option Scheme since October 22, 2003. There were no outstanding share options granted by the holding companies, fellow subsidiaries or the subsidiaries of the Group to any of the directors of the Company or employees of the Group during both years. On February 25, 2006, PCH terminated the PCH Share Option Scheme.

The Company's share option scheme (the "Scheme") was conditionally adopted pursuant to a resolution passed on February 5, 2007 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group. The Scheme will expire on February 5, 2017.

Under the Scheme, the board of directors of the Company may grant options to directors (including executive directors, non-executive directors and independent non-executive directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of the Group who the board of directors of the Company considers, in its sole discretion, have contributed or will contribute to the Group.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme is not permitted to exceed 180,000,000 shares, being 10% of the shares of the Company in issue as at the date on which the shares of the Company are listed on the Stock Exchange, which can be refreshed according to the Scheme. The number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised at any time under the Scheme shall not exceed 30% of the issued share capital of the Company from time to time.

The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders in accordance with the Scheme. Where any grant of options to a substantial shareholder or an independent non-executive director or any of their respective associates would result in the shares in the Company issued and to be issued upon exercise of all options to such person in the 12-month period up to and including the date of grant in excess of 0.1% of the shares of the Company in issue and with a value (based on the closing price of the shares of the Company at the offer date of each offer) in excess of HK$5,000,000, such grant of options must be approved in advance by the Company's shareholders in accordance with the Scheme.

## 35. SHARE OPTION SCHEMES (CONTINUED)

An option may be exercised at any time during the period to be determined and notified by the directors to the grantee and in the absence of such determination, from the date of acceptance of an offer of the grant of such option to the earlier of the date on which such option lapses and ten years from the date of offer of that option. A consideration of HK$1 is payable upon acceptance of the offer.

The exercise price is determined by the directors of the Company, and will not be less than the higher of the nominal value of the share; the closing price of the Company's shares on the date of offer; and the average closing price of the shares for the five business days immediately preceding the date of offer.

No option has been granted since the adoption of the Scheme.

## 36. RELATED PARTY TRANSACTIONS

The Group had material transactions during the year with the PCH Group as follows:

| Nature of transactions | Notes | 2006 HK$'000 | 2005 HK$'000 |
|---|---|---|---|
| Recharge of administrative expenses | (a) | **12,560** | 18,953 |
| Interest expenses | (b) | **37,794** | 40,039 |

Notes:

(a) The expenses mainly comprise staff costs, office rent, rate and building service charges, utilities, travelling cost and other sundry administrative expenses. The expenses were recharged to the Group based on the estimated time of the directors and employees of the PCH Group spent on each of the projects. The recharge of the expenses will be discontinued after the listing of the Company's share on the Stock Exchange ("Listing"). On February 8, 2007, the Group has entered into an office licence agreement with a subsidiary of PCH (the "Lessor") to share half of the rent, rates, service charges and utility charges of an office premises. The agreement is effective from February 16, 2007 to July 31, 2008. The Group has the right to terminate the agreement on one month's prior notice. Under the terms of the head lease by which the Lessor leases the property, it is required to obtain consent from its landlord for the entering into the office license agreement. The Lessor has applied for the consent.

(b) This represents interest charged on the loans from PCH Group, details of the loans are set out in note 25.

## 36. RELATED PARTY TRANSACTIONS (CONTINUED)

As at the balance sheet date, PCH Group and a director guaranteed the Group's bank loans amounting to HK$736,944,000 (2005: HK$465,998,000). PCH Group and the director did not charge the Group for such guarantees provided.

In prior years, the Group guaranteed certain of the bank loans of the related companies, entities other than PCH Group in which Mr. Wong has beneficial interests. All bank loans guaranteed by the Group had been repaid in 2005 and the guarantees had been released upon repayment. Details of the guarantees are set out in note 31(b). In addition, as at December 31, 2005, the Group pledged available-for-sale investments, deposits and shares of certain subsidiaries to banks to secure bank loans granted to the PCH Group. Details of the available-for-sale investments pledged, pledged deposits and shares pledged are set out in notes 18, 23 and 31(c) respectively. The Group did not charge the related companies and the PCH Group for such guarantees provided and securities pledged. The pledges were released during the year ended December 31, 2006.

On June 29, 2006, PCH Group transferred 100% of the issued share capital of Charm World and its subsidiary for a consideration of HK$50,000 to the Group.

On December 31, 2005, a subsidiary of PCH acquired the entire issued share capital of Wise Way from a third party at a consideration of approximately HK$408,779,000 which is equivalent to the net assets value of Wise Way as at December 31, 2005 which mainly comprised an 8% equity interest in Jingan Concord. The subsidiary of PCH transferred the entire issued share capital of Wise Way to the Group at the same consideration as it acquired Wise Way from the independent third party. The consideration is settled through the current account with a related company.

During the year, the Group had the following property transactions with the directors of Company, the directors of the Company's subsidiaries, the directors of the Company's holding companies and their relatives:

| | **2006**<br>**HK$'000** | 2005<br>HK$'000 |
|---|---|---|
| Sales of properties recognized in the consolidated income statement | **–** | 1,854 |

Compensation of key management personnel

The remuneration of executive director during the year was set out in note 11.

The remuneration of directors is determined with reference to the involvement and the business performance of the directors.

## 37. LIST OF SUBSIDIARIES

Details of the Company's subsidiaries as at December 31, 2006 are as follows:

| Name of the subsidiary | Place of incorporation/ establishment | Issued and fully paid registered and paid-up capital | Proportion of nominal value of issued/ registered capital held by the Company | Principal activities |
|---|---|---|---|---|
| Cheergain* | BVI | US$1 | 100% | Investment holding |
| China Channel | BVI | US$13 | 100% | Investment holding |
| Concord Properties (Shanghai)**** | Hong Kong | HK$200 | 100% | Investment holding |
| Wise Way | BVI | US$50,000 | 100% | Investment holding |
| Jingan Concord | PRC | US$51,000,000** | 100% | Property development and investment |
| Silatop | BVI | US$1 | 100% | Investment holding |
| Minhang Concord | PRC | US$30,070,000*** | 100% | Property development and investment |
| Property Management Co ## | PRC | RMB500,000 | 100% | Property management service |
| Winnic Limited | BVI | US$1 | 100% | Investment holding |
| Construction Management Co# | PRC | US$500,000 | 100% | Provision of construction consultancy service |
| Charm World | BVI | US$1 | 100% | Investment holding |
| Construction Consultancy Co # | PRC | US$500,000 | 100% | Provision of construction consultancy service |

## 37. LIST OF SUBSIDIARIES (CONTINUED)

* Cheergain is directly held by the Company, the remaining subsidiaries comprising the Group are indirectly held by the Company.

** The total registered capital of Jingan Concord is US$68,000,000. At December 31, 2005, there was unpaid registered capital of US$20,000,000. Pursuant to the approval issued by 上海市外國投資工作委員會 (translated in English as Shanghai Foreign Investment Committee ("SFIC") on March 18, 2005, the unpaid registered capital of US$3,000,000 should be paid on or before June 1, 2005 and the remaining US$17,000,000 should be paid on or before March 15, 2008. On March 6, 2006, SFIC approved the payment of US$3,000,000 to be extended to June 1, 2006. China Channel contributed the required registered capital of US$3,000,000 on May 29, 2006. A capital verification report was issued by 萬隆會計師事務所有限公司 on June 8, 2006.

*** The total registered capital of Minhang Concord as at December 31, 2006 was US$30,070,000. At December 31, 2005, there was unpaid registered capital of US$10,200,000 to be paid by the Group. Pursuant to the approval issued by SFIC on March 21, 2005, the unpaid registered capital should be paid on or before December 31, 2005. Silatop contributed registered capital of US$3,000,000 and US$7,200,000 into Minhang Concord on October 11, 2005 and January 10, 2006 respectively. A capital verification report was issued by 萬隆會計師事務所有限公司on January 18, 2006.

**** Certain non-voting deferred shares in Concord Properties (Shanghai) are held by the associate of Mr. Wong.

# Wholly foreign owned enterprises registered in the PRC.

## A limited liability company registered in the PRC.

## 38. POST BALANCE SHEET EVENTS

The following events took place subsequent to December 31, 2006:

a. Pursuant to a written resolution of the shareholders of the Company passed on February 5, 2007:

(i) the authorized share capital of the Company was increased from HK$380,000 to HK$500,000,000 by the creation of an additional 4,996,200,000 shares of HK$0.1 each, such new shares ranking pari passu in all respects with the then existing shares; and

(ii) conditional on the share premium account of the Company being credited as a result of the shares pursuant to the Listing, the directors were authorized to capitalise an amount of HK$134,904,870 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 1,349,048,700 shares of HK$0.1 each for allotment and issue to the Hillwealth.

## 38. POST BALANCE SHEET EVENTS (CONTINUED)

b. On February 8, 2007, Mr. Wong and the Company entered into an option agreement pursuant to which the Company was granted an option to acquire the entire issued share capital of Rich Palace Investments Limited (''Rich Palace") which wholly owns Kunshan Concord City (Immovable Property) Management Co. Ltd. at a price equal to the market value of Kunshan International City site, which is a proposed property development project in Kunshan, as at December 31, 2006 as shown in the valuation report, less associated deferred tax liabilities and liabilities to third parties plus subsequent costs of development of the site which may be incurred up to the time prior to the Company's acquisition (subject to adjustment). The option will be exercisable at any time before the expiry of the later of (i) 18 months after listing date, or (ii) 12 months after valid land use rights certificates to develop the Kunshan International City site have been obtained.

c. On February 8, 2007, Mr. Wong and the Company entered into an option agreement pursuant to which the Company was granted an option to acquire the entire issued share capital of Nexthill Investment Limited or 50% equity interest of Beijing Cheng Qian Property Development Company Limited at a price equal to 50% of the market value of the Beijing Concord site, which is a proposed property development project in Hongmiao Hutong, as at December 31, 2006 as shown in the valuation report to be prepared for this purpose, less associated deferred tax liabilities and liabilities to third parties plus subsequent costs of development of the site which may be incurred up to the time prior to the Company's acquisition (subject to adjustment). The option will be exercisable at any time before the expiry of the later of (i) 18 months after the listing date, or (ii) 12 months after valid land use rights certificates to develop the Beijing Concord site have been obtained.

d. On February 8, 2007, Mr. Wong and the Company entered into an option agreement pursuant to which the Company was granted an option to acquire all of Mr. Wong's 50% interest in Keensino Investment Limited (''Keensino") or Mr. Wong's attributable interest in the Beijing Cannes site, which is a proposed property development project in Tongzhou, at a price equal to Mr. Wong's cost of investment in Keensino. The option will be lapsed on the earliest of (i) the tenth anniversary of the listing date; (ii) Mr. Wong ceasing to have any interest in the project or ceasing to be the Group's controlling shareholder; and (iii) the Company's shares ceasing to be listed on the Stock Exchange.

e. In addition to the rights to acquire the property development projects disclosed in (b) to (d) above, on February 8, 2007, Mr. Wong also agreed, at the request of the Company, to transfer to the Company his interests from time to time in the following projects at a fair market value:

   (i) 100% equity interest in Concord Properties (Wuhan) Limited;

   (ii) 100% equity interest in Duralite Communications Limited;

   (iii) investment properties of a completed 26-storey commercial building in Suzhou with gross floor area of approximately 33,500 square meters; and

   (iv) a seven-storey residential building in Shenzhen with gross floor area of approximately 4,378 square meters.

## 38. POST BALANCE SHEET EVENTS (CONTINUED)

This option will be terminated on the earlier of (i) the tenth anniversary of the listing date; (ii) Mr. Wong ceasing to have any interest in the project or ceasing to be the Company's controlling shareholder and; (iii) the Company's shares ceasing to be listed on the Stock Exchange.

f. On February 5, 2007, the Company and Indopark entered into an agreement pursuant to which the Company agreed to repurchase and Indopark agreed to sell a total of 48,700 shares of HK$0.1 each of the Company (representing about 4.87% of the total issued share capital) at a total repurchase price of US$55 million which is to be satisfied with the issue of a loan note in the same amount to Indopark. The loan note will be guaranteed by PCH. On February 15, 2007, the Company canceled those shares repurchased from Indopark. The loan note guaranteed by PCH was released and was settled on the listing date. The Company repurchased and cancelled such shares on February 15, 2007 and Indopark ceased to be a shareholder of the Company.

g. On February 5, 2007, the Company's share option scheme (the "Scheme") was conditionally adopted pursuant to a resolution passed on that date. The details of the Scheme was set out in note 35.

h. On February 8, 2007, the Group has entered into an office licence agreement with a subsidiary of PCH to share half of the rent, rates, service charges and utility charges of an office premises. The agreement is effective from February 16, 2007 to July 31, 2008. The Group has the right to terminate the agreement on one month's prior notice. Under the terms of the head lease by which the Lessor leases the property, it is required to obtain consent from its landlord for the entering into the office license agreement. The Lessor has applied for the consent.

i. On February 22, 2007, the Company issued 450,000,000 new shares pursuant to the Listing and the Company's shares were listed on the Stock Exchange on February 23, 2007.

j. On March 21, 2007, an overallotment option of 6,537,000 shares was exercised by Merrill Lynch International, the sole global coordinator and sole bookrunner of the Listing.