CHINA CHENGTONG DEVELOPMENT GROUP LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 217)

2008 Annual Report

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BOARD OF DIRECTORS

Executive Directors

Zhang Guotong *(Chairman)*
Wang Hongxin *(Managing Director)*

Non-Executive Directors

Gu Laiyun
Xu Zhen

Independent Non-Executive Directors

Kwong Che Keung, Gordon
Tsui Yiu Wa, Alec
Lao Youan
Ba Shusong

AUDIT COMMITTEE

Kwong Che Keung, Gordon *(Chairman)*
Tsui Yiu Wa, Alec
Lao Youan
Ba Shusong
Xu Zhen

REMUNERATION COMMITTEE

Tsui Yiu Wa, Alec *(Chairman)*
Kwong Che Keung, Gordon
Lao Youan
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NOMINATION COMMITTEE

Zhang Guotong *(Chairman)*
Kwong Che Keung, Gordon
Tsui Yiu Wa, Alec
Lao Youan

COMPANY SECRETARY

Lei Ching *(HKICS, ICSA, FCCA)*

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

PRINCIPAL BANKERS

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The Hongkong and Shanghai Banking Corporation Limited

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STOCK CODE

217

On behalf of the Board of Directors (the "Board"), I would like to present the annual report of China Chengtong Development Group Limited (the "Company") together with its subsidiaries (the "Group") for the year ended 31 December 2008.

RESULTS OF OPERATIONS

For the year ended 31 December 2008, the Group recorded turnover from continuing operations of approximately HK$988 million (2007: approximately HK$25.37 million), profit before taxation from continuing operations of approximately HK$69.34 million (2007: approximately HK$13.88 million), profit from continuing operations of approximately HK$42.26 million (2007: HK$4.77 million), profit attributable to shareholders of approximately HK$5.78 million (2007: approximately HK$35.95 million) and earnings per share of HK0.22 cent (2007: HK1.39 cent).

Turnover and profit from the Group's continuing operations in 2008 increased significantly as compared with 2007, mainly attributable to the completion and delivery of the property development project ("Qing He Jiayuan") of our subsidiary 湖州萬港聯合置業有限公司 (unofficial English name, Huzhou Wangang United Estate Company Limited) ("Huzhou Wangang") in 2008. Profit attributable to shareholders dropped as compared with 2007, mainly due to the non-recurring gain from the disposal of a subsidiary, Sea-Land Mining Limited in 2007.

Business Development

In 2008, amid impact from global financial crisis and mixed domestic macroeconomic conditions, the Group continued its operating principle of prudence and risk control. In virtue of our sound financial position and resources advantage of the controlling shareholder, we concentrated our resources, optimized capital structure and increased reserves for principal operation. On property development, one of our principal activities, the Group increased capital contribution of RMB110 million to Huzhou Wangang in 2008, resulted the increasing of its shareholding to 67.08%. In July 2008, the Group purchased approximately 319,000 square metres of commercial and residential land in downtown Zhucheng in Shandong Province, which enhanced its sustainability in real estate industry. In land resource exploitation, the Group entered into sale and purchase agreements with its substantial shareholder China Chengtong Hong Kong Company Limited and the ultimate controlling shareholder China Chengtong Holdings Group Limited ("CCHG") to acquire multiple pieces of land and building for industrial or commercial use from CCHG by way of the issue of consideration shares. The agreements were approved by independent shareholders on the extraordinary general meeting on 16 December 2008. The agreements represent the major step of the Group in leveraging CCHG's advantages in land resource and central enterprise restructuring.

On strategic investment, CIMPOR Chengtong Cement Corporation Limited, a joint venture of the Group, accomplished the acquisition of a clinker and cement producer in Changzhou of Jiangsu Province in December 2008, and increased its investment in Shandong Province to expand capacity. Turning loss into profit in 2008, the joint venture recorded consolidated profit attributable to shareholders of HK$20.94 million for the year.

Corporate Governance

The Group fully appreciate that effective corporate governance is the cornerstone for the long-term growth. The Group is striving for improving the transparency of corporate structure and business operation, governance capacity and business management. The audit committee and other board committees together with the risk management department worked enthusiastically in 2008 to prevent operation management risks and governance risks amid the financial tsunami. In 2009, we will continue improving the corporate governance on the basis of operating efficiency and professional management, enhance the risk management and internal control on operations, especially new ones, to achieve higher corporate governance standard.

OUTLOOK

The real estate development index of China has been sliding since the second half of 2007 and the trend continued in 2008. This marked a periodic cycle of self-adjustment after years of rapid development of real estate industry. Global financial crisis and its overwhelming impact on China amplified such correction. It is believed that after the profound adjustment in this cycle, real estate developers with less capacity or too high gearing and developers who are not taking real estate as principal business will be phased out gradually, all these are positive for the healthy development of the real estate industry in the long run. We expect the real estate market will stay gloomy in 2009 and the progress of our projects will slow down accordingly. At the same time, in virtue of our sound financial position, low gearing ratio and multiple land sources, the adjustment in the real estate industry has given us an opportunity to uplift our capacity and position in the industry.

Under joint efforts from international community, the global crisis is sure to end up. However the fundamentals and long-term promising prospects of China remain unchanged even in the crisis. As China government rolls out domestic demand stimulus package with the progresses of restructuring, deepening reform and improving livelihood, China's economy is likely to lead the recovery. The amplitude of adjustment in real estate industry is closely related with the recovery of China's macro economy. Measures to facilitate healthy development of real estate sector have been launched by the government, and the urbanization process is not yet over in China where supply still falls short of effective residential demand, all these pumping vitality into the growth of real estate. Therefore, in spite of the uncertainties and challenges in macro economy and the industry, the Group holds full confidence in its prospects and the real estate industry. On land resource exploitation, the Group in 2009 will focus on the execution of the signed agreements regarding acquisition of certain land assets from its controlling shareholder. We will seek progresses in land reserves and will continue to identify opportunities for acquiring land resources from CCHG. On property investment and development, apart from the existing projects, the Group will carry on asset restructuring and increase cash reserve and identify new sources. We will attract professional talents in property development and land resource exploitation, building up a professional team to consolidate the Group's foundation of profitability. While actively expanding the land resources exploitation business where our edges rest on and exploring various profitable modes for the usage of industrial land, we will keep close watch on opportunities in merger and acquisition. Backed by the strength of our controlling shareholder, we are well positioned to seize opportunities from the structural adjustment of central government controlled enterprises and the restructuring of the industry.

ACKNOWLEDGMENT

On behalf of the Board, I would like to express my sincere gratitude to all shareholders, business partners and clients for their support and confidence. I would also like to thank the management and all of our employees for their dedication and hard work throughout the year.

Zhang Guotong
Chairman

Hong Kong, 3 April 2009

I. FINANCIAL RESULTS

For the year ended 31 December 2008, the Group's turnover and profit from its continuing operations significantly increased to approximately HK$988 million and HK$42.26 million respectively from approximately HK$25.37 million and HK$4.77 million for the year ended 31 December 2007. The increase was primarily attributable to the turnover and profit recorded by 湖州萬港聯合置業有限公司 (unofficial English name, Huzhou Wangang United Estate Company Limited) ("Huzhou Wangang"), a subsidiary of the Group, for the completion and delivery of its property project Qing He Jiayuan (清河嘉園) to the purchaser.

The Group recorded profit attributable to shareholders of approximately HK$5.78 million for the year ended 31 December 2008, as compared with approximately HK$35.95 million for the year ended 31 December 2007 (including the non-recurring gain of approximately HK$32 million from disposal of a subsidiary, Sea-Land Mining Limited, in 2007).

II. BUSINESS REVIEW

1. Property development

(1) Huzhou, Zhejiang

A property development project ("Qing He Jiayuan") of Huzhou Wangang (a subsidiary which was held as to 67.08% equity interest by the Group), with a site area of approximately 214,000 square metres and gross floor area of 320,000 square metres, was completed and delivered to the Huzhou municipal government in 2008. Accordingly, Qing He Jiayuan recorded sales of approximately HK$977 million, and profit before and after taxation of approximately HK$98.72 million and HK$73.1 million respectively for 2008. The Group injected capital of approximately RMB110 million into Huzhou Wangang in 2008. However, as agreed, the profit from the project was shared in the proportion of the shareholding before the capital injection (i.e. 50% to the Group and 50% to the joint venture partner).

(2) Beijing

In 2008, the Group's property development project known as City of Mergence ("Beijing City of Mergence") located at Xicheng District of Beijing sold approximately 1,131 square metres of commercial and warehousing area, contributing approximately HK$9.42 million of sales and HK$3.53 million of gross profit to the Group; As at 31 December 2008, all residential units of Beijing City of Mergence were sold out, and only 101 parking spaces and approximately 2,070 square metres of commercial and warehousing area in aggregate remained unsold.

(3) Zhucheng, Shandong

In July and August 2008, the Group and the joint venture partner acquired 4 plots of land located at Zhucheng City of Shandong Province in the PRC by successful tenders through representing agent at consideration of approximately RMB260 million. The site areas of the 4 plots of land are 99,599 square metres, 133,333 square metres, 100,000 square metres and 12,673 square metres respectively. The Group and the joint venture partner established 3 joint venture companies each with a shareholding structure of 80% and 20% respectively for holding and the developing these four land plots. Except a certain site of 26,669 square metres in one of them which was planned for the development of a five-star hotel and will be fully responsible by the joint venture partner for its development and all the relevant costs and expenses, all of these land plots will be mainly developed into residential and commercial properties.

The Group is prudently conducting study and planning for market positioning and development strategy according to the real estate growth trend in Mainland China and the regional market of Shandong.

2. Property investment

(1) Guangzhou

In September 2006, the commercial unit of the Group with approximately 5,370 square metres which is situated in Zone C, Level 3, Li Wan Plaza, Li Wan District, Guangzhou City, the PRC has started to contribute profit for the Group. In May 2007, the Group entered into a new leasing agreement in respect of the renewal with the original tenant, with an increase of approximately 34% in monthly rental, and 5% upward adjustment every year within the term of the leasing. In 2008, it contributed rental income of approximately RMB1.04 million to the Group.

(2) Price Sales Limited

Price Sales Limited, the wholly-owned subsidiary of the Group, owns 32% interest in Goodwill (Overseas) Limited, its associated company. In 2008, Goodwill (Overseas) Limited continued to share in the cash inflow arising from the rental income from East Ocean Centre Phase II located in Shanghai of the PRC. East Ocean Centre Phase II continued to maintain its high occupancy rate, with rental income of approximately RMB64 million, and contributed cash inflow of approximately HK$22.4 million to the Group for 2008.

3. Land Resource Exploitation

Luoyang

The Group holds a piece of land together with the warehouse complex erected thereon with site area of approximately 80,000 square metres located at Luoyang City of the PRC through a wholly-owned subsidiary. They are leased to a partner for logistic centre use. The land has been zoned into commercial development area. The Group has an intention of making application at appropriate time for a change of its use from industrial to commercial in view of future market environment, resources as well as relevant laws and regulations.

4. Strategic Investment

Cement

Cimpor Chengtong Cement Corporation Limited ("Cimpor Chengtong"), a joint venture of the Company, completed the acquisition of a clinker and cement manufacturer located near the city of Changzhou, in the Province of Jiangsu, PRC, in December 2008. That company owns a clinker production line with a capacity of 900,000 tons per year. Cimpor Chengtong's 97.6% owned subsidiary, Cimpor Chengtong (Shandong) Cement Company Limited ("Cimpor Chengtong Shandong") invested approximately RMB336 million in 2008 to construct new production line, grinding plant and projects. Cimpor Chengtong Shandong and Cimpor Chengtong's 71.03% owned subsidiary, Suzhou Nanda Cement Company Limited turned loss into profit in 2008. Cimpor Chengtong recorded HK$20.94 million of consolidated profit attributable to shareholders for 2008.

Since cement business is not the Group's principal activity and the Group holds only 20% equity interest in Cimpor Chengtong, on 2 April 2009, the Group entered into a sale and purchase agreement with the joint venture partner to sell its entire equity interest in Cimpor Chengtong at a consideration of HK$58 million, so as to concentrate the resources on its principal activities.

III. OUTLOOK

1. Projects Injected

In October 2008, the Group entered into two sale and purchase agreements with its major shareholder China Chengtong Hong Kong Company Limited ("CCHK"), and ultimate controlling shareholder China Chengtong Holdings Group Limited ("CCHG") to indirectly acquire through CCHK plots of land from CCHG. Such plots of land include 1.3 million square metres of storage and office land located in Shenyang of Liaoning Province, Guilin of Guangxi Province, Lianyungang, Changzhou and Dafeng of Jiangsu Province, which could be zoned into commercial development area, and 480,000 square metres of residential and commercial land in Dafeng of Jiangsu Province. The consideration payable by the Group was settled by the issue of shares to CCHK. The total consideration of approximately RMB650 million (subject to adjustment) payable by the Group would be settled by the issue of shares to CCHK.

The management is of opinion that relevant capital injection is in line with the Group's strategy and business positioning, and has effectively utilized the advantage of the resources of ultimate controlling shareholder. Furthermore, the Group can increase large amount of land reserve to enhance its asset scale and future profitability without cash outflow. Furthermore, the plots of land to be injected into have greater potential for development and appreciation in value as some of them have been or are expected to be included in zoning of commercial land at such cities by the local government.

Upon completion of the two transactions, net assets value of the Group will increase dramatically. Together with existing reserves, the Group will own 1.39 million square metres of land for storage and office which could be zoned into commercial development area in respect of land resources reserve and exploitation, and approximately 800,000 square metres of residential and commercial land which could be used to construct at least 1.23 million square metres of properties in respect of property investment and development.

2. Macro Economic Environment

Property price in major cities of China started to fall since early 2008. Turmoil in global financial markets and credit crisis in second half of 2008 had further crippled real estate developers' fund raising capacity, and led to the drop in land and property price and fluctuating market in Mainland China. However, in view of China's long-term growth and economic prosperity, continued urbanization policy and wealth growth, the Group is optimistic about China's real estate market in the long run. PRC government unveiled RMB4 trillion stimulus package in the last quarter of 2008, covering railway, road, port and construction, and focusing on rural infrastructure. At the same time, the government offered preferential policies to real estate industry, including tax offerings for certain property transactions, lower mortgage rate for first-time homer buyers and encouragement to banks for provision of mortgage. Local governments have also launched new policies to revive local real estate markets. Such measures are helping to stabilize the real estate market in China.

The market outlook will remain grim in 2009. If the sentiment in domestic real estate market fails to recover in a continuous way, the Group's development project in Zhucheng of Shandong Province will need the pace adjustments, which will substantially drag the Group's revenue from principal activity. The Group will keep close watch on changes in economic environment and scrutinize market conditions. Leveraging on relative advantages in the changing circumstance, we are to seize opportunities to adjust asset restructure and explore investment and development possibilities. In 2009, the Group will strive to control cost, optimize process and improve operational efficiency.

GEARING RATIO

As at 31 December 2008, the Group's gearing ratio calculated on the basis of loan from minority shareholders of subsidiaries, loan from substantial shareholder, bank loan and other loans of approximately HK$214.02 million and total assets of approximately HK$1,164.59 million, was 18% (31 December 2007: 1%).

LIQUIDITY AND CAPITAL RESOURCES

The Group's financial position remained healthy during the period under review.

At 31 December 2008, the Group had cash and bank balances amounting to approximately HK$99.79 million (31 December 2007: approximately HK$302.83 million), and current assets and current liabilities of approximately HK$898.60 million and HK$364.57 million respectively (31 December 2007: approximately HK$358.76 million and HK$97.16 million respectively). Out of the cash and bank balances of approximately HK$99.79 million at 31 December 2008, a sum of HK$4.2 million was deposited in a segregated bank deposit account which sum is held on trust for those creditors of the Company who have not given their consents to the capital reduction of the Company as at the effective date of 21 June 2006.

At 31 December 2008, the Group's bank borrowings amounted to approximately HK$164.98 million which was secured and repayable within one year with interest at commercial rate. The amounts due to minority shareholders of subsidiaries of approximately HK$3.98 million were unsecured, interest-free and repayable on demand. The loans from a minority shareholder of subsidiaries of approximately HK$36.05 million were unsecured, interest-free and will be demanded for repayment within 3 years after the Group has obtained the certificate of the land use right for the properties held for development. The amount due to substantial shareholder of approximately HK$5.75 million is unsecured, repayable on demand and interest-bearing at 5% per annum. The other loans from third parties of approximately HK$3.26 million were unsecured, repayable on demand and interest-free, except for a loan of HK$2.1 million which carried interest at fixed interest rate. The Group anticipates that it has adequate financial resources to meet its commitments and obligations for the coming year.

The Group will continue to employ conservative and sound financial planning, ensuring a solid financial position to support its future growth.

FOREIGN EXCHANGE RISK MANAGEMENT

The business activities and operation of the Group are mainly in Hong Kong and Mainland China, with revenue and expenditure denominated in Hong Kong dollars and Renminbi. The Group considers that the appreciation in Renminbi does not impose a significant foreign exchange risk to the Group since its PRC operations mainly use their income in Renminbi to settle their expenses.

HUMAN RESOURCES AND EMOLUMENT POLICY

At 31 December 2008, the Group employed a total of 56 employees, of which 11 were based in Hong Kong and 45 were based in Mainland China. Employee's remunerations are determined in accordance with their experiences, competence, qualifications and nature of duties, and remain competitive under current market trend. Apart from the basic salary, discretionary bonus and other incentives are offered to employees to reward their performance and contributions. The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's corporate goals, their individual performance and comparable market statistics. The Company has adopted a share option scheme under which the Company may grant options to directors and eligible employees to subscribe the shares of the Company.

PLEDGE OF ASSET

As at 31 December 2008, the bank loan is secured by the land use right of the completed properties which were sold to the Huzhou local government in the current year. As at 31 December 2007, there was no pledge of asset.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. Zhang Guotong

Aged 45, is the Chairman of the Company. Mr. Zhang joined the Group in February 2003. Mr. Zhang graduated from Sun Yat-sen University in 1985 and holds a bachelor degree in economics. He had served as deputy director of the Department of Policy Studies of Ministry of Material Supply of the PRC, director of Department of Legislation on Structural Reform of Ministry of Domestic Trade of the PRC, president of China Logistics Company in Mainland China, general manager of China National Materials Development & Investment Corporation, director of China Chengtong Holdings Group Limited and deputy chairman of Create Technology & Science Company Limited whose shares are listed on the Shenzhen Stock Exchange. Mr. Zhang has extensive experience in macro decision-making, corporate governance, investment and business administration. Mr. Zhang is also the director of several subsidiaries of the Company and a director of China Chengtong Hong Kong Company Limited ("CCHK").

Mr. Wang Hongxin

Aged 45, is the Managing Director of the Company. Mr. Wang joined the Group in March 2005. Mr. Wang holds a master degree in business administration from the Guanghua Management School of Peking University, and a bachelor degree of arts of Jilin Normal University. Mr Wang has rich experiences in corporate management. He had served as a director and a deputy general manager for Maoming Yongye (Group) Co. Ltd., whose shares are listed on the Shenzhen Stock Exchange and previously worked for China Materials Investment Corporation as assistant to general manager. Mr. Wang is also the director of several subsidiaries of the Company.

Ms. Xu Zhen

Aged 44, is a non-executive director of the Company. Ms. Xu joined the Group in March 2005. Ms. Xu graduated from Dongbei University of Finance and Economics in the PRC with a bachelor degree in economics and a master degree in accounting studies. Ms. Xu previously worked for China Materials Investment Corporation as deputy general manager and she was a director of Create Technology & Science Company Limited whose shares are listed on the Shenzhen Stock Exchange. Ms. Xu is currently the chief accountant of China Chengtong Holdings Group Limited ("CCHG").

Mr. Gu Laiyun

Aged 45, is a non-executive director of the Company. Mr. Gu joined the Group in February 2003. Mr. Gu graduated from Dongbei University of Finance and Economics in 1985 and holds both a bachelor degree in economics and master of Economics from Jilin University. Mr. Gu has extensive experience in corporate management and he is the assistant to president of CCHG.

Mr. Tsui Yiu Wa, Alec

Aged 59, is an independent non-executive director of the Company. Mr. Tsui joined the Group in March 2003. He is the Chairman of WAG Worldsec Corporate Finance Limited and Vice-chairman of China Mergers and Acquisitions Association. Mr. Tsui was the Chairman of the Hong Kong Securities Institute from 2001 to 2004, and the Chief Operating Officer of Hong Kong Exchanges and Clearing Limited in 2000. He is an independent non-executive director of a number of listed companies in Hong Kong and Nasdaq, including Industrial and Commercial Bank of China (Asia) Limited, Vertex Group Limited, China Power International Development Limited, COSCO International Holdings Limited, China BlueChemical Limited, Greentown China Holdings Limited, China Hui Yuan Juice Group Limited, Melco Crown Entertainment Limited, Pacific Online Limited and ATA Inc.. He is also a director of Hong Kong Professional Consultants Association Limited. He is an independent director of AIG Huatai Fund Management Company Limited and also an independent non-executive director of Fortis Insurance Company (Asia) Limited and Fortis Asia Holding Limited. Mr. Tsui graduated from the University of Tennessee, United States with a Bachelor of Science degree and a Master of Engineering degree in Industrial Engineering. He completed a Program for Senior Managers in Government at the John F.Kennedy School of Government of Harvard University. He has numerous years of experience in finance and administration, corporate and strategic planning, information technology and human resources management.

Mr. Kwong Che Keung, Gordon

Aged 59, is an independent non-executive Director of the Company. Mr. Kwong joined the Group in March 2003. He is currently served as independent non-executive director of a number of companies listed on the Stock Exchange, namely COSCO International Holdings Limited, Tianjin Development Holdings Limited, Beijing Capital International Airport Company Limited, Frasers Property (China) Limited, NWS Holdings Limited, China Oilfield Services Limited, OP Financial Investments Limited, Global Digital Creations Holdings Limited, Ping An Insurance (Group) Company of China, Limited, Quam Limited, China Power International Development Limited, Henderson Land Development Company Limited, Henderson Investment Limited, Agile Property Holdings Limited and CITIC 1616 Holdings Limited. From 1984 to 1998, Mr. Kwong was a partner of Pricewaterhouse and was a council member of the Stock Exchange from 1992-1997. He has a Bachelor of Social Science degree from the University of Hong Kong and is a fellow member of the Institute of Chartered Accountants in England and Wales and Hong Kong Institute of Certified Public Accountants.

Mr. Lao Youan

Aged 44, is an independent non-executive director of the Company. Mr. Lao joined the Group in April 2002. Mr. Lao graduated from Sun Yat-sen University in 1985 and holds a bachelor degree in economics. He has many years of experience in the fields of investment, trading and finance in Hong Kong. He has held senior management positions in various large enterprises. He serves as financial controller of Guangdong Panyu Bridge Co., Ltd. and has extensive experiences in corporate management, project investment and financial management.

Mr. Ba Shusong

Age 39, is an independent non-executive director of the Company. Mr. Ba joined the Group in April 2007. Mr. Ba obtained his bachelor and master degrees in 1991 and 1994 from the Huazhong University of Science and Technology and in 1999 he obtained his doctorate degree from the Central University of Finance and Economics. From 2000 to 2002, he conducted his post doctorate research in Peking University Centre of China Economic Research, his major research areas are Risk Management of Financial Institutes, Corporate Governance and Regulatory Framework of Financial Market. Mr. Ba is the vice director of the Finance Research Institute, Development Research Centre of the State Council of the PRC and also a panel member of the Mutual Funds Committee of the China Securities Regulatory Commission, an examination panel member of the China Banking Regulatory Commission, an expert of evaluating Corporate Annuity Funds and a member of professional committee of the China Development Bank. He is currently an independent non-executive director of Da An Gene Co., Ltd. of Sun Yat-Sen University (a company listed on Shenzhen Stock Exchange) and Industrial Bank Co., Ltd. (a company listed on Shanghai Stock Exchange). In addition, he serves in a number of government committees and certain non-government organizations committees.

SENIOR MANAGEMENT

Mr. Wang Tian Lin

Age 36, is a Deputy General Manager of the Company, the General Manager of the Company's major subsidiary Zhongshi Investment Company Limited ("Zhongshi Investment") and the director of several subsidiaries of the Company. Mr. Wang joined the Group in February 2007. Mr. Wang obtained his bachelor and master degrees from Beijing Institute of Technology and in 2003 he obtained his MBA in Finance from The Chinese University of Hong Kong. Mr. Wang was previously the secretary to the board of Sihuan Pharmaceutical Company Limited whose shares are listed on the Shenzhen Stock Exchange and also was the assistant to president for CCHK.

Ms. Chan Yuet Kwai

Aged 45, is the financial controller of the Company and the director of several subsidiaries of the Company. Ms. Chan is a fellow member of both Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants, a member of American Institute of Certified Public Accountants and a certified public accountant of Washington States in United States. She also holds a master degree in business administration. Ms. Chan has over 20 years experience in the fields of auditing, accounting and finance. Before joining the Group, she had served as financial controller of Hong Kong listed companies for over 13 years. Ms. Chan joined the Group in June 2006.

Ms. Sun Jie

Aged 38, is the head of financial management centre of the Group and also a director of several subsidiaries of the Company. Ms. Sun joined Zhongshi Investment as financial controller in June 2003 and she is a Certified Public Accountant in the PRC. Ms. Sun holds a master degree in accounting from Renmin University of China and she also holds a bachelor degree in economics. Ms. Sun has rich experiences in financial management, accounting, auditing and strategic analysis. Ms. Sun is also working for CCHK.

Mr. Zhang Yongqing

Aged 35, is the assistant to Managing Director and the Head of Risk Management Department of the Group, he is also a director of several subsidiaries of the Company. Mr. Zhang joined the Group in February 2007 and he graduated from Tongji University with a master degree in business administration. Mr. Zhang previously worked as secretary to the board for Hisense Limited, a large enterprise majored in electronics and informational technology in the PRC. He had also served as a director of Anhui Sun Create Electronic Company Limited whose shares are listed on Shanghai Stock Exchange. Mr. Zhang is well experienced in strategic research, project investment, corporate management and risk control management.

Mr. Li Yun

Aged 40, is a deputy general manager of Zhongshi Investment, the general manager and a director of several subsidiaries of the Company regarding Zhucheng project, and other subsidiaries of the Company. Mr. Li joined the Group in April 2005. He holds a bachelor degree in administrative management from York University, Toronto, a bachelor degree in heating engineering from Tianjin University, and he is now pursuing a master degree in real estate economics from Renmin University of China. Before joining the Group, Mr. Li was previously a deputy general manager of Beijing Jing Hua Du Real Estate Company, and had worked for Beijing Jiulong Real Estate Company and Tianjin Changcheng Real Estate Company. Mr. Li has over 17 years experiences in property development.

COMPANY SECRETARY

Ms. Lei Ching

Ms. Lei is the Company Secretary of the Company. Ms. Lei joined the Group in June 2008. Ms. Lei is an associate member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries, she is also a fellow member of the Association of Chartered Certified Accountants. Ms. Lei holds a bachelor degree in Business Studies from the Hong Kong Polytechnic University. Before joining the Group, Ms. Lei had worked for several listed companies in Hong Kong as head of company secretarial department and PricewaterhouseCoopers.

CORPORATE GOVERNANCE REPORT

The Board of Directors ("the Board") is pleased to present the Corporate Governance Report of the Group for the year ended 31 December 2008.

The Group considers that good corporate governance is vital to the healthy and sustainable development of the Group. To ensure a high standard of corporate governance, the Group strive to uphold high standard of corporate governance continuously, strictly comply with the code provisions ("Code Provisions") as set out in the Code on Corporate Governance Practices ("Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules") and actively apply the principles of the Code.

The Code sets out the principles of good corporate governance ("Principles") and two levels of corporate governance practices:

(a) Code Provisions which listed issuers are expected to comply with or to give considered reasons for any deviation; and

(b) recommended best practices for guidance only, which listed issuers are encouraged to comply with or give considered reasons for deviation.

The Company has complied with all the Code Provisions throughout the accounting period for the year ended 31 December 2008 except for the following deviation:

— With respect to Code Provision A.4.1, the non-executive Directors do not have a specific term of appointment. Pursuant to the Company's articles of association (the "Articles"), at every annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that each Director shall be subject to retirement by rotation at least once every three years. The Board considered that complied with the objective of Code Provision A.4.1.

— Code Provision A.2.1 stipulated that the roles of Chairman and CEO should be separate and should not be performed by the same individual. Managing Director of the Group is responsible for the day-to-day management and operations, and implementing policies of the Board. The role of Managing Directors is similar to the role of Chief Executive Officer ("CEO") as defined in the Appendix 14 of the Listing Rules.

  From 1 January 2008 to 9 April 2008, Mr. Ma Zhengwu was the Chairman and Mr. Zhang Guotong was the Managing Director of the Company. Since Mr. Ma Zhengwu resigned from the position of Chairman on 10 April 2008, Mr. Zhang Guotong was elected to take the position as Chairman of the Board also. However, in order to attain high standard of corporate governance, to separate the duties Chairman and Managing Director clearly, to ensure a balance of power and authority and to comply with the code provisions as set out in the Code, Mr. Wang Hongxin was appointed as the Managing Director and Mr. Zhang Guotong remained as Chairman since 13 October 2008. The responsibilities of Chairman and Managing Director are clearly defined and set out in writing.

  Therefore, the Company has complied with the code provision A.2.1 during the year except the period from 10 April 2008 to 13 October 2008.

The Company periodically reviews its corporate governance practices to ensure those continue to meet the requirements of the Code, and acknowledges the important role of the Board in providing effective leadership and direction to the Company's business, and ensuring operational transparency and accountability.

The key corporate governance principles and practices of the Company are summarized as follows:

THE BOARD

Responsibilities

The Board provides leadership, approves policies, strategies, plans, and oversees their implementation to ensure the healthy growth of the Company, in the interests of the Company's shareholders ("Shareholders").

The Board is responsible for all major matters of the Group, including the approval and monitoring of all material changes in policy, strategies, budgets, internal control and risk management systems, financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the company secretary, with a view to ensure the Board's procedures and all applicable rules and regulations are followed. In general, each director can seek independent professional advices in appropriate circumstances at the Company's expenses, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the Managing Director, Executive Director and senior management. The delegated functions are periodically reviewed. Approval from the Board has to be obtained prior to entering into any significant transactions.

Composition

The composition of the Board encompasses the necessary balance of skills and experiences desirable for effective leadership of the Group and reflects the independence in decision making of the Board.

The Board currently comprises eight members, consisting of two executive directors, two non-executive directors and four independent non-executive directors.

The Board of the Company comprises the following directors:

Executive Directors:

ZHANG Guotong	*(Chairman, Chairman of Nomination Committee and member of Remuneration Committee)*
WANG Hongxin	*(Managing Director)*

Non-executive Directors:

XU Zhen	*(member of Audit Committee)*
GU Laiyun	

Independent Non-executive Directors:

KWONG Che Keung, Gordon	*(Chairman of Audit Committee, member of Remuneration Committee and member of Nomination Committee)*
TSUI Yiu Wa, Alec	*(Chairman of Remuneration Committee, member of Audit Committee and member of Nomination Committee)*
LAO Youan	*(member of Audit Committee, member of Remuneration Committee and member of Nomination Committee)*
BA Shusong	*(member of Audit Committee)*

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules.

During the year ended 31 December 2008, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

The independent non-executive Directors bring a wide range of business and financial expertise, experience and ensure independence of decision-making of the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflicts of interest and serving on Board committees, all independent non-executive Directors make positive contributions to the orderly management and effective operation of the Company.

During the year, for a major acquisition and connected transaction in relation to the Company's acquisition of assets from its holding companies (for details, please refer to the circular of the Company dated 29 November 2008), the four independent non-executive Directors formed an Independent Board Committee, carefully considered terms of the acquisition agreements and opinions of the independent financial advisor, and recommended Shareholders to approve the relevant connected transaction.

Appointment and Succession Planning of Directors

The Company has established a Nomination Committee and formal, considered and transparent procedures for the appointment and succession planning of Directors.

In accordance with the Company's Articles of Association, one third of the Directors are subject to retirement by rotation every year and any new Director appointed to fill a causal vacancy or as an addition to the Board shall be eligible for re-election by shareholders at the first general meeting after appointment.

Code Provision A.4.1 of Appendix 14 to the Listing Rules requires that non-executive Directors should be appointed for a specific term and should be subject to re-election. With respect to Code Provision A.4.1, the non-executive Directors of the Company have not been appointed for any specific terms since they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Memorandum and Articles of Association of the Company. As such, the Company considers that sufficient measures have been taken to serve the purpose of this Code Provision.

The Board and Nomination Committee as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors. The Board reviewed its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the candidates proposed by the Nomination Committee, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

During the year, the Nomination Committee recommended the Board to appoint Mr. Wang Hongxin, the current executive Director, as the Managing Director.

In accordance with the Company's Articles of Association, Ms. Xu Zhen, Mr. Gu Laiyun and Mr. Ba Shusong shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming Annual General Meeting ("AGM") of the Company to be held in due course.

The Board recommended the re-appointment of the Directors standing for re-election at the forthcoming annual general meeting of the Company.

The Company's circular in relation to the forthcoming annual general meeting contains detailed information of the Directors standing for re-election.

Board Meetings

Number of Meetings and Directors' Attendance

Regular Board meetings are held at least four times a year at approximately quarterly intervals for monitoring the Group's financial and operating performance, discussing annual and interim results and considering and approving the overall strategies of the Company.

During the year ended 31 December 2008, four regular Board meetings were held.

The individual attendance record of each Director at the meetings of the Board, Audit Committee and Remuneration Committee during the year ended 31 December 2008 is set out below:

	Attendance/Number of Meetings		
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**
MA Zhengwu*	0/4	Not applicable	0/1
ZHANG Guotong	4/4	Not applicable	1/1
WANG Hongxin	4/4	Not applicable	Not applicable
HONG Shuikun*	1/4	1/2	Not applicable
XU Zhen	4/4	2/2	Not applicable
GU Laiyun	4/4	Not applicable	Not applicable
KWONG Che Keung, Gordon	4/4	2/2	1/1
TSUI Yiu Wa, Alec	4/4	2/2	1/1
LAO Youan	4/4	2/2	1/1
BA Shusong	2/4	2/2	Not applicable

* Mr. Ma Zhengwu and Mr. Hong Shuikun resigned as non-executive directors and the membership of relevant Board committees on 10 April 2008, respectively.

Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance. Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The Company Secretary of the Company is responsible for keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Articles of Association also contains provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

CHAIRMAN AND MANAGING DIRECTOR

Since Mr. Ma Zhengwu resigned from the position of Chairman on 10 April 2008, Mr. Zhang Guotong, the Managing Director was elected to take the position as Chairman of the Board also since 10 April 2008. The Company fully supports the division of responsibility between Chairman and Managing Director to ensure a balance of power and authority. The positions of Chairman and Managing Director are held by Mr. ZHANG Guotong and Mr. WANG Hongxin respectively since 13 October 2008. Their respective responsibilities are clearly defined and set out in writing.

The Chairman provides leadership and is responsible for ensuring that relevant duties and responsibilities have been fully and appropriately executed by Directors in accordance with good corporate governance practice. With support of the senior management, the Chairman is also responsible for ensuring that each of the Directors receiving adequate, complete and reliable information timely and appropriate briefing on issues arising at Board meetings.

The Managing Director focuses on implementing policies and strategies approved by the Board and is in charge of the Company's day-to-day operations. He is also responsible for developing strategic plans and formulating the operational procedures, set up of business objectives, and risk management.

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee and Executive Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees kept in the Company and are available to Shareholders upon request. The majority of each Board committee are independent non-executive Directors and the list of chairman and member of each Board committee is set out in the Corporate Information section of this report.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Audit Committee

The Audit Committee comprises four independent non-executive Directors (including one independent non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise) and one Non-executive Director. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

(a) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer, internal auditor or external auditors before submission to the Board.

(b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, reappointment and removal of external auditors.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee held two meetings during the year ended 31 December 2008 to review the financial results and reports, financial reporting and compliance procedures and the re-appointment of the external auditors.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The Audit Committee has not taken a different view from the Board regarding the selection, appointment, resignation or dismissal of external auditors.

The Company's annual results for the year ended 31 December 2008 have been reviewed by the Audit Committee.

Remuneration Committee

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the Directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee normally meets for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the members of the Board and the senior management and other related matters. The human resources department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee shall consult the Chairman and/or the Managing Director of the Company about these recommendations on remuneration policy and structure and remuneration packages.

The Remuneration Committee meet once during the year ended 31 December 2008 and reviewed the existing remuneration policy and structure of the Company and remuneration packages of the Directors and the senior management.

Nomination Committee

The Company has established a Nomination Committee and was chaired by the Chairman of the Board, members of the Nomination Committee including the Chairman of the Board and three Independent Non-executive Directors. The Nomination Committee is responsible for nominating potential candidates for directorship appointment and succession, regular review on the composition and structure of the Board and making appropriate recommendation to the Board in order to ensure the balance of expertise, skills and experience among the members of the Board. Nomination will be made reference to the skill, experience, professional knowledge, personal integrity and time commitment.

Executive Committee

The Executive Committee comprises executive Directors and is responsible for the daily business operation and management of the Company, the effective execution of decisions of the Board within the scope of authorization granted by the Board. The Executive Committee regularly reports to the Board regarding the Group's business operation and seeks its advice and approval on matters involving material decision-making.

MODEL CODE FOR SECURITIES TRANSACTIONS

In the year ended 31 December 2008, the Company has adopted its own code of conduct regarding Directors' securities transactions (the "Code of Conduct") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the requirements of the Code of Conduct and the Model Code throughout the year ended 31 December 2008.

The Company also has set written guidelines on terms no less exacting than the Model Code (the "Written Guidelines") for securities transactions by the employees who are likely to be in possession of unpublished price-sensitive information of the Company due to their responsibilities and duties. No incident of non-compliance of the Written Guidelines by the employees was noted by the Board during the year.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS AND AUDITORS' REMUNERATION

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2008.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 25.

The remuneration paid to the external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2008 amounted to HK$1,200,000 and HK$1,916,000 respectively. An analysis of the remuneration paid to the external auditors of the Company is set out below:

	Amount of Fee Payable/Paid *(HK$'000)*
Audit Services	1,200
Review on interim results	320
Other non-audit services	1,596 *(Note)*
Total	3,116

Note: mainly include approximately HK$1,400,000 (professional fees in relation to the preparation of financial information for two acquisitions conducted by the Group during the year).

INTERNAL CONTROLS

The Company has maintained a structure with defined lines of responsibility and appropriate delegation of responsibility and authority to senior management. The Board is responsible for the establishment and effective operation of the internal control system. However, such system aims at limiting the risks of the Company to an acceptable level but not at eliminating all risks. Hence, such system can only provide reasonable assurance that there will not be any error in financial information and record, and there will not be any financial loss or fraud.

The Board has established operational procedures to identify, assess and manage major risks faced by the Company. Such procedures shall be updated from time to time to reflect the changes in circumstances and rules and regulation, and shall be used as a guideline for updating the internal control system in a timely manner. The Board considers that as at the date of this annual report, the internal control system is adequate and effective in safeguarding the assets of the Group and protecting the interests of Shareholders, customers and employees of the Group.

The management is responsible for implementing the procedures established by the Board to identify, assess and manage major risks faced by the Company. This procedure includes the design, operation and supervision of suitable internal control to mitigate and control risks. Major procedures established for reviewing the suitability and compliance of internal control are as follows:

- The Board is responsible for the supervision of all business activities of the Group and the implementation of strategic plans and policy. The management is responsible for the effective daily operation of the Group and for ensuring the Group operates in accordance with the target, strategy and budget of the Group.

- The Audit Committee periodically reviews the controlled items of internal audit department, external auditors, regulatory bodies and management, and assesses the suitability and effectiveness of risk management and the internal control system. The Audit Committee also reviews the function of internal audit and pays particular attention to the independence of the internal audit department, the audit quality and the audit scope.

- The Risk Control department also formulates the annual internal audit plan and procedures, conducts periodic independent reviews on the operations of individual divisions and subsidiaries to identify any irregularities and risks, develops action plans and makes recommendations to address the identified risks, and reports to the Audit Committee on any key findings and progress of the internal audit process. The Audit Committee, in turn, reports to the Board on any material issues and makes recommendations to the Board.

In strict compliance with the requirements of Code Provision C.2.1, the Group has conducted a comprehensive review of the internal control system under the guidance of the Board and the senior management in 2008. The review assessed the prevailing internal control and risk management practices of the Group and covered various aspects including financial control, operational control, compliance control and risk management.

The Company will continue where possible to improve its internal control system and strengthen its risk management capability.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

The rights of Shareholders and the procedures for demanding a poll on resolutions at Shareholders' meetings are contained in the Articles. Details of such rights to demand a poll and the poll procedures are included in all circulars to Shareholders and will be explained during the proceedings of meetings.

Poll results will be posted on the website of the Stock Exchange and the Company on the day of the Shareholders' meeting.

The general meetings of the Company provide a forum for communication between the Shareholders and the Board. The Chairman of the Board as well as chairmen of the Audit Committee and Remuneration Committee, or in their absence, other members of the respective committees, and where applicable, the independent Board committee, are available to answer questions at the Shareholders' meetings.

The Company will continue to enhance communications and relationships with its shareholders and investors to keep them abreast of the Company's developments. Enquiries from investors are dealt with timely.

Currently, investors can access the Company's information through the website of the Stock Exchange and http://www.irasia.com/listco/hk/chengtong.

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 19 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 26.

The directors do not recommend the payment of dividend for the year ended 31 December 2008.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in property, plant and equipment and investment properties during the year are set out in notes 17 and 18 to the consolidated financial statements respectively.

SHARE CAPITAL

Details of share capital of the Company are set out in note 38 to the consolidated financial statements.

During the year, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2008, the Company had no distributable reserves, calculated in accordance with Section 79B of the Hong Kong Companies Ordinance.

CHARITABLE DONATIONS

Donations to charitable organizations by the Group during the year amounted to HK$10,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate amount of turnover attributable to the five largest customers represented 99.9% of the Group's total turnover. Sales to the largest customer included therein amounted to 98.9%.

During the year, the aggregate amount of purchases (not including purchases of items which are of a capital nature) attributable to the five largest suppliers represented 97.2% of the Group's total purchases. Purchases from the largest supplier amounted to 51.0% of the Group's total purchases.

None of the directors of the Company or any of their associates or any shareholders, which to the best knowledge of the Company's directors, owned more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers or suppliers for the year ended 31 December 2008.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Mr. ZHANG Guotong	(Executive Director)
Mr. WANG Hongxin	(Executive Director)
Mr. MA Zhengwu	(Non-executive Director, resigned on 10 April 2008)
Mr. GU Laiyun	(Non-executive Director)
Ms. XU Zhen	(Non-executive Director)
Mr. HONG Shuikun	(Non-executive Director, resigned on 10 April 2008)
Mr. KWONG Che Keung, Gordon	(Independent Non-executive Director)
Mr. TSUI Yiu Wa, Alec	(Independent Non-executive Director)
Mr. LAO Youan	(Independent Non-executive Director)
Mr. BA Shusong	(Independent Non-executive Director)

Particulars of the existing directors are set out on pages 9 to 10.

In accordance with Article 105 of the Company's Articles of Association, Mr. Gu Laiyun, Madam Xu Zhen and Mr. Ba Shusong will retire by rotation and being eligible, will offer themselves for re-election at the forthcoming annual general meeting to be held by the Company in due course.

The Company has received from each Independent Non-Executive Director an annual confirmation of his independence pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' SERVICE CONTRACTS

None of the Directors of the Company has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There were no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

	Date of grant	Exercisable period	Exercise price per share HK$ (Note 1)	Number of shares: Outstanding at 1 January 2008 (Note 1)	Exercised during the year (Note 2)	Lapsed during the year	Outstanding at 31 December 2008
Directors							
Gu Laiyun	28.9.2004	29.9.2005 to 28.9.2008	0.2027	2,417,317	(2,417,317)	—	—
Xu Zhen	8.3.2004	9.3.2005 to 8.3.2008	0.3012	362,598	(362,598)	—	—
		9.3.2006 to 8.3.2009	0.3012	362,598	(362,598)	—	—
				3,142,513	(3,142,513)	—	—
Other employees							
In aggregate	8.3.2004	9.3.2005 to 8.3.2008	0.3012	362,598	(362,598)	—	—
		9.3.2006 to 8.3.2009	0.3012	487,794	(362,598)	—	125,196
	28.9.2004	29.9.2005 to 28.9.2008	0.2027	3,251,951	(3,017,317)	(234,634)	—
				4,102,343	(3,742,513)	(234,634)	125,196
Total				7,244,856	(6,885,026)	(234,634)	125,196

Notes:

1. The Rights Issue of the Company was completed on 12 April 2007. The exercise price and number of shares that can be subscribed for under the Scheme have already been adjusted upon the completion of the Rights Issue.

2. The weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised was HK$1.09.

3. Vesting periods:

   (a) The options granted on 8 March 2004 have vesting period as follows:

   50% of the options are vested in 12 months from the date of acceptance of the offer and the balance 50% of the options are vested in 24 months from the date of acceptance of the offer.

   (b) The options granted on 28 September 2004 are 100% vested at the end of the 12th month from the date of acceptance of the offer.

All the interests stated above represent long positions. As at 31 December 2008, no short positions were recorded in the Register of Directors' and Chief Executive's Interests and Short Positions required to be kept under Section 352 of Part XV of the Securities and Futures Ordinance (the "SFO").

Save as disclosed above, as at 31 December 2008, none of the directors or Chief Executives of the Company nor their spouses or children under 18 years of age were granted, or had exercised, any rights to subscribe for any equity or debt securities of the Company or any of its Associated Corporations.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Other than the share options disclosed above, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN ISSUED SHARE CAPITAL AND UNDERLYING SHARES

As at 31 December 2008, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the issued share capital and underlying shares of the Company.

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
World Gain Holdings Limited ("World Gain")	Beneficial owner *(Note 2)*	791,814,913 (L)	29.56%
China Chengtong Hong Kong Company Limited ("CCHK")	Controlled corporation *(Note 2)*	791,814,913 (L)	29.56%
	Beneficial owner	2,533,705,591 (L) *(Note 3)*	94.58%
China Chengtong Holdings Group Limited ("CCHG")	Controlled corporation *(Note 2)*	3,325,520,504 (L)	124.14%

Notes:

1. The letter "L" represents the entity's interest in the Shares.

2. The entire issued share capital of World Gain is beneficially owned by CCHK, the entire issued share capital of which is beneficially owned by CCHG. Both CCHK and CCHG are deemed to be interested in all the Shares held by World Gain under the SFO.

3. These Shares represent the Consideration Shares* which may be allotted and issued to CCHK upon completion of the First SP Agreement* and the Second SP Agreement* (assuming the consideration to be payable by the Company under the First SP Agreement and the Second SP Agreement is adjusted to their respective maximum extent).

   * As defined in the circular of the Company dated 29 November 2008.

DISCLOSURE PURSUANT TO THE LISTING RULES

As at 31 December 2008, the aggregate amount of advances made by the Group to one of its associates was approximately HK$117,415,000. Particulars of these advances are set out in note 20 to the consolidated financial statements.

The balance sheet of the Group's 32% of owned associate, Goodwill (Overseas) Limited as at 31 December 2008 disclosed in accordance with 13.22 of Chapter 13 of the Listing Rules is as follows:

	HK$'000
Non-current assets	360,151
Current assets	23
Current liabilities	(587)
Net current liabilities	(564)
Non-current liabilities	
Shareholders' loans	(363,005)
Net liabilities	(3,418)

CONNECTED TRANSACTION

In October 2008, the Company entered into agreements with CCHK which is a substantial shareholder of the Company, and CCHG, the controlling shareholder of CCHK, for the acquisition of 100% interest in 誠通實業投資有限公司, 66.67% interest in 誠通大豐海港開發有限公司 and 100% interest 連雲港中儲物流有限公司 at a consideration of approximately RMB268,000,000 (subject to adjustment), RMB201,000,000 (subject to adjustment) and RMB181,000,000 (subject to adjustment) respectively. The acquisitions have not yet completed on the report date. Details of the acquisitions are set out in the Company's circular to the shareholders dated 29 November 2008.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficiency public float throughout the year ended 31 December 2008.

SUMMARY FINANCIAL INFORMATION

A summary of the Group's results and its assets and liabilities for the year ended 31 December 2008 and the past four financial years is set out on page 88.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

ZHANG GUOTONG
CHAIRMAN

Hong Kong, 3 April 2009

Deloitte.
德勤

TO THE MEMBERS OF CHINA CHENGTONG DEVELOPMENT GROUP LIMITED
中國誠通發展集團有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Chengtong Development Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 86, which comprise the consolidated and the Company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
3 April 2009

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	NOTES	2008 HK$'000	2007 HK$'000
Continuing operations			
Turnover	7	**987,954**	25,365
Cost of sales		**(881,029)**	(20,344)
Gross profit		**106,925**	5,021
Other income	8	**6,674**	21,099
Selling expenses		**(236)**	(800)
Administrative expenses		**(42,242)**	(29,159)
Increase in fair value of an investment property	18	**—**	1,460
Gain on disposal of a subsidiary	43	**12**	19,724
Provisions for claims	30	**(4,487)**	—
Finance costs	9	**(829)**	(1,296)
Share of results of associates	20	**4,188**	(697)
Share of result of a jointly controlled entity	21	**(668)**	(1,475)
Profits before taxation		**69,337**	13,877
Taxation charge	10	**(27,074)**	(9,109)
Profits for the year from continuing operations		**42,263**	4,768
Discontinued operation			
Profit for the year from discontinued operation	11	**—**	32,011
Profits for the year	12	**42,263**	36,779
Attributable to:			
Shareholders of the Company		**5,778**	35,945
Minority interests		**36,485**	834
		42,263	36,779
Earnings per share	15		
From continuing and discontinued operations			
— Basic		**HK0.22 cent**	HK1.39 cent
— Diluted		**HK0.22 cent**	HK1.37 cent
From continuing operations			
— Basic		**HK0.22 cent**	HK0.15 cent
— Diluted		**HK0.22 cent**	HK0.14 cent

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2008

	NOTES	2008 HK$'000	2007 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment	17	**4,338**	3,232
Investment properties	18	**89,270**	83,740
Interests in associates	20	**50,768**	41,599
Amount due from an associate	20	**117,415**	139,874
Interest in a jointly controlled entity	21	**—**	103,881
Restricted bank balance	22	**4,200**	4,200
		265,991	376,526
Current assets			
Properties held for sale		**25,259**	32,678
Properties held for development	23	**270,742**	—
Amount receivable from sale of properties	24	**376,654**	—
Trade and other receivables	25	**130,278**	7,959
Bills receivables	26	**—**	5,035
Amounts due from associates	20	**72**	9,724
Amounts due from related companies	27	**—**	4,741
Bank balances and cash	28	**95,590**	298,626
		898,595	358,763
Current liabilities			
Trade and other payables	29	**119,527**	48,919
Provisions for claims	30	**4,487**	—
Deposits received on sale of properties		**10,553**	11,410
Amounts due to related companies	31	**354**	17,084
Amounts due to minority shareholders of subsidiaries	32	**3,979**	3,978
Amount due to a substantial shareholder	32	**5,752**	—
Tax payable		**15,620**	12,505
Bank loan	33	**164,980**	—
Unsecured other loans	34	**3,260**	3,260
Loans from a minority shareholder of subsidiaries	35	**36,053**	—
		364,565	97,156
Net current assets		**534,030**	261,607
Total assets less current liabilities		**800,021**	638,133

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2008

	NOTES	2008 HK$'000	2007 HK$'000 (Restated)
Non-current liabilities			
Deferred tax liabilities	36	**6,846**	4,737
Net assets		**793,175**	633,396
Capital and reserves			
Share capital	38	**267,891**	267,202
Reserves		**395,668**	366,194
Equity attributable to shareholders of the Company		**663,559**	633,396
Minority interests		**129,616**	—
Total equity		**793,175**	633,396

The financial statements on pages 26 to 86 were approved and authorised for issue by the Board of Directors on 3 April 2009 and are signed on its behalf by:

Zhang Guotong
DIRECTOR

Wang Hongxin
DIRECTOR

BALANCE SHEET

AT 31 DECEMBER 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	17	**269**	590
Interests in subsidiaries	19	**1**	1
Amount due from an associate	20	**517**	517
Amount due from a subsidiary	37	**107,010**	131,440
		107,797	132,548
Current assets			
Other receivables		**1,414**	1,426
Amounts due from subsidiaries	37	**381,042**	371,167
Bank balances and cash		**1,466**	1,237
		383,922	373,830
Current liabilities			
Other payables		**8,449**	7,243
Amounts due to subsidiaries	37	**59,591**	59,591
		68,040	66,834
Net current assets		**315,882**	306,996
		423,679	439,544
Capital and reserves			
Share capital	38	**267,891**	267,202
Reserves	40	**155,788**	172,342
		423,679	439,544

Zhang Guotong
DIRECTOR

Wang Hongxin
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2008

	Attributable to shareholders of the Company										
	Share capital *HK$'000*	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Capital reserve *HK$'000* *(Note)*	Exchange reserve *HK$'000*	Legal surplus *HK$'000*	Share options reserve *HK$'000*	Accumulated profits *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total equity *HK$'000*
At 1 January 2007											
— At originally stated	202,350	67,145	402	—	6,638	565	7,066	88,646	372,812	28,243	401,055
— Prior year adjustment *(note 1)*	—	—	—	—	—	—	—	9,842	9,842	—	9,842
— As restated	202,350	67,145	402	—	6,638	565	7,066	98,488	382,654	28,243	410,897
Exchange realignment and net income recognized directly in equity	—	—	—	—	9,478	—	—	—	9,478	1,793	11,271
Release and transfer upon disposal of subsidiaries	—	—	—	—	(1,556)	(565)	—	877	(1,244)	—	(1,244)
Profit for the year	—	—	—	—	—	—	—	35,945	35,945	834	36,779
Total recognised income and expense for the year	—	—	—	—	7,922	(565)	—	36,822	44,179	2,627	46,806
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	24,420	24,420
Release upon acquisition of additional interests in a subsidiary	—	—	—	—	—	—	—	—	—	(28,799)	(28,799)
Release upon disposals of subsidiaries	—	—	—	—	—	—	—	—	—	(26,491)	(26,491)
Deemed contribution from substantial shareholder	—	—	—	2,814	—	—	—	—	2,814	—	2,814
Rights issue of shares	60,706	139,622	—	—	—	—	—	—	200,328	—	200,328
Capitalisation of share issue expenses	—	(6,738)	—	—	—	—	—	—	(6,738)	—	(6,738)
Issue of shares upon exercise of share options	4,146	12,067	—	—	—	—	(6,054)	—	10,159	—	10,159
At 31 December 2007 (restated)	267,202	212,096	402	2,814	14,560	—	1,012	135,310	633,396	—	633,396
Exchange realignment and net income recognized directly in equity	—	—	—	—	22,787	—	—	—	22,787	(1,024)	21,763
Profit for the year	—	—	—	—	—	—	—	5,778	5,778	36,485	42,263

	Attributable to shareholders of the Company										
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Capital redemption reserve** *HK$'000*	**Capital reserve** *HK$'000* *(Note)*	**Exchange reserve** *HK$'000*	**Legal surplus** *HK$'000*	**Share options reserve** *HK$'000*	**Accumulated profits** *HK$'000*	**Total** *HK$'000*	**Minority interests** *HK$'000*	**Total equity** *HK$'000*
Total recognised income and expense for the year	—	—	—	—	22,787	—	—	5,778	28,565	35,461	64,026
Deemed acquisition of a subsidiary by acquiring additional interest in a jointly controlled entity	—	—	—	—	—	—	—	—	—	115,625	115,625
Capital contribution from minority interests of newly established subsidiaries	—	—	—	—	—	—	—	—	—	6,780	6,780
Dividend paid to minority shareholders of a subsidiary	—	—	—	—	—	—	—	—	—	(28,250)	(28,250)
Share options lapsed	—	—	—	—	—	—	(31)	31	—	—	—
Issue of shares upon exercise of share options	689	1,869	—	—	—	—	(960)	—	1,598	—	1,598
At 31 December 2008	267,891	213,965	402	2,814	37,347	—	21	141,119	663,559	129,616	793,175

Note: Capital reserve represented the deemed contribution from a substantial shareholder of the Company in 2007 arising from acquisition of a subsidiary, 洛陽城南中儲物流有限公司(「洛陽城南」), from a subsidiary of the substantial shareholder of the Company.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	NOTE	**2008 HK$'000**	2007 HK$'000
Cash flows from operating activities			
Profits before taxation		**69,337**	45,888
Adjustments for:			
Interest income		**(2,569)**	(5,029)
Interest expense		**829**	1,296
Gain on disposal of subsidiaries	43	**(12)**	(51,727)
Share of results of associates		**(4,188)**	697
Share of result of a jointly controlled entity		**668**	1,475
Gain on disposal of property, plant and equipment		**(67)**	—
Depreciation of property, plant and equipment		**1,224**	1,871
Increase in fair value of an investment property		**—**	(1,460)
Provisions for claims		**4,487**	—
Allowance for amount due from related companies		**607**	—
Allowance for other receivables		**506**	—
Allowance for property held for sale		**—**	8,283
Reversal of temporary receipts		**(966)**	—
Operating cash flows before working capital changes		**69,856**	1,294
Increase in inventories		**—**	(1,882)
Decrease (increase) in properties under development		**780,196**	(765)
Decrease in properties held for sale		**5,828**	7,547
Decrease (increase) in trade and other receivables		**77,107**	(10,630)
Increase in amount receivable from sale of properties		**(376,654)**	—
Decrease (increase) in bills receivables		**8,758**	(4,035)
(Decrease) increase in trade and other payables		**(18,363)**	7,004
(Decrease) increase in deposits received on sale of properties		**(462,750)**	10,355
Cash flows from operations		**83,978**	8,888
The People's Republic of China Enterprise Income Tax paid		**(9,157)**	(14,993)
Net cash from (used in) operating activities		**74,821**	(6,105)

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	NOTES	2008 HK$'000	2007 HK$'000
Cash flows from investing activities			
Acquisition of subsidiaries	42	**14,693**	(39,725)
Acquisition of additional interest in a subsidiary		**—**	(17,808)
Capital contribution to a jointly controlled entity		**(5,895)**	—
Disposal of subsidiaries	43	**481**	44,090
Repayment from related companies		**4,407**	—
Proceeds from disposals of property, plant and equipment		**76**	—
Purchases of property, plant and equipment		**(1,211)**	(1,632)
Purchase of properties held for development		**(234,689)**	—
Advance to associates		**—**	(9,724)
Purchase of an investment property		**—**	(436)
Repayment from an associate		**33,058**	9,189
Repayment from a minority shareholder of a subsidiary		**—**	1,416
Interest received		**2,258**	4,571
Transferring fund from strike off of an associate		**264**	—
Net cash used in investing activities		**(186,558)**	(10,059)
Cash flows from financing activities			
Proceeds from rights issue	38(b)	**—**	200,328
Share issue expenses paid		**—**	(6,738)
Issue of shares upon exercise of share options		**1,598**	10,159
Dividend paid to minority shareholders of a subsidiary		**(28,250)**	—
Repayment of loan from a related company		**(17,858)**	(4,953)
Increase in amounts due to related companies		**—**	3,705
Repayment to minority shareholders of subsidiary		**(2,260)**	—
Repayment of bank loan		**(53,017)**	(9,000)
Interest paid		**(8,733)**	(1,296)
Loan from a substantial shareholder		**5,650**	—
Capital contribution from minority shareholders of subsidiaries		**6,780**	—
Net cash (used in) from financing activities		**(96,090)**	192,205
Net (decrease) increase in cash and cash equivalents		**(207,827)**	176,041
Cash and cash equivalents at beginning of year		**298,626**	118,539
Effect of foreign exchange rate changes		**4,791**	4,046
Cash and cash equivalents at end of year, representing bank balances and cash		**95,590**	298,626

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company is disclosed in the Corporate Information of the annual report.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 19.

The consolidated financial statements are presented in Hong Kong dollars and the functional currency of the Company is Renminbi. The Company uses Hong Kong dollars as its presentation currency because the Company is a public company incorporated in Hong Kong with its shares listed on the Stock Exchange.

During the current year, a subsidiary of the Company, which had been under involuntary liquidation since 2004, was found to be dissolved in October 2006. Accordingly, a prior period adjustment is made in the consolidated financial statements to recognise the gain on winding up of the subsidiary. It resulted in an adjustment to decrease the trade and other payables and unsecured other loans at 1 January 2007 by HK$5,906,000 and HK$3,936,000, respectively, and a corresponding increase in the opening balance of accumulated profits as at 1 January 2007 of HK$9,842,000. The effect of such change had no significant impact on the profit for the year ended 31 December 2007 and 2008.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Company and its subsidiaries (collectively referred to as the "Group") have applied, the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC) — INT 11	HKFRS 2: Group and treasury share transactions
HK(IFRIC) — INT 12	Service concession arranagements
HK(IFRIC) — INT 14	HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & IAS 1 (Amendments)	Puttable Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) — INT 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK(IFRIC) — INT 13	Customer Loyalty Programmes[5]
HK(IFRIC) — INT 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) — INT 16	Hedges of a Net Investment in a Foreign Operations[6]
HK(IFRIC) — INT 17	Distributions of Non-Cash Assets to Owners[3]
HK(IFRIC) — INT 18	Transfer of Assets from Customers[7]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.

2 Effective for annual periods beginning on or after 1 January 2009.

3 Effective for annual periods beginning on or after 1 July 2009.

4 Effective for annual periods beginning on or after 30 June 2009.

5 Effective for annual periods beginning on or after 1 July 2008.

6 Effective for annual periods beginning on or after 1 October 2008.

7 Effective for transfers on or after 1 July 2009.

The application of HKFRS 3 (Revised) may affect the accounting for the Group's business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties which are measured at fair values, as explained in the principal accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

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.

The results of subsidiaries acquired and disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

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

Investments in subsidiaries and associates

Investments in subsidiaries and associates are included in the Company's balance sheet at cost less accumulated impairment loss.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Jointly controlled entity

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of properties in the ordinary course of business (including revenue from pre-completion contracts for the sale of development properties) is recognised 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Deposits received from the purchasers prior to meeting the above criteria are recorded as deposits received on sale of properties and included in current liabilities.

Revenue from sale of goods is recognised when goods are delivered and title has passed.

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight-line basis over the term of the leases.

Service income is recognised when services are provided.

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

Income from the trading of securities is recognised on a trade date basis.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

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 period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. 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 asset) is included in the consolidated income statement in the year in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Properties held for sales and property held for development

Properties held for sales and property held for development are stated at lower of cost and net realisable value. Cost comprises the cost of the land together with direct costs attributable to the development of the properties and borrowing costs capitalised during the period of development.

Borrowing costs

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interest in a joint controlled entity, 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 realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value, are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group are translated into 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 period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Leases

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

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

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 recognised as a reduction of rental expense over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated 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 or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL mainly representing financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

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 restricted bank balance, trade and other receivables, amount receivable from sale of properties, bills receivables, amounts due from associates/related companies and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the financial assets have been impacted.

The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount is reduced by the impairment loss directly for all loans and receivables with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of loans and receivables at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Financial liabilities

Financial liabilities including trade and other payables, amounts due to related companies/a minority shareholder of a subsidiary, amount due to a substantial shareholder, bank loan, unsecured other loans and loan from a minority shareholder of subsidiaries are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

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

Derecognition

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

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

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Retirement benefits costs

Payments to the defined contribution retirement benefits schemes are charged as an expense when employees have rendered services entitling them to the contributions.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (the share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in the share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share options reserve will be transferred to accumulated profits.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses

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

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

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 assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Provisions for claims

Note 3 describes that provision are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Provisions for claims (see note 30) represent provision made for the probable obligations in two legal claims against a subsidiary of the Company. In the current year, the directors provide HK$3,500,000 and HK$987,000 (2007: nil) respectively for the two claims, which are recognised directly through the consolidation income statement in the year ended 31 December 2008.

In making the estimates, directors of the Company considered the details and progress of the two legal claims. In determining whether a provision for claims is required, the directors of the Company will take into consideration for the probability of the payment of the obligations. Specific provision is only made for the amount that is probable. In this regard, the directors of the Company believed that all provision for claims has been properly made.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in notes 33, 34 and 35, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated profits.

The directors of the Company reviews the capital structure on a continuous basis. As part of this review the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged from prior year.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
		(Restated)
Financial assets		
Loans and receivables (including cash and cash equivalents)	**722,727**	467,583
Financial liabilities		
Amortised costs	**234,076**	68,435

	THE COMPANY	
	2008	2007
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**490,952**	505,277
Financial liabilities		
Amortised costs	**60,544**	60,614

Financial risk management objectives and policies

The Group's and the Company's major financial instruments include restricted bank balance, amount receivable from sale of properties, trade and other receivables, bills receivables, amounts due from associates/related companies, bank balances, trade and other payables, amounts due to related companies/ minority shareholders of subsidiaries, amount due to a substantial shareholder, bank loan, unsecured other loans and loans from a minority shareholder of subsidiaries. Details of the 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.

Currency risk

Most of the transactions of the Company and its major subsidiaries are denominated in their respective functional currency. The Company and its subsidiaries do not have significant financial assets or financial liabilities denominated in currencies other than their functional currencies. Accordingly, the Group does not have significant foreign currency exposure.

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Interest rate risk

The cash flow interest rate risk relates primarily to the Group's bank balances with variable rates. The fair value interest rate risk relates primarily to the Group's fixed rate short-term bank deposits, amount due to a substantial shareholder, bank loan and unsecured other loans. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

No sensitivity analysis is prepared for interest rate risk because the fluctuation and the respective impact is considered immaterial.

Credit risk

The Group's credit risk is primarily attributable to amount receivables from sale of properties, trade and other receivables, bills receivables and amounts due from associates/related companies. The maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2008 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has reviewed the recoverable amount of each individual trade debt, amounts due from associates and 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 mainly banks with high credit-ratings or with good reputation.

During the year, the Group has significant concentration of credit risk with a major customer for the year, with an amount of balance receivable from sales of properties of HK$376,654,000 and the Group has an amount of HK$117,415,000 (2007: HK$139,874,000) due from an associate. The management of the Group has closely monitored and reviewed the recoverability of the amounts and the directors of the Company consider such risk is significantly reduced.

During the year, the Company also has significant concentration of credit risk which has an amount of HK$488,052,000 (2007: HK$502,607,000) due from subsidiaries. The management of the Company has closely monitored and reviewed the recoverability of the amounts and the directors of the Company consider such risk is significantly reduced.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank loans and ensures compliance with loan covenants.

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity table

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The table below has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

THE GROUP

	Weighted average effective interest rate	Within 1 year	Total undiscounted cash flows	Carrying amount at 31.12.2008
	%	*HK$'000*	*HK$'000*	*HK$'000*
31.12.2008				
Trade and other payables	—	19,698	19,698	19,698
Amounts due to related companies	—	354	354	354
Amounts due to minority shareholders of subsidiaries	—	3,979	3,979	3,979
Loans from a minority shareholder of subsidiaries	—	36,053	36,053	36,053
Amount due to a substantial shareholder	5.000	6,040	6,040	5,752
Bank loan	8.316	178,700	178,700	164,980
Unsecured other loans — interest bearing	20.000	2,520	2,520	2,100
Unsecured other loans — interest free	—	1,160	1,160	1,160
		248,504	248,504	234,076

THE COMPANY

	Weighted average effective interest rate	Within 1 year	Total undiscounted cash flows and carrying amount at 31.12.2008
	%	*HK$'000*	*HK$'000*
31.12.2008			
Other payables	—	953	953
Amounts due to subsidiaries	—	59,591	59,591
		60,544	60,544

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity table *(Continued)*

THE GROUP

	Weighted average effective interest rate %	Within 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2007 HK$'000 (Restated)
31.12.2007				
Trade and other payables	—	44,113	44,113	44,113
Amounts due to related companies	—	17,084	17,084	17,084
Amount due to minority shareholders of subsidiaries	—	3,978	3,978	3,978
Unsecured other loans — interest bearing	20.000	2,520	2,520	2,100
Unsecured other loans — interest-free	—	1,160	1,160	1,160
		68,855	68,855	68,435

THE COMPANY

	Weighted average effective interest rate %	Within 1 year HK$'000	Total undiscounted cash flows and carrying amount at 31.12.2007 HK$'000
31.12.2007			
Other payables	—	1,023	1,023
Amounts due to subsidiaries	—	59,591	59,591
		60,614	60,614

Fair value of financial instruments

The directors of the Company consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the Group's and the Company's financial statements approximates their fair value.

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

7. SEGMENT INFORMATION

Business segments

The Group's principal activities are property investment and property development. It was also engaged for trade and manufacture of cement in the prior years. These business segments are the basis on which the Group reports its primary segment information. During the year ended 31 December 2007, the Group discontinued its business of trade and manufacture of cement (see note 11). Segment information about the Group's businesses is presented as below:

	Property investment *HK$'000*	Property development *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
For the year ended 31 December 2008				
Turnover				
Segment turnover	1,688	986,266		987,954
Result				
Segment result	300	86,641		86,941
Gain on disposal of a subsidiary				12
Share of results of associates				4,188
Share of results of a jointly controlled entity				(668)
Unallocated other income				5,917
Unallocated corporate expenses				(26,224)
Finance costs				(829)
Profit before taxation				69,337
Taxation charge				(27,074)
Profit for the year				42,263
Other information				
Additions of property, plant and equipment	—	2,181	24	2,205
Gain on disposal of property, plant and equipment	—	67	—	67
Depreciation of property, plant and equipment	(280)	(568)	(376)	(1,224)
Allowance for amount due from related companies	—	—	(607)	(607)
Allowance for other receivables	(501)	—	(5)	(506)

	Property investment *HK$'000*	Property development *HK$'000*	Consolidated *HK$'000*
At 31 December 2008			
Balance sheet			
Assets			
Segment assets	96,398	815,294	911,692
Interests in associates			50,768
Amounts due from associates			117,487
Unallocated corporate assets			84,639
Consolidated total assets			1,164,586
Liabilities			
Segment liabilities	(7,602)	(309,934)	(317,536)
Unallocated corporate liabilities			(53,875)
Consolidated total liabilities			(371,411)

7. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

	Continuing operations				Discontinued operations		
	Property investment	Property development	Unallocated	Total	Trade and manufacture of cement	Total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2007							
Turnover							
Segment turnover	1,868	23,497		25,365	27,454	27,454	52,819
Result							
Segment result	2,185	(949)		1,236	5	5	1,241
Gain on disposal of subsidiaries				19,724		32,003	51,727
Share of results of associates				(697)		—	(697)
Share of results of a jointly controlled entity				(1,475)		—	(1,475)
Unallocated other income				18,024		3	18,027
Unallocated corporate expenses				(21,639)		—	(21,639)
Finance costs				(1,296)		—	(1,296)
Profit before taxation				13,877		32,011	45,888
Taxation charge				(9,109)		—	(9,109)
Profit for the year				4,768		32,011	36,779
Other information							
Additions of property, plant and equipment	1,038	1,694	29	2,761	75	75	2,836
Addition of investment property	33,280	—	—	33,280	—	—	33,280
Increase in fair value of investment properties	1,460	—	—	1,460	—	—	1,460
Allowance for property held for sale	—	(8,283)	—	(8,283)	—	—	(8,283)
Depreciation of property, plant and equipment	(201)	(236)	(387)	(824)	(1,047)	(1,047)	(1,871)

7. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

	Continuing operations		Discontinued operations	
	Property investment	Property development	Trade and manufacture of cement	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Restated)
At 31 December 2007				
Balance sheet				
Assets				
Segment assets	85,567	142,776	—	228,343
Interests in associates				41,599
Amounts due from associates				149,598
Interest in a jointly controlled entity				103,881
Unallocated corporate assets				211,868
Consolidated total assets				735,289
Liabilities				
Segment liabilities	(7,186)	(38,700)	—	(45,886)
Unallocated corporate liabilities				(56,007)
Consolidated total liabilities				(101,893)

Geographical segments

As over 90% of the segment turnover, segment results and segment assets for both years (including the discounted operation in 2007) is derived from, or located in, the People's Republic of China (the "PRC"), an analysis of the segment turnover, segment results and segment assets by geographical location is not presented.

8. OTHER INCOME

	2008	2007
	HK$'000	*HK$'000*
Interest from bank deposits	**2,258**	4,571
Interest income from an associate	**311**	458
Gain on disposal of held for trading securities	**1,994**	8,197
Consultancy and service income from an associate	**360**	3,580
Exchange gain	**—**	3,684
Reversal of temporary receipts	**966**	—
Others	**785**	609
	6,674	21,099

9. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	**8,003**	1,296
Interest paid to China Chengtong Hong Kong Company Limited ("CCHK"), the substantial shareholder of the Company	**829**	—
	8,832	1,296
Less: Amounts capitalised (Note)	**(8,003)**	—
	829	1,296

Note: The amount represents the borrowings costs that are directly attributable to the properties development project of a subsidiary. The completed properties were sold to the Huzhou local government during the year.

10. TAXATION CHARGE

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/09. Therefore, Hong Kong Profits Tax is provided at 16.5% (2007: 17.5%) on the estimated assessable profits for the year.

PRC Enterprise Income Tax is provided at 25% (2007: 33%) on the estimated assessable profits for the year.

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit for both years.

10. TAXATION CHARGE *(Continued)*

PRC Enterprise Income Tax of the People's Republic of China (the "PRC") is provided for with reference to the applicable tax rates prevailing in the respective regions of the PRC on the estimate assessable profits of the Group's PRC subsidiaries. The taxation credit for current year represents overprovision in prior years.

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
The taxation charge comprises:						
Current tax:						
PRC Enterprise Income Tax	**25,626**	8,763	**—**	—	**25,626**	8,763
PRC land appreciation tax *(Note a)*	**—**	3,384	**—**	—	**—**	3,384
	25,626	12,147	**—**	—	**25,626**	12,147
Overprovision in prior years:						
PRC	**(317)**	(3,294)	**—**	—	**(317)**	(3,294)
	(317)	(3,294)	**—**	—	**(317)**	(3,294)
	25,309	8,853	**—**	—	**25,309**	8,853
Deferred taxation *(note 36)*						
— Current year charge	**1,765**	327	**—**	—	**1,765**	327
— Attributable to change of PRC Enterprise income tax rate *(Note b)*	**—**	(71)	**—**	—	**—**	(71)
	1,765	256	**—**	—	**1,765**	256
Taxation charge for the year	**27,074**	9,109	**—**	—	**27,074**	9,109

Notes:

(a) PRC land appreciation tax is levied at progressive rate ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land and development and construction expenditures.

(b) On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Under the New Law and Implementation Regulations, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC change from 33% to 25% for all PRC subsidiaries from 1 January 2008 onwards.

10. TAXATION CHARGE *(Continued)*

A statement of reconciliation of taxation is as follows:

	2008	2007
	HK$'000	*HK$'000*
Profit before taxation		
Continuing operations	**69,337**	13,877
Discontinued operations	**—**	32,011
	69,337	45,888
Domestic tax at the PRC Enterprise Income Tax rate of 25% (2007: 33%)	**17,334**	15,143
Tax effect of share of results of associates and a jointly controlled entity	**(880)**	717
Tax effect of expenses not deductible for tax purposes	**4,250**	5,329
Tax effect of income not taxable for tax purposes	**(3,041)**	(13,361)
Tax effect of tax losses not recognised	**6,033**	4,419
Tax effect of temporary differences not recognised	**2,336**	—
Tax effect of utilisation of tax losses previously not recognised	**—**	(3,157)
Tax effect of utilisation of temporary differences previously not recognised	**(406)**	—
Withholding tax for undistributed profits of investments in the PRC	**1,765**	—
Decrease in opening deferred tax liability resulting from a decrease in applicable tax rate	**—**	(71)
Overprovision in prior years	**(317)**	(3,294)
	27,074	5,725
Land appreciation tax	**—**	3,384
	27,074	9,109

The domestic tax rate is 25% (2007: 33%) during the current year as the major profit making units of the Group are situated at locations where 25% (2007: 33%) is the domestic tax rate.

11. DISCONTINUED OPERATION

Transfer of the trade and manufacture of cement business for 20% equity interest in a newly established company

On 12 October 2006, the Group entered into a conditional agreement with CIMPOR Inversiones SA ("CIMPOR") to establish a company, namely, CIMPOR Chengtong Cement Corporation Limited ("CIMPOR Chengtong") pursuant to which the Group would own 20% equity interest and CIMPOR would own 80% equity interest in CIMPOR Chengtong. The Group's contribution to CIMPOR Chengtong is by way of transfer of its entire interest in a subsidiary, Sea-Land Mining Limited ("Sea-Land") and Sea-Land's subsidiary, 蘇州南達水泥有限公司 ("Suzhou Nanda") (collectively the "Sea-Land Group") to CIMPOR Chengtong while CIMPOR contributed HK$196,304,000 in cash. This transaction was completed on 20 June 2007.

The Sea-Land Group carried out all of the Group's operation on the trade and manufacture of cement.

The results of trade and manufacture of cement operations for the period from 1 January 2007 to 20 June 2007, which have been included in the consolidated income statement, were as follows:

	Period ended 20 June 2007 *HK$'000*
Turnover	27,454
Cost of sales	(24,621)
Other income	247
Selling expenses	(560)
Administrative expenses	(2,512)
Profit for the period	8
Gain on disposal of trade and manufacture of cement	32,003
	32,011
Attributable to:	
Shareholders of the Company	32,154
Minority interests	(143)
	32,011
Cash flows for the year from discontinued operations	
Net cash flows from operating activities	(1,150)
Net cash flows from investing activities	274
Effect of foreign exchange rate changes	35
Net cash flows	(841)

12. PROFITS FOR THE YEAR

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Profits for the year is arrived at after charging:						
Auditor's remuneration	**1,200**	1,200	**—**	—	**1,200**	1,200
Allowance for properties held for sale (included in cost of sales)	**—**	8,283	**—**	—	**—**	8,283
Depreciation of property, plant and equipment	**1,224**	824	**—**	1,047	**1,224**	1,871
Minimum lease payments in respect of rented premises	**2,696**	2,859	**—**	47	**2,696**	2,906
Contributions to retirement benefits schemes (including directors' emoluments)	**566**	332	**—**	237	**566**	569
Staff costs (including directors' emoluments)	**12,556**	9,276	**—**	2,124	**12,556**	11,400
Cost of inventories recognised as an expense	**880,656**	19,771	**—**	24,621	**880,656**	44,392
Allowance for amount due from related companies	**607**	—	**—**	—	**607**	—
Allowance for other receivables	**506**	—	**—**	—	**506**	—
Exchange loss	**711**	—	**—**	—	**711**	—
and after crediting:						
Gross rental income from investment properties, net of outgoings	**1,688**	1,868	**—**	106	**1,688**	1,974
Gain on disposal of property, plant and equipment	**67**	—	**—**	—	**67**	—
Gain on disposal of subsidiaries	**12**	19,724	**—**	32,003	**12**	51,727
Exchange gain	**—**	3,684	**—**	—	**—**	3,684

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 10 (2007: 11) directors were as follows:

2008

	Zhang Guotong	Wang Hongxin	Xu Zhen	Gu Laiyun	Kwong Chekeung	Tsui Yiuwa	Lao Youan	Ba Shusong	Ma Zhengwu (resigned on 10.4.2008)	Hong Shuikun (resigned on 10.4.2008)	Total 2008
	HK'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	326	240	240	240	360	360	240	240	100	67	2,413
Salaries	838	549	—	—	—	—	—	—	—	—	1,387
Performance-based bonus	554	610	—	—	—	—	—	—	—	—	1,164
Contributions to retirement benefits schemes	50	33	—	—	—	—	—	—	—	—	83
Total emoluments	1,768	1,432	240	240	360	360	240	240	100	67	5,047

2007

	Zhang Guotong	Wang Hongxin	Xu Zhen	Gu Laiyun	Kwong Chekeung	Tsui Yiuwa	Lao Youan	Ba Shusong	Ma Zhengwu (resigned on 10.4.2008)	Hong Shuikun (resigned on 10.4.2008)	Wu Chun Wah, Michael (resigned on 10.2.2007)	Total 2007
	HK'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	240	240	240	240	360	360	240	178	360	240	—	2,698
Salaries	811	505	—	—	—	—	—	—	—	—	—	1,316
Contributions to retirement benefits schemes	41	25	—	—	—	—	—	—	—	—	—	66
Total emoluments	1,092	770	240	240	360	360	240	178	360	240	—	4,080

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2007: two) were directors of the Company whose emoluments are included in (a) above. The emoluments of the remaining three (2007: three) individuals were as follows:

	2008 **HK$'000**	2007 HK$'000
Salaries and other benefits	**1,568**	1,897
Performance-based bonus	**496**	—
Contributions to retirement benefits schemes	**104**	95
	2,168	1,992

Emoluments of each of the 3 (2007: 3) highest paid individuals were within the following band:

	2008 **Number of employees**	2007 Number of employees
Nil to HK$1,000,000	**3**	3

During the years ended 31 December 2008 and 2007, no remunerations were paid by the Group to the directors or the three highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the directors waived any emoluments during the year.

14. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2008, nor has any dividend been proposed since the balance sheet date (2007: nil).

15. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share attributable to the equity shareholders of the Company is based on the following data:

	2008	2007
	HK$'000	*HK$'000*
Profit for the year and earnings for the purposes of basic and diluted earnings per share	**5,778**	35,945

	Number of shares	
	2008	2007
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,676,848,753**	2,588,625,956
Effect of dilutive potential ordinary shares in respect of share options	**1,695,652**	31,227,828
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,678,544,405**	2,619,853,784

The weighted average number of ordinary shares for the purpose of basic earnings per share calculation in 2007 has been adjusted for the rights issue of the Company completed in April 2007 (note 38(b)).

15. EARNINGS PER SHARE *(Continued)*

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to the equity shareholders of the Company is based on the following data:

Earnings figures are calculated as follows:

	2008	2007
	HK$'000	*HK$'000*
Profits for the year attributable to shareholders of the Company and earnings for the purposes of basic and diluted earnings per share	**5,778**	35,945
Less: Profits for the year from discontinued operations	**—**	(32,154)
Earnings for the purposes of basic and diluted earnings per share from continuing operations	**5,778**	3,791

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operations

Basic and diluted earnings per share for discontinued operations for the year ended 31 December 2007 are HK1.24 cent per share and HK1.23 per share respectively.

16. RETIREMENT BENEFITS SCHEMES

The Group participates in a defined contribution retirement benefits scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. All employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were required to switch to the MPF Scheme, whereas all new Hong Kong employees joining the Group after December 2000 are required to join the MPF Scheme. The Group contributes 5% of relevant payroll costs for each employee to the MPF Scheme, which contribution is matched by employees.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. The subsidiaries are required to contribute 20% to 21% of payroll costs, with upper limit for each employee, to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

During the year ended 31 December 2008, contributions totalling of HK$566,000 (2007: HK$569,000) were paid by the Group.

17. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST			
At 1 January 2007	12,251	1,268	13,519
Currency realignment	53	21	74
Acquired on acquisition of subsidiaries	1,024	180	1,204
Additions	837	720	1,557
Disposal of a subsidiary	(38)	(135)	(173)
At 31 December 2007	14,127	2,054	16,181
Currency realignment	134	73	207
Acquired on acquisition of a subsidiary	167	827	994
Additions	125	1,086	1,211
Disposals	(1,639)	—	(1,639)
At 31 December 2008	12,914	4,040	16,954
ACCUMULATED DEPRECIATION AND IMPAIRMENT			
At 1 January 2007	11,055	1,060	12,115
Currency realignment	13	10	23
Provided for the year	730	94	824
Eliminated on disposal of a subsidiary	(6)	(7)	(13)
At 31 December 2007	11,792	1,157	12,949
Currency realignment	47	26	73
Provided for the year	896	328	1,224
Eliminated on disposals	(1,630)	—	(1,630)
At 31 December 2008	11,105	1,511	12,616
CARRYING AMOUNTS			
At 31 December 2008	1,809	2,529	4,338
At 31 December 2007	2,335	897	3,232

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

THE GROUP *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Furniture and equipment	10% to 33%
Motor vehicles	12.5% to 33%

THE COMPANY

	Furniture and equipment *HK$'000*
COST	
At 1 January 2007	934
Additions	29
At 31 December 2007 and 31 December 2008	963
ACCUMULATED DEPRECIATION	
At 1 January 2007	52
Provided for the year	321
At 31 December 2007	373
Provided for the year	321
At 31 December 2008	694
CARRYING AMOUNTS	
At 31 December 2008	269
At 31 December 2007	590

18. INVESTMENT PROPERTIES

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
FAIR VALUE		
At 1 January	**83,740**	45,000
Currency realignment	**5,530**	4,000
Additions	**—**	436
Acquired on an acquisition of a subsidiary *(Note)*	**—**	32,844
Increase in fair value recognised in the consolidated income statement	**—**	1,460
At 31 December	**89,270**	83,740

Note: During the year ended 31 December 2007, the Group acquired investment properties whose fair value amounted to HK$32,844,000 as at 8 June 2007 through acquisition of 100% equity interest in a property holding company, 洛陽城南 (formerly known as 洛陽關林中儲物流中心) by 中實投資有限公司 Zhongshi Investment Company Limited ("Zhongshi") (see note 42).

The carrying amount of investment properties shown above represents land and properties in the PRC held under medium-term lease.

The fair values of the Group's investment properties at 31 December 2008 and 2007 and of the investment properties acquired as at 8 June 2007 have been arrived at on the basis of a valuation carried out on that date by B.I. Appraisals Limited, an independent qualified professional valuers not connected with the Group. B.I. Appraisals Limited is member of the Hong Kong Institute of Surveyors, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

19. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2008	2007
	HK$'000	*HK$'000*
Unlisted shares, at cost	**1,001**	1,001
Less: Impairment loss	**(1,000)**	(1,000)
	1	1

19. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries at 31 December 2008 and 2007 are as follows:

Company	Place of incorporation/ operations	Total paid-up and issued ordinary share/ registered capital	Equity interest owned by the Group 2008 %	2007 %	Principal activities
Directly held:					
Galactic Investment Limited	Hong Kong	2 ordinary shares of HK$1 each	**100**	100	Investment holding
Key Asset Limited	Hong Kong	100 ordinary shares of HK$1 each	**100**	100	Investment holding
Merry World Associates Limited	British Virgin Islands ("BVI")/ PRC	1 ordinary share of US$1	**100**	100	Property investment
Indirectly held:					
Boxhill Limited	BVI/Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
China Chengtong Properties Group Limited	Hong Kong	10,000 ordinary shares of HK$1 each	**100**	100	Investment holding
Great Royal International Limited	Hong Kong	100 ordinary shares of HK$1 each	**100**	100	Investment holding
Price Sales Limited	Hong Kong	10,000 ordinary shares of HK$1 each	**100**	100	Investment holding
Zhongshi *	PRC	RMB100,000,000	**100**	100	Properties development

19. INTERESTS IN SUBSIDIARIES *(Continued)*

Company	Place of incorporation/ operations	Total paid-up and issued ordinary share/ registered capital	Equity interest owned by the Group 2008 %	2007 %	Principal activities
Indirectly held: *(Continued)*					
洛陽城南**	PRC	RMB26,680,000	**100**	100	Property investment
湖州萬港聯合置業有限公司 Huzhou Wangang United Estate Company Limited ("Huzhou Wangang")**	PRC	RMB306,800,000	**67.08**	N/A	Properties development
諸城港龍置地有限公司**	PRC	RMB10,000,000	**80**	N/A	Properties development
諸城泰豐置地有限公司**	PRC	RMB10,000,000	**80**	N/A	Properties development
諸城鳳凰置地有限公司**	PRC	RMB10,000,000	**80**	N/A	Properties development

* The subsidiary was established in the PRC as a sino-foreign equity joint venture enterprise. On 27 March 2007, the Group entered into a conditional agreement with the minority shareholder of Zhongshi to acquire the remaining 30% equity interest in Zhongshi through its wholly-owned subsidiary, China Chengtong Properties Group Limited, at a consideration of RMB20,610,000 (equivalent to approximately HK$21,847,000). The transaction was completed in December 2007.

** A limited liability company established in the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at 31 December 2008 and 2007 or at any time during the year.

20. INTERESTS IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Cost of investment in associates	**49,076**	61,261
Share of post acquisition profit (loss)	**3,491**	(12,618)
Share of post acquisition reserves	**5,889**	644
	58,456	49,287
Unrealised gain on disposal of subsidiaries to an associate *(note 43)*	**(7,688)**	(7,688)
	50,768	41,599
Non-current asset		
Amount due from an associate *(Note a)*	**118,501**	140,960
Less: Allowance for doubtful receivables	**(1,086)**	(1,086)
	117,415	139,874
Current asset		
Amounts due from associates *(Note b)*	**72**	9,724

	THE COMPANY	
	2008	2007
	HK$'000	*HK$'000*
Non-current asset		
Amount due from an associate *(note a)*	**517**	517

Notes:

(a) The amount due from an associate is unsecured, interest-free and repayable on demand. The directors of the Company expected the amount will be settled after more than one year from the date of balance sheet and accordingly the amount is classified as non-current.

(b) As at 31 December 2007, included in HK$9,724,000 is amount due from an associate of HK$9,050,000 which carries fixed interest rate at 7% per annum. The amount was repaid in June 2008.

The remaining amounts are interest-free and repayable on demand. The amounts due from associates are unsecured.

The directors of the Company closely monitor the credit quality of amounts due from associates and allowance is made for all the doubtful receivables.

20. INTERESTS IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES *(Continued)*

Particulars of the significant associates of the Group at 31 December 2008 and 2007 are as follows:

Company	Place of incorporation and registration/ operations	Equity interest owned by the Group 2008 %	2007 %	Principal activities
Goodwill (Overseas) Limited ("Goodwill Overseas")	BVI/Hong Kong	**32**	32	Investment holding
Success Project Investments Ltd. ("Success Project")*	BVI/Hong Kong	**N/A**	35	Investment holding
CIMPOR Chengtong	Hong Kong	**20**	20	Investment holding

* Success Project was strike off during the year.

The summarised financial information in respect of the Group's associates is set out below:

	THE GROUP 2008 HK$'000	2007 HK$'000
Total assets	**2,089,976**	1,191,241
Total liabilities	**(1,769,949)**	(921,261)
Minority interests	**(31,156)**	(27,527)
Net assets	**288,871**	242,453
Group's share of associates' net assets	**58,456**	49,287
Unrealised gain on disposal of subsidiaries to an associate *(note 43)*	**(7,688)**	(7,688)
	50,768	41,599
Revenue	**752,122**	263,664
Profit (loss) for the year attributable to equity holders of the associates	**20,935**	(3,484)
Group's share of profit (loss) of associates for the year	**4,188**	(697)

20. INTERESTS IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES *(Continued)*

The Group has discontinued recognition of its share of losses of a loss-making associate. The amounts of unrecognised share of the associate, extracted from the relevant management accounts of associate both for the year and cumulatively, are as follows:

	2008	2007
	HK$'000	*HK$'000*
Unrecognised share of losses of an associate for the year	**2**	2
Accumulated unrecognised share of losses of an associate	**1,219**	1,217

21. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Cost of investment in a jointly controlled entity	—	98,174
Share of post acquisition losses	—	(2,203)
Share of post acquisition reserves	—	7,910
	—	103,881

The principal investment in a jointly controlled entity at 31 December 2007 represents the Company's interest in 50% of registered paid-in capital of 湖州萬港聯合置業有限公司 (Huzhou Wangang United Estate Company Limited). In June 2008, Huzhou Wangang became a subsidiary of the Company as described in note 42.

The summarised financial information in respect of the Group's interests in the jointly controlled entity which were accounted for using the equity method is set out below:

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Current assets	—	389,856
Non-current assets	—	519
Current liabilities	—	(185,388)
Non-current liabilities	—	(106,000)
Income	**103**	279
Expenses	**(771)**	(1,754)

22. RESTRICTED BANK BALANCE

Pursuant to the order of the High Court of the Hong Kong Special Administrative Region dated 20 June 2006 confirming the cancellation of the entire sum standing to the credit of the share premium account of the Company as at 31 December 2004 and set off with the accumulated loss of the Company as at 31 December 2004 (the "Capital Reduction") which became effective on 21 June 2006 (the "Effective Date"), a sum of HK$4,200,000 ("Trust Fund") was deposited on 20 June 2006 into a new and segregated bank deposit account designated "CCDG Capital Reduction Account" ("Trust Account") in the name of Key Asset Limited (a wholly owned subsidiary of the Company) ("Trustee") as trustee for the benefit of those creditors of the Company who have not given their consents to the Capital Reduction as at the Effective Date ("Non-consenting Creditors"). In relation to the said trust, it is undertaken by the Company and the Trustee that: (a) the Company will procure the Trustee to apply the Trust Fund for the sole and exclusive purpose of paying the Non-consenting Creditors in discharge, satisfaction or settlement of their projected claims on the Effective Date ("Pre-Capital Reduction Claims"); (b) in the event that any Non-consenting Creditors shall give its consent to the Capital Reduction subsequent to the Effective Date, the amount of the Trust Fund shall be reduced by the relevant Pre-Capital Reduction Claims from the said Non-consenting Creditors(s) and the Trustee shall be at liberty to transfer the amount of any such reduction(s) to the other bank accounts of the Company and the same shall become available for working capital or any other general uses of the Company; (c) the Trustee shall maintain to the credit of the Trust Account a cash balance of not less than the aggregate Pre-Capital Reduction Claims from the remaining Non-consenting Creditors outstanding at any time whilst the Trust Account remains operated; (d) the Company and the Trustee shall maintain the Trust Account for a period of six years from the Effective Date unless it is terminated earlier upon the happening of any of the following events, i.e., (aa) all the Pre-Capital Reduction Claims shall have been paid, satisfied, settled or otherwise extinguished; (bb) the remaining Non-consenting Creditors shall subsequently give their consents to the Capital Reduction; (cc) any period of limitation in respect of the remaining Pre-Capital Reduction Claims shall have expired; or (dd) such earlier date as the High Court shall direct upon application by the Company.

Restricted bank balance carries interest at market rate which ranged from 0.01% to 1.50% (2007: from 1.72% to 2.68%) per annum.

23. PROPERTIES HELD FOR DEVELOPMENT

The carrying value of properties held for development comprises properties in the PRC under long term leases. As at 31 December 2008, the issuance of the certificates of land use rights is still in progress.

The amount is expected to be recovered within the Company's operating cycle, thus, it is classified as current even it is expected to be recovered after twelve months from the balance sheet date.

24. AMOUNT RECEIVABLE FROM SALE OF PROPERTIES

The amount represents the balance receivable in relation to the sales of completed properties to the Huzhou local government. In the directors' opinion, the amount will be fully repaid in 2009 and accordingly the amount is classified as current.

25. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Trade receivables	**3,101**	3,176
Other receivables	**124,765**	2,207
Prepayments and deposits	**2,412**	2,576
Total trade and other receivables	**130,278**	7,959

The Group allows an average credit period of a 30 days (2007: 30 days) to its trade customers. The following is an aged analysis of trade receivables at the balance sheet date:

	2008	2007
	HK$'000	*HK$'000*
Within one month	**100**	90
One to two years	**—**	85
Over five years	**3,001**	3,001
	3,101	3,176

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$3,001,000 (2007: HK$3,086,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2008	2007
	HK$'000	*HK$'000*
One to two years	**—**	85
Over five years	**3,001**	3,001
	3,001	3,086

The Group has not provided allowance for all receivables past due as the directors are of the view that such receivables are fully recoverable.

26. BILLS RECEIVABLES

At 31 December 2007, the whole balance of bills receivables was aged within three months at the balance sheet date.

27. AMOUNTS DUE FROM RELATED COMPANIES

	THE GROUP		
Name of related companies	**2008**	2007	Maximum amount outstanding during the year
	HK$'000	*HK$'000*	*HK$'000*
中國物資開發投資總公司	—	4,134	4,134
Nardu Company Limited	—	177	177
Panyu Lucky Rich Real-Estates Development Limited	—	430	430
	—	4,741	

The amounts at 31 December 2007 are unsecured, interest-free and repayable on demand. 中國物資開發投資總公司 is a subsidiary of China Chengtong Holdings Group Limited, a holding company of a substantial shareholder of the Company. Nardu Company Limited and Panyu Lucky Rich Real-Estates Development Limited are subsidiaries of China Chengtong Hong Kong Company Limited, a substantial shareholder of the Company.

28. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less, which carry at fixed interest rates.

Bank balances carry interest at market rates which range from 0.01% to 4.00% (2007: from 0.10% to 3.24%) per annum.

Bank balances and cash amounting to HK$20,783,000 (2007: HK$69,661,000) were denominated in Renminbi ("RMB") which is not a freely convertible currency in the international market. The RMB exchange rate is determined by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

29. TRADE AND OTHER PAYABLES

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000* (Restated)
Trade payables	**11,509**	12,933
Other payables and accruals	**108,018**	35,986
	119,527	48,919

The aged analysis of the trade payables at the balance sheet date is as follows:

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Within one year	**2,278**	—
One to two years	**45**	—
Two to three years	**—**	7,149
Over three years	**9,186**	5,784
	11,509	12,933

30. PROVISIONS FOR CLAIMS

(a) Zhongshi, a wholly-owned subsidiary of the Company, has received a summon issued by an independent contractor against Zhongshi to recover an unpaid contract fee for a property project of Zhongshi before the Group acquired Zhongshi in 2004 and the interest accrued thereon in the aggregate sum of RMB3,761,000 (equivalent to approximately HK$4,250,000).

On 18 December 2008, the PRC local court issued a court order which stated that Zhongshi is liable to pay for the claim amounting to RMB 3,064,000 (equivalent to approximately HK$ 3,462,000) and payable on 17 January 2009.

The directors of the Company are of the view that it is probable that Zhongshi will be liable to the payment of the claim. Accordingly, a provision for claim of HK$3,500,000 was made in the current year. However, Zhongshi would like to seek for a chance to be not liable for the claim, thus, it has consulted legal advices and made a second appeal to the court on 29 December 2008.

(b) Zhongshi has also received a summon issued by an independent contractor against Zhongshi to recover an unpaid contract fee for a construction project of RMB873,000 (equivalent to approximately HK$987,000) and the interest accrued thereon of RMB88,000 (equivalent to approximately HK$99,000).

The directors of the Company are of the view that it is probable that Zhongshi should settle most of the unpaid contract fee. Accordingly, a provision for claim of HK$987,000 was made for the current year.

31. AMOUNTS DUE TO RELATED COMPANIES

The amounts are unsecured, interest-free and repayable on demand. As at 31 December 2007, included in the amounts due to related companies of HK$12,381,000 and HK$3,817,000 represent the unpaid portion of consideration and the amount due to a related company assumed from acquisition of 洛陽城南 respectively.

32. AMOUNTS DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES/A SUBSTANTIAL SHAREHOLDER

The amounts due to minority shareholders of subsidiaries/a substantial shareholder is unsecured and repayable on demand. The amount due to minority shareholders of subsidiaries is interest-free, while the amount due to a substantial shareholder bears fixed interest rate at 5% per annum (2007: nil).

33. BANK LOAN

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Secured bank loan repayable within one year	**164,980**	—

The bank loan carries a fixed interest rate at 8.316% per annum (2007: nil), which is 10% above the interest rate per annum offered by The People's Bank of China, and will be repriced every twelve months upon revolving.

The bank loan is secured by the land use right of the completed properties which were sold to the Huzhou local government in the current year. The bank loan is also guaranteed by 浙江雲廈集團有限公司, a minority shareholder of a subsidiary.

34. UNSECURED OTHER LOANS

The other loans from third parties are unsecured, repayable on demand and interest-free, except for a loan of HK$2,100,000 (2007: HK$2,100,000) which carried fixed interest rate at 0.05% (2007: 0.05%) per day on a compound basis.

35. LOANS FROM A MINORITY SHAREHOLDER OF SUBSIDIARIES

Loans from a minority shareholder of certain subsidiaries are unsecured, interest-free and will be demanded for repayment within three years after the Group has obtained the certificate of the land use right for the properties held for development (see note 23).

The Company does not have an unconditional right to defer settlement of the liability for twelve months after the balance sheet date, therefore, these loans are classified as current.

36. DEFERRED TAX LIABILITIES

THE GROUP

The followings are the major deferred tax liabilities and movement thereon during both years:

	Revaluation of properties *HK$'000*	Withholding tax for undistributed profits of investment in the PRC *HK$'000*	Total *HK$'000*
At 1 January 2007	3,937	—	3,937
Charge to expense for the year *(note 10)*	327	—	327
Effect of change of PRC Enterprise Income tax rate *(note 10)*	(71)	—	(71)
Exchange difference	544	—	544
At 31 December 2007	4,737	—	4,737
Charge to expense for the year *(note 10)*	—	1,765	1,765
Exchange difference	242	102	344
At 31 December 2008	4,979	1,867	6,846

The Group has deductible temporary differences not recognised in the consolidated financial statements as follows:

	THE GROUP	
	2008 ***HK$'000***	2007 *HK$'000*
Tax losses	**(138,280)**	(114,148)
Impairment losses and provisions	**(16,004)**	(8,283)
	(154,284)	(122,431)

36. DEFERRED TAX LIABILITIES *(Continued)*

THE GROUP *(Continued)*

No deferred tax asset in respect of the abovementioned temporary differences has been recognised due to unpredictability of future profit streams. Included in the unrecognised tax losses are losses of approximately HK$4,827,000 (2007: nil) that will expire in the year of 2014, other tax losses may be carried forward indefinitely.

Note: Under the New Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC entities to a non-PRC holding company from 1 January 2008 onwards.

THE COMPANY

At 31 December 2008, the Company has unused tax losses of HK$96,865,000 (2007: HK$81,295,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profits streams. The tax losses may be carried forward indefinitely.

37. AMOUNTS DUE FROM/TO SUBSIDIARIES

The amounts due from/to subsidiaries are unsecured, interest-free and repayable on demand.

The directors of the Company expected the amount due from a subsidiary of HK$107,010,000 (2007: HK$131,440,000) will be settled after more than one year from the balance sheet date and accordingly the amount is classified as non-current.

38. SHARE CAPITAL

	2008		2007	
	Number of shares *'000*	**Amount** *HK$'000*	Number of shares *'000*	Amount *HK$'000*
Ordinary shares of HK$0.10 each				
Authorised:				
At 1 January	**5,000,000**	**500,000**	5,000,000	500,000
Increase during the year *(Note a)*	**1,000,000**	**100,000**	—	—
At 31 December	**6,000,000**	**600,000**	5,000,000	500,000
Issued and fully paid:				
At 1 January	**2,672,020**	**267,202**	2,023,505	202,350
Exercise of share options	**6,885**	**689**	41,464	4,146
Rights issue *(Note b)*	**—**	**—**	607,051	60,706
At 31 December	**2,678,905**	**267,891**	2,672,020	267,202

Notes:

(a) On 16 December 2008, the shareholders of the Company passed an ordinary resolution by way of poll to approve the authorised share capital of the Company increased from HK$500,000,000 to HK$600,000,000 by the creation of 1,000,000,000 new shares of HK$0.10 each.

(b) In April 2007, the Company completed the rights issue of 607,051,490 new shares at HK$0.33 per share (HK$0.1 par value) for gross proceeds of HK$200,328,000. The issue is in the proportion of three rights shares for every ten existing shares held.

All shares issued during the year rank pari passu with other shares in issue in all respects.

39. SHARE OPTIONS SCHEME

The Company adopted a share option scheme at the extraordinary general meeting of the Company held on 24 June 2003 (the "Scheme"), the directors of the Company may, at their discretion, invite any participants to take up options to subscribe for fully paid ordinary shares ("Shares") in the Company subject to the terms and conditions stipulated therein.

Details of the Scheme are as follows:

(i) Purpose

The purpose of the Scheme is to provide incentives or rewards to participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group and any invested entity.

(ii) Participants

The directors of the Company may, at their discretion, invite any participant including any executive director, non-executive director or employee (whether full time or part time), shareholder, supplier, customer, consultant, adviser, other service provider or any joint venture partner, business or strategic alliance partner, in each case, of the Company, any subsidiary of the Company or any invested entity, to take up options to subscribe for Shares in the Company.

(iii) Maximum number of shares

(a) 30% limit

The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme must not exceed 30% of the Shares in issue from time to time (the "Scheme Limit").

(b) 10% limit

In addition to the Scheme Limit, and subject to the following, the total number of shares which may be issued upon exercise of all options granted under the Scheme must not in aggregate exceed 10% of the Shares in issue as at the date of approval of the Scheme (excluding any options which have lapsed) (the "Scheme Mandate Limit").

The Company may, from time to time, renew the Scheme Mandate Limit by obtaining the approval of its shareholders in general meeting. The Company may also seek separate approval by its shareholders in general meeting for granting options beyond the renewed Scheme Mandate Limit provided the options in excess of such limit are granted only to participants specifically identified.

39. SHARE OPTIONS SCHEME *(Continued)*

(iv) Maximum entitlement of each participant

Unless approved by shareholders of the Company, the total number of securities issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12 month period must not exceed 1% of the Shares in issue. Where any further grant of options to a participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of such further grant representing in aggregate over 1% of the relevant class of securities in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such participant and his associates abstaining from voting.

(v) Price of shares

The exercise price must be at least the higher of: (a) the nominal value of a Share at the date of grant; (b) the closing price of a Share as stated on the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; and (c) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

(vi) Amount payable upon acceptance of the option

Acceptance of an offer of the grant of an option shall be by the delivery to and receipt by the Company at its registered office of the form of acceptance sent to the participant duly completed and signed by the participant together with a remittance of HK$1.

(vii) Exercisable periods

The options are generally either fully vested and exercisable within a period of time up to the maximum of 10 years immediately after the date of acceptance of the offer or are vested over a period of time at the directors' discretion on each grant.

(viii) Vesting periods

(1) The options granted on 8 March 2004 have vesting period as follows:

50% of the options are vested in 12 months from the date of acceptance of the offer and the balance 50% of the options are vested in 24 months from the date of acceptance of the offer.

(2) The options granted on 28 September 2004 have vesting period as follows:

100% of the options are vested in 12 months from the date of acceptance of the offer.

(ix) The remaining life of the Scheme

The life of the Scheme is 10 years commencing on 24 June 2003 and will end on 23 June 2013.

39. SHARE OPTIONS SCHEME *(Continued)*

(x) Shares available for issue under the Scheme

As at 31 December 2008, the total number of shares available for issue under the Scheme was approximately 141,452,000 (2007: 156,763,000) shares which represented approximately 5.3% (2007: 5.9%) of the total issued share capital of the Company.

The movements in the number of options outstanding during both years which have been granted to the directors of the Company and employees of the Group under the Scheme were as follows:

	Date of grant	Exercisable period	Exercise price *HK$*	Adjusted exercise price *HK$* *(Note)*	Outstanding at 1.1.2007	Adjusted during the year	Exercised during the year	Outstanding at 1.1.2008	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2008	Number of underlying shares
Directors	8.3.2004	9.3.2005 to 8.3.2008	0.364	0.3012	2,700,000	3,263,378	(2,900,780)	362,598	(362,598)	—	—	—
	8.3.2004	9.3.2006 to 8.3.2009	0.364	0.3012	2,700,000	3,263,378	(2,900,780)	362,598	(362,598)	—	—	—
	28.9.2004	29.9.2005 to 28.9.2008	0.245	0.2027	5,000,000	6,043,292	(3,625,975)	2,417,317	(2,417,317)	—	—	—
Other employees	8.3.2004	9.3.2005 to 8.3.2008	0.364	0.3012	5,325,000	6,436,107	(6,073,509)	362,598	(362,598)	—	—	—
	8.3.2004	9.3.2006 to 8.3.2009	0.364	0.3012	5,325,000	6,436,107	(5,948,313)	487,794	(362,598)	—	125,196	125,196
	28.9.2004	29.9.2005 to 28.9.2008	0.245	0.2027	19,250,000	23,266,680	(20,014,729)	3,251,951	(3,017,317)	(234,634)	—	—
Total					40,300,000	48,708,942	(41,464,086)	7,244,856	(6,885,026)	(234,634)	125,196	125,196
Weighted average exercise price per share					0.2924	0.2924	0.2962	0.2709	0.2804	0.245	0.364	0.364
Adjusted weighted average exercise price per share *(Note)*					0.2419	0.2419	0.2450	0.2241	0.2320	0.2027	0.3012	0.3012

Number of share options exercisable at 31 December 2008 was 125,196 (2007: 7,244,856).

39. SHARE OPTIONS SCHEME *(Continued)*

(x) Shares available for issue under the Scheme *(Continued)*

The following share options granted under the Scheme were exercised during the year.

Number of options exercised Option 1	Option 2	Exercise date	Share price at exercise date HK$
—	2,417,317	14.1.2008	1.62
725,196	—	14.2.2008	1.19
—	600,000	15.2.2008	1.17
725,196	—	5.3.2008	1.27
—	2,417,317	9.9.2008	0.395
1,450,392	5,434,634		

The fair values of options granted on 8 March 2004 and 28 September 2004 were calculated using the Black-Scholes pricing model which is considered by the directors of the Company to be the best pricing model currently available for estimating the fair values of these options. The inputs into the model were as follows:

	Option 1	Option 2
Fair value of option at date of grant	HK$0.197	HK$0.161
Share price at date of grant	HK$0.345	HK$0.290
Exercise price	HK$0.364	HK$0.245
Adjusted exercise price *(note)*	HK$0.301	HK$0.203
Expected volatility	79%	78%
Expected life in years	4	3
Risk free rate	1.5%	1.5%
Expected dividend yield	0%	0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous one year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

Note: Pursuant to the terms of Share Options Scheme, the exercise price and number of shares that can be subscribed for under the Scheme are adjusted upon the completion of the right issue of the Company on 12 April 2007 (note 38(b)).

40. RESERVES

Details of changes in reserves of the Group are set out in the consolidated statement of changes in equity on pages 30 and 31.

THE COMPANY

	Share premium	Capital redemption reserve	Share options reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007	67,145	402	7,066	(26,766)	47,847
Loss for the year	—	—	—	(14,402)	(14,402)
Rights issue of shares	139,622	—	—	—	139,622
Capitalisation share issue expenses	(6,738)	—	—	—	(6,738)
Issue of shares upon exercise of share options	12,067	—	(6,054)	—	6,013
At 31 December 2007	212,096	402	1,012	(41,168)	172,342
Loss for the year	—	—	—	(17,463)	(17,463)
Issue of shares upon exercise of share options	1,869	—	(960)	—	909
Share options lapsed	—	—	(31)	31	—
At 31 December 2008	213,965	402	21	(58,600)	155,788

41. OPERATING LEASES COMMITMENTS

(a) Operating lease commitments as leasee

At 31 December 2008, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

THE GROUP

	2008	2007
	HK$'000	*HK$'000*
Within one year	**2,106**	2,513
In the second to fourth years	**—**	1,990
	2,106	4,503

Leases are negotiated for an average term of three years.

At the balance sheet date, the Company had no commitments under non-cancellable operating leases in respect of rented premises.

41. OPERATING LEASES COMMITMENTS *(Continued)*

(b) Operating leases commitments as lessor

At 31 December 2008, the Group had contracted with tenants for the following future minimum lease payments:

THE GROUP

	2008 HK$'000	2007 HK$'000
Within one year	**1,617**	1,391
In the second to fifth years inclusive	**533**	1,653
	2,150	3,044

Leases are negotiated for an average term of three years.

At the balance sheet date, the Company had not entered into any operating lease arrangement for rental income.

42. ACQUISITION OF SUBSIDIARIES

Year ended 31 December 2008

In June 2008, the Group obtained control over, Huzhou Wangang (previously a 50% jointly controlled entity of the Group, see note 21), through the additional capital injection amounting to RMB104,800,000 (equivalent to approximately HK$118,424,000) to Huzhou Wangang (the "Capital Injection") pursuant to a capital injection agreement entered into between a wholly-owned subsidiary of the Company and the other two joint venture owners of Huzhou Wangang (the "Capital Injection Agreement") on 28 March 2008. Upon completion of the Capital Injection in June 2008, Huzhou Wangang becomes a subsidiary of the Group and the Company indirectly owned a 67.08% equity interest in Huzhou Wangang. In accordance with the Capital Injection agreement, profits or losses arising from the existing property development project continue to be shared by the Group and the two minority owners in the proportion of the shareholding before the Capital Injection (i.e. 50% to the Group and 50% to the other two minority owners). The transaction has been accounted for as an acquisition of assets.

42. ACQUISITION OF SUBSIDIARIES *(Continued)*

Year ended 31 December 2008 *(Continued)*

The net assets being consolidated to the Group upon obtaining control over Huzhou Wangang are as follows:

	2008 Huzhou Wangang *HK$'000*
Net assets acquired:	
Property, plant and equipment	994
Properties under development	684,848
Trade and other receivables	269,099
Bills receivable	3,390
Tax recoverable	14,192
Bank balances and cash	14,693
Trade and other payables	(62,643)
Deposits received on sale of properties	(465,062)
Amounts due to minority shareholders	(2,261)
Bank loan	(226,000)
	231,250
Minority interests	(115,625)
	115,625
Release of interest in a jointly controlled entity	(115,625)
	—

	2008 Huzhou Wangang *HK$'000*
Net cash inflow arising on acquisition:	
Cash consideration paid	—
Bank balances and cash acquired	14,693
	14,693

42. ACQUISITION OF SUBSIDIARIES *(Continued)*

Year ended 31 December 2007

On 8 June 2007, the Group acquired the entire equity interest in 洛陽城南 and 52% equity interest in西安富祥房地產開發有限公司(「西安富祥」) through its then 70% owned subsidiary, Zhongshi, from related parties at consideration of RMB26,680,000 (equivalent to approximately HK$27,030,000) and RMB25,600,000 (equivalent to approximately HK$25,600,000) respectively. The principal asset of洛陽城南comprises an investment property situated in the PRC of fair value HK$32,844,000 while that of西安富祥comprises property under development situated in the PRC of fair value of HK$77,971,000. The fair value of property under development of 西安富祥 was arrived at on the basis of valuations carried out by independent qualified professional valuers by reference to market evidence of transaction prices for similar properties while that of the investment property of 洛陽城南was arrived at on the basis of valuations carried out by the same valuer using the depreciated replacement cost approach which is based on an estimate of the market value for the existing use of the land in the property, and the costs to reproduce or replace in new conditions the buildings and structures being valued in accordance with current construction costs for similar buildings and structures in the locality, with allowance for accrued depreciation as evidenced by observed condition or obsolescence present, whether arising from physical, functional or economic causes. The acquisitions have been accounted for as acquisitions of assets.

The fair values of the net assets acquired in the transactions are as follows:

	西安富祥 HK$'000	洛陽城南 HK$'000	Total HK$'000
Net assets acquired:			
Property, plant and equipment	169	1,035	1,204
Investment property	—	32,844	32,844
Properties under development	77,971	—	77,971
Trade and other receivables	68	488	556
Bank balances and cash	588	287	875
Trade and other payables	(2,340)	(299)	(2,639)
Amounts due to related companies	(16,422)	(3,305)	(19,727)
Bank loans	(11,220)	—	(11,220)
	48,814	31,050	79,864
Minority interests	(23,214)	(1,206)	(24,420)
Deemed contribution from substantial shareholder	—	(2,814)	(2,814)
	25,600	27,030	52,630
Total consideration, satisfied by:			
Cash	25,600	15,000	40,600
Deferred consideration	—	12,030	12,030
	25,600	27,030	52,630
Net cash outflow arising on acquisition:			
Cash consideration paid	(25,600)	(15,000)	(40,600)
Bank balances and cash acquired	588	287	875
	(25,012)	(14,713)	(39,725)

43. DISPOSAL OF SUBSIDIARIES

Year ended 31 December 2008

On 7 August 2008, the Group entered into an equity transfer agreement with a third party, for the disposal of entire issued share capital in a subsidiary, Verde Asia Limited.

The net assets of Verde Asia Limited at the date of disposal were as follows:

	2008 *HK$'000*
Net assets disposed of:	
Trade and other receivables	469
	469
Gain on disposal	12
Total consideration	481
Satisfied by:	
Cash	481
Net cash inflow arising on disposal:	
Cash consideration	481

Year ended 31 December 2007

On 12 October 2006, the Group entered into a conditional agreement with CIMPOR to establish a company, CIMPOR Chengtong, pursuant to which the Group would own 20% equity interest and CIMPOR would own 80% equity interest in CIMPOR Chengtong. The Group's contribution to CIMPOR Chengtong is by way of transfer of its interest in Sea-Land Group, which includes its entire interest in a subsidiary, Sea-Land and Sea-Land's subsidiary, Suzhou Nanda to CIMPOR Chengtong while CIMPOR contributed HK$196,304,000 in cash. The total value of the business of Sea-Land Group is agreed at HK$49,076,000. This transaction was completed on 20 June 2007.

On 27 September 2007, the Group entered into an equity transfer agreement with the purchaser 北京銀信興業房地產開發有限公司, an independent third party, for the disposal of 52% of the registered capital in 西安富祥under its 70% owned subsidiary, Zhongshi at a consideration of RMB43,360,000 (equivalent to approximately HK$44,661,000). The transaction was completed on 12 October 2007.

43. DISPOSAL OF SUBSIDIARIES *(Continued)*

The net assets of Sea-Land Group and 西安富祥 at the date of disposal were as follows:

	Sea-Land Group *HK$'000*	西安富祥 *HK$'000*	Total *HK$'000*
Property, plant and equipment	35,138	160	35,298
Properties under development	—	78,736	78,736
Inventories	7,073	—	7,073
Trade and other receivables	17,957	87	18,044
Bank balances and cash	326	245	571
Trade and other payables	(45,792)	(4,572)	(50,364)
Amount due to a related company	—	(15,971)	(15,971)
Borrowings	—	(11,330)	(11,330)
	14,702	47,355	62,057
Minority interests	(4,073)	(22,418)	(26,491)
	10,629	24,937	35,566
Unrealised gain *(Note 20)*	7,688	—	7,688
Reserves realised	(1,244)	—	(1,244)
Gain on disposal	32,003	19,724	51,727
	49,076	44,661	93,737
Satisfied by:			
20% interest in CIMPOR Chengtong *(Note 20)*	49,076	—	49,076
Cash consideration	—	44,661	44,661
	49,076	44,661	93,737
Net cash inflow (outflow) arising on disposal:			
Cash consideration	—	44,661	44,661
Bank balances and cash disposed of	(326)	(245)	(571)
	(326)	44,416	44,090

44. POST BALANCE SHEET EVENT

The Group completed its negotiations and signed agreement with CCHK, the holding company of World Gain Holdings Limited which is a substantial shareholder of the Company and China Chengtong Holdings Group Limited ("CCHG"), the holding company of CCHK, for the acquisition of 100% interest in 誠通實業投資有限公司, 66.67% interest in 誠通大豐海港開發有限公司 and 100% interest in 連雲港中儲物流有限公司 at a consideration of approximately RMB268,000,000 (subject to adjustment), RMB201,000,000 (subject to adjustment) and RMB181,000,000 (subject to adjustment) respectively in 2008. The transaction has not yet completed on the report date. Details of the acquisition are set out in the Company's circular to the shareholders dated 29 November 2008.

On 2 April 2009, the Group entered into a share sale and purchase agreement with CIMPOR Macau Investment Company Limited ("CIMPOR Macau") to dispose 20% equity interest in its associate, CIMPOR Chengtong, at a consideration of HK$58,000,000. CIMPOR Macau is the major shareholder of CIMPOR Chengtong.

45. RELATED PARTY TRANSACTIONS

(a) During the year, the Group had entered into the following significant transactions with the following related parties:

Name of related parties	Nature of transactions	2008 HK$'000	2007 HK$'000
Associates:			
CIMPOR Chengtong	Consultancy and service income	**360**	3,580
Suzhou Nanda *(Note)*	Interest income	**311**	458
A substantial shareholder of the Company:			
CCHK *(Note 9)*	Interest expense	**829**	—

Note: During the year ended 31 December 2007, the Group granted two short term loans amounting to HK$9,050,000 and HK$8,480,000 respectively to Suzhou Nanda Cement Company Limited ("Suzhou Nanda"), an associate of the Group.

The loan of HK$9,050,000 is unsecured, bears fixed interest rate at 7% per annum in 2007. The interest rate is revised to 7.47% per annum from 1 January 2008 to 31 March 2008 and 7.56% per annum since 1 April 2008. The amount was repaid in June 2008.

The loan of HK$8,480,000 is unsecured, bears interest at 7% per annum and is repayable by 30 June 2007. The principal with interest in the amount of HK$316,000 has been repaid before 31 December 2007.

Suzhou Nanda is an associate of the Group since 20 June 2007 and the total interest income for the year ended 31 December 2008 amounting to HK$311,000 (from 20 June 2007 to 31 December 2007: HK$458,000).

45. RELATED PARTY TRANSACTIONS *(Continued)*

(b) On 27 March 2007, the Group entered into a conditional agreement with the minority shareholder of Zhongshi, 北京興合動力投資管理有限公司 Beijing Xinghe Dongli Investment Management Co. Limited ("Beijing Xinghe") to acquire the remaining 30% equity interest in Zhongshi through its wholly owned subsidiary, China Chengtong Properties Group Limited, at a consideration RMB20,610,000. The transaction was completed in December 2007. At 31 December 2007, an amount of approximately HK$7,632,000 was due by the Group to Beijing Xinghe and was fully settled in 2008.

(c) On 8 June 2007, the Group acquired investment properties and properties under development through acquisition of entire equity interest in 洛陽城南 and 52% equity interest in 西安富祥 through its 70% owned subsidiary, Zhongshi, at consideration of RMB26,680,000 (equivalent to approximately HK$27,030,000) and RMB25,600,000 (equivalent to approximately HK$25,600,000) from two subsidiaries of China Chengtong Holdings Group Limited, a holding company of a substantial shareholder of the Company respectively.

(d) Balances with related parties at respective balance sheet dates are set out in the consolidated balance sheet/balance sheet and notes 20, 27, 31, 32, 35 and 37 thereto.

(e) The remuneration of directors and other key management personnel during the year was as follows:

	2008	2007
	HK$'000	*HK$'000*
Short-term employee benefits	**4,964**	4,014
Post-employment benefits	**83**	66
	5,047	4,080

46. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2008, the Group acquired the land use rights situated in the PRC with the partial consideration amounting to HK$36,053,000 settled by the loan from a minority shareholder of subsidiaries.

On 20 June 2007, the Group disposed of the entire interest of a subsidiary, Sea-Land Mining Limited, for a consideration satisfied by 20% interest in an associate, CIMPOR Chengtong, amounting to HK$49,076,000.

PRINCIPAL PROPERTIES

AT 31 DECEMBER 2008

A. INVESTMENT PROPERTY

Location	Group's effective interest	Approximate gross floor area (sq. m.)	Usage	Category of lease
Zones C on Level 3, Li Wan Plaza, No. 9 Dexing Road, Liwan District, Guangzhou City, Guangdong Province, the PRC	100%	5,366	Commercial	Medium term lease
Land and buildings of the warehouse complex of Luoyang Southern City CMST Logistic Limited at Gangchang Road, Guanlin Town, Luolong District, Luoyang City, Henan Province, the PRC	100%	24,678	Warehouse and logistics centre	Medium term lease

B. PROPERTY HELD FOR SALE

Location	Group's effective interest	Approximate gross floor area (sq. m.)	Usage	Category of lease
City of Mergence, Lots 9 & 11, Bai Wan Zhuang Avenue, Xicheng District, Beijing, the PRC	100%	4,700	Commercial, shops and car parks	Long lease

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the year ended 31 December 2008 and the last four financial periods, as extracted from the audited financial statements and reclassified as appropriate, is set out below:

	Year ended 31 December				1.4.2004 to 31.12.2004
	2008	2007	2006	2005	
	HK$'000	*HK$'000*	*HK$'000* (Restated)	*HK$'000*	*HK$'000*
RESULTS					
Turnover	**987,954**	52,819	291,414	253,772	210,992
Profit attributable to shareholders of the Company	**5,778**	35,945	25,795	(45,997)	99,714

	As at 31 December				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000* (Restated)	*HK$'000* (Restated)	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Property, plant and equipment	**4,338**	3,232	1,404	55,650	77,022
Investment properties	**89,270**	83,740	45,000	86,400	84,870
Interests in associates	**50,768**	41,599	264	263	264
Amount due from an associate	**117,415**	139,874	148,605	—	174,832
Interest in a jointly controlled entity	**—**	103,881	99,740	—	—
Restricted bank balance	**4,200**	4,200	4,200	—	—
Properties held for development	**270,742**	—	—	—	—
Current assets	**627,853**	358,763	230,546	551,819	291,518
Total assets	**1,164,586**	735,289	529,759	694,132	628,506
Current liabilities	**(364,565)**	(97,156)	(114,925)	(403,106)	(195,226)
Bank loans — amount due after one year	**—**	—	—	—	(94,300)
Deferred tax liabilities	**(6,846)**	(4,737)	(3,937)	(5,694)	(6,599)
Total liabilities	**(371,411)**	(101,893)	(118,862)	(408,800)	(296,125)