THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Chengtong Development Group Limited (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular is addressed to the shareholders of the Company in connection with an extraordinary general meeting of the Company to be held on 19 March 2007. This circular is not and does not constitute an offer of, nor is it intended to invite offers for, shares in or other securities of the Company.

CHINA CHENGTONG DEVELOPMENT GROUP LIMITED
中國誠通發展集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 217)

(1) PROPOSED RIGHTS ISSUE OF NOT LESS THAN 607,051,490 RIGHTS SHARES AND NOT MORE THAN 616,021,490 RIGHTS SHARES OF HK$0.10 EACH AT HK$0.33 PER RIGHTS SHARE PAYABLE IN FULL ON ACCEPTANCE (IN THE PROPORTION OF THREE RIGHTS SHARES FOR EVERY TEN EXISTING SHARES HELD ON THE RECORD DATE)
(2) APPLICATION FOR WHITEWASH WAIVER
(3) PROPOSED REFRESHMENT OF GENERAL MANDATE
(4) PROPOSED GRANT OF SPECIFIC MANDATE

Independent financial adviser to the Independent Board Committees and the Independent Shareholders

CIMB

CIMB-GK Securities (HK) Limited

Underwriter to the Rights Issue

東英 ORIENTAL PATRON

Oriental Patron Asia Limited

A letter from the board of directors of the Company is set out on pages 8 to 39 of this circular.

A letter from the Independent Board Committee of the Rights Issue containing its recommendation to the Independent Shareholders to the Rights Issue is set out on page 40 to 41 of this circular.

A letter from the Independent Board Committee of the Transaction(s) containing its recommendation to the Independent Shareholders to the Transaction(s) is set out on page 42 of this circular.

A letter from CIMB-GK, the independent financial adviser to the Independent Board Committees and the Independent Shareholders, containing its advice in connection with the various transactions as detailed in this circular is set out on pages 43 to 69 of this circular.

It should be noted that the last day of dealings in Shares on a cum-rights basis is 12 March 2007. The Shares will be dealt with on a ex-rights basis from 13 March 2007.

To qualify for the Rights Issue, a Qualifying Shareholder's name must appear on the register of members of the Company on the Record Date, which is currently expected to be 19 March 2007. In order to be registered as a member of the Company on the Record Date, any transfers of Shares (with the relevant share certificates) must be lodged to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, for registration by 4:00 p.m. on 14 March 2007.

A notice convening the EGM to be held at Lavender Room, 27th Floor, The Park Lane Hong Kong, 310 Gloucester Road, Hong Kong at 10:30 a.m. on 19 March 2007 is set out on page 188 to 194 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the EGM or any adjournment of it if you so wish.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter, by notice in writing, the right to terminate the Underwriter's obligations thereunder on the occurrence of certain events. The Underwriter may terminate the Underwriting Agreement on or before the Latest Time for Termination if prior to the Latest Time for Termination:

(a) in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:

(i) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or

(ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

(iii) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or

(b) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of this clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the reasonable opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue; or

(c) the circular in relation to the Rights Issues or the Prospectus when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the reasonable opinion of the Underwriter is material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it.

If the Underwriting Agreement is terminated by the Underwriter on or before the aforesaid deadline or does not become unconditional, the Underwriting Agreement shall terminate (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriter shall have any claim against the other party for costs, damages, compensation or otherwise and the Rights Issue will not proceed.

Pursuant to the Underwriting Agreement, the Underwriter is entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

(a) any material breach of any of the warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or

(b) any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered the warranties contained in the Underwriting Agreement untrue or incorrect in any material aspect comes to the knowledge of the Underwriter.

The Shares will be dealt in on an ex-rights basis from 13 March 2007. Dealings in the Rights Shares in their nil-paid form will take place from 23 March 2007 to 30 March 2007 (both days inclusive). If the conditions of the Rights Issue are not fulfilled and/or waived on or before the Latest Acceptance Time (or such later time and/or date as the Company and the Underwriter may determine in writing), or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed and the Rights Issue will lapse.

Any persons contemplating buying or selling Shares from the date of the Announcement dated 9 January 2007 up to the date on which all the conditions of the Rights Issue are fulfilled or waived, and any dealings in the Rights Shares in their nil-paid form between 23 March 2007 to 30 March 2007 (both dates inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed.

Any Shareholders or other persons contemplating dealing in the Shares or nil-paid Rights Shares are recommended to consult their own professional advisers.

1 March 2007

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The expected timetable for the Rights Issue set out below is ***indicative only*** and it has been prepared on the assumption that the Whitewash Waiver will be approved by the Independent Shareholders to the Rights Issue at the EGM. The expected timetable is subject to change, and any changes will be announced in a separate announcement by the Company as soon as practicable. All times and dates in this circular refer to Hong Kong local times and dates.

	2007
Last day of dealings in Shares on a cum-rights basis	12 March
First day of dealings in Shares on an ex-rights basis	13 March
Latest time for lodging transfer of Shares in order to qualify for the Rights Issue	4:00 p.m. on 14 March
Register of members of the Company closes (both dates inclusive)	15 March to 19 March
Time of the EGM	10:30 a.m. on 19 March
Record Date	19 March
Announcement of results of the EGM appears on newspaper	20 March
Register of members re-opens	20 March
Despatch of the Rights Issue Documents	21 March
First day of dealings in nil-paid Rights Shares	23 March
Latest time for splitting of nil-paid Rights Shares	4:00 p.m. on 27 March
Last day of dealings in nil-paid Rights Shares	30 March
Latest time for payment and acceptance of Rights Shares and application for excess Rights Shares *(note)*	4:00 p.m. on 4 April
Latest time for the Rights Issue to become unconditional	4:00 p.m. on 12 April
Announcement of results of acceptance of and excess applications for the Rights Issue appears on newspapers	13 April
Despatch of refund cheques in respect of unsuccessful or partially unsuccessful excess applications for excess Rights Shares on or before	16 April
Despatch of certificates for fully-paid Rights Shares on or before	16 April
Commencement of dealings in fully-paid Rights Shares	18 April

Note:

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES

The latest time for acceptance of and payment for the Rights Shares will not take place if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning

in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of and payment for the Rights Shares. Instead, the latest time for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day, which does not have either of those warnings in force in Hong Kong at any time between 12:00 noon and 4:00 p.m..

If the latest time for acceptance of and payment for the Rights Shares does not take place on the expected latest date for acceptance of the offer of the Rights Shares, the dates subsequent to the said latest expected date mentioned in this section may be affected. A press announcement will be made by the Company in such event as soon as practicable.

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

"AGM"	The annual general meeting of the Company held on 23 June 2006
"Announcement"	the announcements of the Company dated 9 January 2007, 30 January 2007, 13 February 2007 and 27 February 2007 relating to, among other things, the proposed Rights Issue, application for Whitewash Waiver, the Refreshment Mandate and the Specific Mandate
"Articles"	the articles of association of the Company
"associate(s)"	has the meaning ascribed to it under Chapters 1 and 14 A of the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday) on which banks generally are open for business in Hong Kong
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CIMB-GK"	CIMB-GK Securities (HK) Limited, a licensed corporation carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Company"	China Chengtong Development Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"Consideration Shares"	new Shares to be allotted and issue to Oriental Patron as consideration for their services to be provided to the Company under the Service Agreement, further details are set out in the paragraph headed "Proposed grant of Specific Mandate to issue Shares" in the letter from the Board of this circular

"Current Extension Mandate"	the existing general and unconditional mandate granted to the Directors pursuant to an ordinary resolution approved by the Shareholders at the AGM to the effect that any Shares repurchased under the Current Share Repurchase Mandate will be added to the total number of Shares which may be allotted and issued under the Current Share Issue Mandate
"Current Share Issue Mandate"	the existing general and unconditional mandate granted to the Directors pursuant to an ordinary resolution approved by the Shareholders at the AGM to exercise the power of the Company to allot, issue or otherwise deal with up to 337,420,993 new Shares, representing 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of the relevant resolution at the AGM
"Current Share Repurchase Mandate"	the existing general and unconditional mandate granted to the Directors at the AGM to enable them to repurchase up to 168,710,496 Shares, representing 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of the relevant resolution at the AGM
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held for the purposes of considering, among other matters, the Whitewash Waiver and the Refreshment Mandate
"Excluded Shareholders"	the Overseas Shareholders whom the Board, based on legal opinions provided by legal advisers, considers it necessary or expedient not to offer the Rights Shares to such Shareholders on account either of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place
"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any of his delegates
"Group"	the Company and its subsidiaries from time to time
"HKSCC"	Hong Kong Securities Clearing Company Limited

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committees"	the Independent Board Committee of the Rights Issue and the Independent Board Committee of the Transaction(s)
"Independent Board Committees of the Rights Issue"	a committee of the Board, comprising the non-executive Directors, namely Mr. Gu Laiyun, Ms. Xu Zhen, Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec and Mr. Lao Youan, which has been formed to advise the Independent Shareholders to the Rights Issue in relation to the proposed Rights Issue and the Whitewash Waiver
"Independent Board Committees of the Transaction(s)"	a committee of the Board, comprising the independent non-executive Directors, namely Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec and Mr. Lao Youan, which has been formed to advise the Independent Shareholders to the Transaction(s) in relation to the Transaction(s)
"Independent Shareholders"	the Independent Shareholders to the Rights Issue and the Independent Shareholders to the Transaction(s)
"Independent Shareholders to the Rights Issue"	Shareholders other than (1) World Gain and its associates and parties acting in concert with any of them; and (2) those who are involved in or interested in the Underwriting Agreement, the proposed Rights Issue and the Whitewash Waiver
"Independent Shareholders to the Transaction(s)"	In regard to the Refreshment Mandate, Shareholders other than World Gain and its associates
"independent third party"	party who is independent of and not connected with the Company and any of the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates
"Last Trading Date"	27 December 2006, being the last trading day of the Shares prior to the release of the Announcement dated 9 January 2007
"Latest Acceptance Time"	being 4:00 p.m. on 4 April 2007 or such later time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer of Rights Shares

"Latest Practicable Date"	26 February 2007, being the latest practicable date prior to the printing of this circular for inclusion of certain information in this circular
"Latest Time for Termination"	4:00 p.m. on the third business day after the Latest Acceptance Time
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	the Macau Special Administrative Region of the PRC
"New Extension Mandate"	a new general and unconditional mandate proposed to be granted to the Directors at the EGM to the effect that any Shares repurchased under the New Share Repurchase Mandate will be added to the total number of Shares which may be allotted and issued under the New Share Issue Mandate
"New Share Issue Mandate"	a new general and unconditional mandate proposed to be granted to the Directors to exercise the power of the Company to allot, issue or otherwise deal with Shares of up to a maximum of 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of the relevant resolution at the EGM
"New Share Repurchase Mandate"	a new general and unconditional mandate proposed to be granted to the Directors to enable them to repurchase Shares the aggregate nominal amount of which shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of the relevant resolution at the EGM
"Oriental Patron"	Oriental Patron Asia Limited, a licensed corporation to carry out Types 1, 6 and 9 regulated activities under the SFO
"Outstanding Options"	the options granted by the Company to subscribe for an aggregate of 40,300,000 Shares pursuant to the Share Option Scheme, which were outstanding as at the Latest Practicable Date

"Overseas Shareholder(s)"	the Shareholders with registered addresses (as shown in the register of members of the Company on the Record Date) which are outside Hong Kong
"parties acting in concert"	has the meaning ascribed to it under the Takeovers Code
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
"Prospectus"	the prospectus to be issued by the Company in relation to the Rights Issue
"Qualifying Shareholder(s)"	the Shareholder(s), other than the Excluded Shareholders, whose name(s) appear(s) on the register of members of the Company on the Record Date
"Record Date"	19 March 2007
"Refreshment Mandate"	the New Share Issue Mandate, the New Share Repurchase Mandate and the New Extension Mandate
"Rights Issue"	the proposed issue of Rights Shares by the Company on the basis of three Rights Share for every ten existing Shares to the Qualifying Shareholders by way of rights or to holders of nil-paid Rights Shares at the Subscription Price, pursuant to the terms and conditions of the issue
"Rights Issue Documents"	the Prospectus, the provisional allotment letter and the form of application for excess Rights Shares
"Rights Share(s)"	not less than 607,051,490 new Shares and not more than 616,021,490 new Shares to be issued by the Company pursuant to the Rights Issue
"Service Agreement"	the agreement dated 9 January 2007 entered into between Oriental Patron and the Company for the provisions of services by Oriental Patron to the Company, further details of which are set out in the paragraph headed "Proposed grant of Specific Mandate to issue Shares" in the letter from the Board of this circular

"SFO"	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the ordinary shares which have a par value of HK$0.10 each in the capital of the Company
"Share Option Scheme"	the share option scheme adopted by the Company on 24 June 2003
"Shareholder(s)"	shareholder(s) of the Company
"Specific Mandate"	a special mandate to allot and issue Shares to be sought from the Shareholders at the EGM to satisfy any Consideration Shares which may fall to be allotted and issued pursuant to the Service Agreement, further details are set out in the paragraph headed "Proposed grant of Specific Mandate to issue Shares" in the letter from the Board of this circular
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Monies"	the subscription monies payable by the Underwriter to the Company in respect of the Rights Shares underwritten by the Underwriter
"Subscription Price"	subscription price of HK$0.33 per Rights Share
"subsidiary" or "holding company"	has the meaning defined in section 2 of the Companies Ordinance
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers
"Top-Up Subscription"	the subscription by World Gain for a total of 332,000,000 new Shares at HK$0.30 per Share as announced by the Company on 8 August 2006
"Top-Up Subscription Agreement"	the placing and subscription agreement dated 8 August 2006 entered into between World Gain, Oriental Patron as placing agent and the Company in relation to, among other matters, the Top-Up Subscription, details of which were set out in the Company's announcement dated 8 August 2006
"Transaction(s)"	the Refreshment Mandate

"Underwriter"	Oriental Patron
"Underwriting Agreement"	the underwriting agreement dated 27 December 2006 entered into between the Company, World Gain and the Underwriter in relation to the Rights Issue (as supplemented by two letters dated 9 January 2007 and 26 February 2007 entered into by the same parties amending certain terms and the expected timetable of the Rights Issue)
"U.S."	the United States of America
"Whitewash Waiver"	a waiver, pursuant to Note 1 on dispensations from Rule 26, from the obligation of World Gain and parties acting in concert with it to make a mandatory offer under Rule 26 of the Takeovers Code as a result of the allotment and issue of Right Shares
"World Gain"	World Gain Holdings Limited, a company incorporated in the British Virgin Islands and a controlling shareholder (as defined in the Listing Rules) of the Company
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States of America dollar(s), the lawful currency of the United States of America
"%"	per cent.
"sq.m."	square meter

Unless the context requires otherwise, translations of RMB into HK$ are made, for illustration purpose only, at the rate of RMB1=HK$1.

No representation is made that any amounts in RMB or HK$ could have been or could be converted at the above rate or at any other rates or at all.

CHINA CHENGTONG DEVELOPMENT GROUP LIMITED
中國誠通發展集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 217)

Executive Directors:
Mr. Zhang Guotong
(Vice Chairman and Managing Director)
Mr. Wang Hongxin

Non-executive Directors:
Mr. Ma Zhengwu *(Chairman)*
Mr. Hong Shuikun
Ms. Xu Zhen
Mr. Gu Laiyun

Independent non-executive Directors:
Mr. Kwong Che Keung, Gordon
Mr. Tsui Yiu Wa, Alec
Mr. Lao Youan

Registered Office:
Suite 6406, 64th Floor
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

1 March 2007

To the Shareholders and, for information only,
the holders of the Outstanding Options

Dear Sir or Madam,

(1) PROPOSED RIGHTS ISSUE OF NOT LESS THAN 607,051,490 RIGHTS SHARES AND NOT MORE THAN 616,021,490 RIGHTS SHARES OF HK$0.10 EACH AT HK$0.33 PER RIGHTS SHARE PAYABLE IN FULL ON ACCEPTANCE (IN THE PROPORTION OF THREE RIGHTS SHARES FOR EVERY TEN EXISTING SHARES HELD ON THE RECORD DATE)
(2) APPLICATION FOR WHITEWASH WAIVER
(3) PROPOSED REFRESHMENT OF GENERAL MANDATE
(4) PROPOSED GRANT OF SPECIFIC MANDATE

INTRODUCTION

On 9 January 2007, the Board announced that the Company proposed to raise approximately HK$200.32 million before expenses by issuing not less than 607,051,490 Rights Shares and to raise not more than approximately HK$203.29 million before expenses by issuing not more than 616,021,490 Rights Shares at the Subscription Price of HK$0.33 per Rights Share on the basis of three Rights Shares for every ten existing Shares in issue on the Record Date.

The Rights Issue will be fully underwritten by the Underwriter, on the terms and subject to the conditions set out in the Underwriting Agreement.

As at the Latest Practicable Date:

(a) World Gain, the controlling shareholder (as defined in the Listing Rules) of the Company, and parties acting in concert with World Gain, are beneficially interested in a total of 608,201,500 Shares, representing approximately 30.06% of the existing issued share capital of the Company (all of which Shares are beneficially owned by World Gain); and

(b) parties acting in concert with World Gain are interested in the Outstanding Options attaching subscription right to subscribe for an aggregate of 6,600,000 Shares (represents approximately 0.33% of the Company's existing issued share capital), of which, 1,200,000 Outstanding Options are held by Mr. Ma Zhengwu (being the sole director of World Gain, a director of the immediate parent company and ultimate parent company of World Gain and a non-executive Director), 4,200,000 Outstanding Options are held by Mr Zhang Guotong (a director of the immediate parent company and ultimate parent company of World Gain and an executive Director) and 1,200,000 Outstanding Options are held Mr Hong Shuikun (a director of the ultimate parent company of World Gain and a non-executive Director).

Pursuant to the Underwriting Agreement, World Gain has undertaken that:

(a) such 608,201,500 Shares will remain beneficially owned by World Gain and parties acting in concert with it and that they will have registered addresses (as shown in the register of members of the Company on the Record Date) in Hong Kong from the date of the Announcement dated 9 January 2007 up to the Record Date;

(b) World Gain and parties acting in concert with it will accept on or before the Latest Acceptance Time, and pay for, such number of Rights Shares to be provisionally allotted to them or their respective nominee pursuant to the Rights Issue in respect of their or their respective nominee's existing holding of 608,201,500 Shares and the number of Shares to be issued to him/her if he/she exercises the Outstanding Options held by him/her on or before the Record Date.

In addition, World Gain has the intention to take up in aggregate 211,470,000 excess Rights Shares and pay for such number of excess Rights Shares that may be allocated to it under the allocation of the excess Rights Shares to the Qualifying Shareholders who have applied for excess Rights Shares and will make an application for the said excess Rights Shares by way of application for excess Rights Shares as soon as practicable after the grant of the Whitewash Waiver and approval by the Independent Shareholders to the Rights Issue of, *inter alia,* the Whitewash Waiver.

The Rights Issue is conditional upon the fulfillment or waiver of the conditions set out under the paragraph headed "Conditions of the Rights Issue" under the section headed "Proposed Rights Issue" below. In particular, it is subject to the Underwriting Agreement not being terminated in accordance with its terms (see the paragraph headed "Termination of the Underwriting Agreement" under the section headed "Proposed Rights Issue" below). If the Underwriter terminates the Underwriting Agreement, or the conditions of the Rights Issue are not fulfilled or waived, the Rights Issue will not proceed.

The Independent Board Committee of the Rights Issue comprising all the non-executive Directors (other than Mr Ma Zhengwu and Mr Hong Shuikun, who are parties acting in concert with World Gain and are not considered to be independent under the Takeovers Code so far as the Whitewash Waiver and the Rights Issue are concerned and are therefore excluded as members of the Independent Board Committee of the Rights Issue), namely Mr. Gu Laiyun, Ms. Xu Zhen, Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec and Mr. Lao Youan, has been established to advise the Independent Shareholders to the Rights Issue as to whether the terms of the Whitewash Waiver and the Rights Issue are fair and reasonable and whether the Whitewash Waiver and the Rights Issue are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders to the Rights Issue on how to vote, taking into account the recommendations of the independent financial adviser.

CIMB-GK has been appointed by the Company to advise the Independent Board Committee of the Rights Issue and the Independent Shareholders to the Rights Issue on whether the terms of the Whitewash Waiver and the Rights Issue are fair and reasonable and whether the Whitewash Waiver and the Rights Issue are in the interests of the Company and the Shareholders as a whole. The appointment of CIMB-GK as the independent financial adviser to the Rights Issue has been approved by the Indepedent Board Committee to the Rights Issue.

The purpose of this circular is to give you further information on, among other things, details of the proposed Rights Issue, the Whitewash Waiver, the Refreshment Mandate and the Specific Mandate.

This circular also contains the recommendation of the Independent Board Committee of the Rights Issue and the Independent Board Committee of the Transaction(s), the advice of CIMB-GK in respect of the Rights Issue, the Whitewash Waiver and the Transaction(s), and the notice to convene the EGM.

PROPOSED RIGHTS ISSUE

Basis of the Rights Issue:	Three Rights Shares for every ten existing Shares held on the Record Date
Number of existing Shares in issue as at the Latest Practicable Date:	2,023,504,968 Shares
Number of Rights Shares (assuming no Outstanding Options are exercised on or before the Record Date):	607,051,490 Rights Shares
Outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date:	Outstanding Options attaching subscription right to subscribe for 40,300,000 Shares
Maximum number of Rights Shares:	Assuming exercise of the subscription rights attaching to all Outstanding Options (other than the 6,600,000 Outstanding Options held by parties acting in concert with World Gain and the 3,800,000 Outstanding Options held by Mr. Gu Laiyun and Ms. Xu Zhen (both are non-executive Directors)) on or before the Record Date, the number of Rights Shares to be issued will be 616,021,490 Rights Shares
Number of Rights Shares that World Gain has undertaken, and has undertaken to procure parties acting in concert with it to take up:	World Gain has undertaken, and has undertaken to procure parties acting in concert with it, that World Gain and parties acting in concert with it will accept on or before the Latest Acceptance Time, and pay for, 182,460,450 Rights Shares to be provisionally allotted to them or their respective nominee pursuant to the Rights Issue in respect of their or their respective nominee's existing holding of 608,201,500 Shares and the number of Shares to be issued to him/her if he/she exercises the Outstanding Options held by him/her on or before the Record Date

Note: As at the Latest Practicable Date, parties acting in concert with World Gain, are interested in the Outstanding Options attaching subscription right to subscribe for an aggregate of 6,600,000 Shares, of which, 1,200,000 Outstanding Options are held by Mr. Ma Zhengwu (being the sole director of World Gain, a director of the immediate parent company and ultimate parent company of World Gain and a non-executive Director), 4,200,000 Outstanding Options are held by Mr Zhang Guotong (a director of the immediate parent company and ultimate parent company of World Gain and an executive Director) and 1,200,000 Outstanding Options are held Mr Hong Shuikun (a director of the ultimate parent company of World Gain and a non-executive Director). The parties acting in concert with World Gain who together holding 6,600,000 Outstanding Options and Mr Gu Laiyun and Ms Xu Zhen (both are non-executive Directors) together holding 3,800,000 Outstanding Options, have indicated that they will not exercise their Outstanding Options on or before completion of the Rights Issue.

The nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represent approximately 30% of the Company's existing issued share capital as at the Latest Practicable Date and approximately 23.1% of the enlarged issued share capital of the Company immediately following the completion of the Rights Shares assuming that no Outstanding Options are exercised on or before the completion of the Rights Issue.

The number of Rights Shares which may be issued pursuant to the Rights Issue will be increased in proportion to any additional new Shares which may be allotted and issued pursuant to the exercise of the Outstanding Options on or before the Record Date. As at the Latest Practicable Date, there are Outstanding Options attaching subscription right to subscribe for 40,300,000 Shares. If all the subscription rights attaching to all such Outstanding Options (other than the 6,600,000 Outstanding Options held by parties acting in concert with World Gain and the 3,800,000 Outstanding Options held by Mr. Gu Laiyun and Ms. Xu Zhen (both are non-executive Directors)) are duly exercised and Shares are issued and allotted pursuant to such exercise on or before the Record Date, the number of issued Shares is expected to be increased to 2,053,404,968 Shares and the number of Rights Shares that may be issued pursuant to the Rights Issue is expected to be increased to 616,021,490 Rights Shares.

As at the Latest Practicable Date, other than the Outstanding Options, the Company has no derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares.

Subscription Price

The Subscription Price for the Rights Shares is HK$0.33 per Rights Share, payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Rights Issue or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price

- represents a discount of approximately 42.1% to the closing price of HK$0.57 per Share as quoted on the Stock Exchange on the Last Trading Date;
- represents a discount of approximately 43.5% to the average closing price of HK$0.584 per Share for the five consecutive trading days up to and including the Last Trading Date;
- represents a discount of approximately 43.6% to the average closing price of HK$0.585 per Share for the 10 consecutive trading days up to and including the Last Trading Date;

- represents a discount of approximately 35.9% to the theoretical ex-rights price of HK$0.515 per Share based on the closing price as quoted on the Stock Exchange on the Last Trading Date; and

- represents a premium of approximately 62.64% over the unaudited adjusted consolidated net tangible assets value per Share of approximately HK$0.2029 (calculated by using the latest published unaudited net tangible assets value of the Group as at 30 June 2006 and adding thereto the net proceeds of the top-up subscription announced by the Company on 8 August 2006, and dividing this sum total by the 2,023,504,968 Shares in issue as at the Latest Practicable Date).

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the then market environment, prevailing Share prices and the recent financial conditions of the Group. In order to enhance the attractiveness of the Rights Issue, issuance of new shares by way of rights issue at a discount to the market place has been commonly adopted by listed issuers in Hong Kong. Given the relatively long underwriting period of a rights issue and taking into account the aforesaid and the theoretical ex-rights price per Share, the Directors consider that, in order to enhance the attractiveness of the Rights Issue, the discount on the Subscription Price to the current market price of the Shares as proposed is appropriate. Each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its shareholding in the Company held on the Record Date. The Directors consider the Subscription Price to be fair and reasonable and to be in the interests of the Company and the Shareholders as a whole.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully-paid, will rank *pari passu* with the then existing Shares in issue on the date of allotment of the Rights Shares in fully-paid form. Holders of such Rights Shares will be entitled to receive all future dividends and distributions which are declared after the date of allotment and issue of the Rights Shares.

Fractions of the Rights Shares

The Company will not provisionally allot fractions of Rights Shares in nil-paid form. All fractions of Rights Shares will be aggregated and all nil-paid Rights Shares arising from such aggregation will be sold in the market and, if a premium (net of expenses) can be achieved, the Company will keep the net proceeds for its own benefit. Any unsold fractions of Rights Shares will be made available for excess application.

Application for excess Rights Shares

Qualifying Shareholders are entitled to apply for any unsold entitlements of the Excluded Shareholders (see the paragraph headed "Excluded Shareholders" below), any unsold fractions of Rights Shares and any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders.

Applications may be made by completing the form of application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

(1) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings;

(2) subject to availability of excess Rights Shares after allocation under principle (1) above, allocation will then be made to satisfy applications for excess Rights Shares by Qualifying Shareholders in proportion to and up to the number of nil-paid Rights Shares provisionally allotted to those Qualifying Shareholders who also have applied for the excess Rights Shares and, subject to the availability of excess Rights Shares, applications by Qualifying Shareholders whose number of excess Rights Shares being applied for are equal to or less than the number of excess Rights Shares allocated according to the principle as aforesaid will be satisfied in full;

(3) subject to availability of excess Rights Shares after allocation under principles (1) and (2) above, any further remaining excess Rights Shares will be allocated to applicants in proportion to the excess Rights Shares applied by them after netting off their respective entitlements as calculated in principle (2) above; and

(4) in accordance with any further requirements of the Stock Exchange.

World Gain has the intention to apply for and take up in aggregate 211,470,000 excess Rights Shares and pay for such number of excess Rights Shares that may be allocated to it under the allocation of the excess Rights Shares to the Qualifying Shareholders who have applied for excess Rights Shares and will make an application for the said excess Rights Shares by way of application for excess Rights Shares as soon as practicable after the grant of the Whitewash Waiver and approval by the Independent Shareholders to the Rights Issue of, *inter alia*, the Whitewash Waiver.

Shareholders should note that in allocating the excess Rights Shares, regards will be made to the principles set out above and World Gain's application for excess Rights Shares will not give it or any parties acting in concert with it any preference in receiving the allocation of the excess Rights Shares otherwise than in accordance with such principles.

Shareholders with their Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the top-up of odd lots for allocation of excess Rights Shares will not be extended to ultimate beneficial owners individually. Shareholders with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

For Shareholders whose Shares are held by their nominee(s) and would like to have their names registered on the register of members of the Company, they must lodge all necessary document with the share registrar of the Company in Hong Kong for completion of the relevant registration by 4:00 p.m. on 14 March 2007.

Share certificates for the Rights Shares

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to Qualifying Shareholders who have accepted and applied for (where appropriate), and paid for the Rights Shares by 16 April 2007 at their own risk.

Qualifying Shareholders

The Company will send (i) the Rights Issue Documents to the Qualifying Shareholders; and (ii) the Prospectus, for information only, to the Excluded Shareholders. The Excluded Shareholders will be entitled to attend and vote at the EGM.

To qualify for the Rights Issue, the Shareholders must be registered as members of the Company on the Record Date. In relation to holders of the Outstanding Options (i) they must exercise their respective subscription rights in accordance with the relevant procedures specified in the rules of the Share Option Scheme (as regards the holders of the Outstanding Options) on or before the Record Date; (ii) they must be registered as the holders of the Shares allotted pursuant to the exercise of the subscription rights of the Outstanding Options on or before the Record Date; and (iii) they must not be an Excluded Shareholder.

In order to be registered as a member of the Company on the Record Date, Shareholders must lodge any transfers of Shares (with the relevant Share certificate(s)) with the Company's share registrar in Hong Kong by 4:00 p.m. on 14 March 2007. The last day of dealings in Shares on a cum-rights basis is therefore expected to be 12 March 2007. The Shares will be dealt with on an ex-rights basis from 13 March 2007.

The Company's share registrar in Hong Kong is Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

It is intended that the Company's register of members will be closed from 15 March 2007 to 19 March 2007, both dates inclusive, for the purpose of, among other things, establishing entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

Excluded Shareholders

The Company will only send the Prospectus to the Excluded Shareholders for their information. The Excluded Shareholders will be entitled to attend and vote at the EGM.

The Rights Issue Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong.

Based on the register of members of the Company as at 23 February 2007, there were 9 Overseas Shareholders with registered addresses in 6 jurisdictions, namely, Australia, Canada, Macau, Singapore, Taiwan and U.S. outside Hong Kong. Pursuant to Rule 13.36(2) of the Listing Rules, the Board has made enquires with its legal advisers in these 6 jurisdictions as to whether there is any legal restriction under the applicable securities legislation of the relevant jurisdiction or requirement of any relevant regulatory body or stock exchange with respect to the offer of the Rights Shares to such Overseas Shareholders.

Based on the advice provided by the legal advisers of the Company in these 6 jurisdictions, the Directors considered that the offer of the Rights Shares to persons in Canada, Taiwan and U.S. would require compliance with registration or other regulatory requirements in such territories which would be impracticable or too burdensome, and it would be necessary or expedient to exclude such Excluded Shareholders whose registered addresses are in Canada, Taiwan and U.S. to the Rights Issue and no provisional allotment of Rights Shares will be made to such Excluded Shareholders. The Company will send the Prospectus (without the provisional allotment letters and the forms of application for excess Rights Shares) to the Excluded Shareholders for their information only. A resolution regarding the exclusion of the offer of the Rights Shares to the Excluded Shareholders will be proposed for approval by the Independent Shareholders to the Rights Issue at the EGM.

In the event that there are as at the Record Date any Overseas Shareholders with registered addresses in addition to the abovementioned overseas jurisdictions, the Company will consider the rights of such addition Overseas Shareholders and the relevant arrangement in respect of the Rights Issue for them, including whether it is feasible to extend the Rights Shares to such addition Overseas Shareholders. If, after making such enquiry, the Directors are of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, not to offer the Rights Shares to such Overseas Shareholders, the Company would send the Prospectus, for information only, to such addition Overseas Shareholders but will not send the provisional allotment letter and the form of application for excess Rights Shares to them.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the open market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK$100 will be paid pro rata to the relevant Excluded Shareholders in Hong Kong dollars. The Company will retain individual amounts of HK$100 or less for its own benefit.

Share Option Scheme

As at the Latest Practicable Date, there are Outstanding Options attaching subscription rights to subscribe for 40,300,000 Shares granted pursuant to the Share Option Scheme.

Pursuant to the terms of the Share Option Scheme, adjustments to the Outstanding Options may be made if the Rights Issue becomes unconditional. The Company will instruct its auditors or an independent financial adviser to certify in writing the adjustment (if any) that ought to be made to the Outstanding Options and announce further details on such adjustment (if any) in accordance with the provisions under the Share Option Scheme.

Application for listing of the Rights Shares on the Stock Exchange

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms.

Subject to the grant of listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rule of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements will be made to enable the Rights Shares in both their nil-paid and fully-paid forms to be admitted into CCASS.

None of the securities of the Company is listed or dealt in any other stock exchange other than the Stock Exchange and no such listing or permission to deal is being or is proposed to be sought.

Nil-paid Rights Shares are expected to be traded in board lots of 2,000 (Shares then in issue are traded in board lots of 2,000). Dealings in nil-paid and fully-paid Rights Shares will be subject to the payment of stamp duty in Hong Kong.

The first day of dealings in the Rights Shares in their fully-paid form is expected to commence on 18 April 2007.

Taxation

Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the tax implications of the acquisition, holding or disposal of, or dealing in the Rights Shares and, as regards the Excluded Shareholders, their receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue. It is emphasized that none of the Company, the Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of holders of the Rights Shares resulting from the purchase, holding or disposal of, or dealing in the Rights Shares.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled:

(1) the Company despatching the circular to the Shareholders containing, among other matters, details of the Rights Issue and Whitewash Waiver together with the proxy form and notice of the EGM;

(2) the passing by the Independent Shareholders to the Rights Issue at the EGM by way of poll of ordinary resolutions to approve the Rights Issue (if required by the SFC, the Stock Exchange or other regulatory authorities) and the Whitewash Waiver by no later than the date on which the Prospectus is despatched;

(3) the Executive granting the Whitewash Waiver to World Gain and parties acting in concert with it and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted;

(4) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in all the Rights Shares (in their nil-paid and fully-paid forms) by no later than the date on which the Prospectus is despatched;

(5) the filing and registration of all documents relating to the Rights Issue, which are required to be filed or registered with the Registrar of Companies in Hong Kong in accordance with the Companies Ordinance;

(6) the posting of the Rights Issue Documents to Qualifying Shareholders; and

(7) compliance with and performance of all the undertakings and obligations of the Company and World Gain under the terms of the Underwriting Agreement.

None of the Company, World Gain and the Underwriter may waive conditions (1), (2), (3), (4), (5) and (6) set out above. The Underwriter may waive condition (7) set out above in whole or in part by written notice to the Company and World Gain. If any of the conditions of the Rights Issue are not fulfilled or (in respect of condition (7) only) waived on or before the Latest Acceptance Time (or such later time and/or date as the Company and the Underwriter may determine in writing), the Underwriting Agreement shall terminate (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriter shall have any claim against the other party for costs, damages, compensation or otherwise and the Rights Issue will not proceed.

Reasons for the Rights Issue and the use of proceeds

In view of the favourable conditions in the market, the Directors have decided to raise further equity by means of rights issue which would allow the Company to strengthen its capital base and provide an opportunity to all Qualifying Shareholders to participate in the growth of the Company in proportion to their shareholdings.

The Company intends to use the net proceeds from the Rights Issue, being approximately HK$194.32 million if no Outstanding Options are exercised on or before the Record Date or approximately HK$197.29 million if all Outstanding Options (other than the 6,600,000 Outstanding Options held by parties acting in concert with World Gain and the 3,800,000 Outstanding Options held by Mr. Gu Laiyun and Ms. Xu Zhen (both are non-executive Directors)) are exercised on or before the Record Date, as to approximately 20% for general working capital of the Group and approximately 80% for future investment opportunities in Hong Kong and the PRC including the Group's property development business in the PRC.

The Company is an investment holding company. The principal activities of the Group are property investment, property development, trade and production of cement, and investment holding in Hong Kong and the PRC. Any new investment is likely to be in one of these sectors. The Directors are in the course of considering a number of potential property development projects in the PRC and will continue to identify suitable investment opportunities for the Group. As heavy funding and timely injection of fund are required for property investment and development projects alike, the Directors consider that the capital reserve and strength of the Company have to be increased and strengthened so that when suitable opportunities should arise, the Group will be able to capture these opportunities and respond to the market opportunities, developments and prospects.

In view of the favourable conditions currently prevailing over the capital market of Hong Kong, the Directors consider that it is good time for the Company to proceed with the Rights Issue to increase the Company's capital reserve and strengthen its capital strength. The Directors consider that additional capital as generated from the Rights Issue will further enhance the financial position of the Group and of the Group's financial flexibility in respond to future investment opportunities. However, the Directors would like to stress that save for the conditional acquisition of interests in two PRC companies subsequent to the Announcement dated 9 January 2007 each from a subsidiary of China Chengtong Holdings Group Limited which is to be announced by the Company, the property development projects in the PRC being considered are still at a preliminary stage and no binding agreements have been entered into in respect of any of them. Further announcements will be made by the Company in accordance with or as required under the Listing Rules if any investment opportunity materializes.

The Directors consider that it is in the interest of the Company and the Shareholders to raise further capital which will be used by the Company to support and expand the Group's business, operation and investment opportunities, and the Rights Issue will allow all Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company.

World Gain has no intention to make any changes to the Group's existing principal businesses, the deployment of the Company's fixed assets and the continued employment of the employee of the Group.

Fund raising activities of the Company within 12 months to the date of the Announcement dated 9 January 2007

Date of announcement	Event	Net proceeds raised	Proposed use of the net proceeds	Actual use of the net proceeds
8 August 2006	Top-up placing of existing shares and subscription for new shares of 332 million Shares *(Note)*	HK$98.1 million	About 60% thereof for investment in the Group's property development business in the PRC and as to the remaining 40% thereof for general working capital of the Company, subject to such adjustment as to amount and proportion as the Directors consider appropriate	As at the Latest Practicable Date, the net proceeds have been utilised as follows: approximately HK$12.6 million for repayment of loan approximately HK$36.7 million for investment in the Group's property development business in the PRC approximately HK$48.8 million has not been utilized and the Company intends to use such proceeds for the proposed uses as announced on 8 August 2006

Note: Such Shares have been issued pursuant to the general mandate granted at the AGM.

Save as disclosed above, the Company did not carry out any rights issue, open offer or other issue of equity securities for fund raising purpose or otherwise within the past 12 months prior to the date of the Announcement dated 9 January 2007.

UNDERWRITING ARRANGEMENTS

Underwriting Agreement

Date:	27 December 2006 (as supplemented by two letters dated 9 January 2007 and 26 February 2007 entered into by the same parties amending certain terms and the expected timetable of the Rights Issue)
Parties:	(1) the Company (2) World Gain, the controlling shareholder (as defined in the Listing Rules) of the Company interested in approximately 30.06% of the existing issued share capital of the Company as at the Latest Practicable Date of Sea Meadow House, Blackburne Highway, Road Town, Tortola, British Virgin Islands. As at the Latest Practicable Date, the ultimate shareholder of World Gain is China Chengtong Holdings Group Limited, which is a state-owned enterprise established in the PRC under the auspices of the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會). As at the Latest Practicable Date, the directors of China Chengtong Holdings Group Limited are Ma Zhengwu, Zhang Guotong, Hong Shuikun, Li Yaoqiang, Wang Wenze, Du Changtao, Lin Xizhong, Fan Yingjun, Tao Rui, Dong Zhihua and Tang Guoliang (3) Oriental Patron Asia Limited, immediately before the signing of the Underwriting Agreement did not have any interest in any Shares
Number of Rights Shares that World Gain has undertaken, and has undertaken to procure parties acting in concert with it to take up:	World Gain has undertaken, and has undertaken to procure parties acting in concert with it, that World Gain and parties acting in concert with it will accept on or before the Latest Acceptance Time, and pay for, the 182,460,450 Rights Shares to be provisionally allotted to them or their respective nominee pursuant to the Rights Issue in respect of their or their respective nominee's existing holding of 608,201,500 Shares and the number of Shares to be issued to him/her if he/she exercises the Outstanding Options held by it/him/her on or before the Record Date *Note*: As at the Latest Practicable Date, parties acting in concert with World Gain, are interested in the Outstanding Options attaching subscription right to subscribe for an aggregate of 6,600,000 Shares, of which, 1,200,000 Outstanding Options are held by Mr. Ma Zhengwu (being the sole director of World Gain, a director of the immediate parent company and ultimate parent company of World Gain and a non-executive Director), 4,200,000 Outstanding Options are held by Mr. Zhang Guotong (a director of the immediate parent company and ultimate parent company of World Gain and an executive Director) and 1,200,000 Outstanding Options are held Mr. Hong Shuikun (a director of the ultimate parent company of World Gain and a non-executive Director). The parties acting in concert with World Gain who together holding 6,600,000 Outstanding Options and Mr. Gu Laiyun and Ms. Xu Zhen (both are non-executive Directors) together holding 3,800,000 Outstanding Options, have indicated that they will not exercise their Outstanding Options on or before completion of the Rights Issue.

Number of Shares to be underwritten ("**Underwritten Shares**"):	Not less than 424,591,040 Rights Shares *(Note 1)* and not more than 433,561,040 Rights Shares *(Note 2)*
Commission:	2.5% of the total Subscription Price in respect of the maximum number of Rights Shares underwritten by the Underwriter. The commission to be received by the Underwriter will be approximately HK$3.6 million. The commission payable to the Underwriter was determined after arm's length negotiations between the Company and the Underwriter. The Directors (including the independent non-executive Directors) consider that such amount is on normal commercial terms and is comparable with market rate.
Other fees:	The Underwriter will also receive a documentation fee of HK$0.5 million from the Company. The documentation fee is to remunerate the Underwriter for handling documents in relation to the Rights Issue, in particular, drafting and/or reviewing of announcement, circular, prospectus, and relevant agreements and documents. The Directors consider that the documentation fee is fair and reasonable.

Notes:

1. This figure excludes 182,460,450 Rights Shares to be provisionally allotted to World Gain and parties acting in concert with it in respect of their beneficial shareholding in the Company, for which World Gain has undertaken, and has undertaken to procure parties acting in concert with it, to subscribe in full (assuming that no Outstanding Options granted by the Company are exercised on or before the Record Date).

2. This figure excludes 182,460,450 Rights Shares to be provisionally allotted to World Gain and parties acting in concert with it in respect of their beneficial shareholding in the Company, for which World Gain has undertaken, and has undertaken to procure parties acting in concert with it, to subscribe in full (assuming that all such Outstanding Options (other than the 6,600,000 Outstanding Options held by parties acting in concert with World Gain and the 3,800,000 Outstanding Options held by Mr. Gu Laiyun and Ms. Xu Zhen (both are non-executive Directors)) are exercised on or before the Record Date). Parties acting in concert with World Gain together holding Outstanding Options attaching subscription rights to subscribe for 6,600,000 Shares and Mr. Gu Laiyun and Ms. Xu Zhen (both are non-executive Directors) together holding 3,800,000 Outstanding Options, have indicated that they will not exercise their Outstanding Options on or before completion of the Rights Issue.

World Gain has the intention to apply for and take up in aggregate 211,470,000 excess Rights Shares and pay for such number of excess Rights Shares that may be allocated to it under the allocation of the excess Rights Shares to the Qualifying Shareholders who have applied for excess Rights Shares and will make an application for the said excess Rights Shares by way of application for excess Rights Shares as soon as practicable after the grant of the Whitewash Waiver and approval by the relevant Independent Shareholders of, inter alia, the Whitewash Waiver. In allocating the excess Rights Shares, regards will be made to the principles set out in the paragraph headed "Application for excess Rights Shares" in the section headed "Proposed Rights Issue" above and World Gain's application for excess Rights Shares will not give it or any parties acting in concert with it any preference in receiving the allocation of the excess Rights Shares otherwise than in accordance with such principles.

Under the terms of the Underwriting Agreement, the Company and the Underwriter agreed that if the conditions of the Rights Issue are fulfilled or waived on or before the Latest Acceptance Time (or such later time and/or date as the Company and the Underwriter may determine in writing) and the Underwriting Agreement becomes unconditional and is not terminated in accordance with the terms thereof, the Company shall on or before 6:00 p.m. on the first Business Day after the Latest Acceptance Time notify or procure its share registrar in Hong Kong on behalf of the Company to notify the Underwriter in writing of the number of Underwritten Shares not taken up by Qualifying Shareholders on or before the Latest Acceptance Time ("**Untaken Shares**") and the Underwriter shall subscribe for the Untaken Shares not later than 4:00 p.m. on the third Business Day after the date of the Latest Acceptance Time and pay the relevant Subscription Monies not later than 4:00 p.m. on the fourth Business Day after the date of the Latest Acceptance Time in full.

Termination of the Underwriting Agreement

The Underwriting Agreement contains provisions granting the Underwriter, by notice in writing, the right to terminate the Underwriter's obligations thereunder on the occurrence of certain events. The Underwriter may terminate the Underwriting Agreement on or before the Latest Time for Termination if prior to the Latest Time for Termination:

(a) in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:

(i) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or

(ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

(iii) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or

(b) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of this clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the reasonable opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue; or

(c) the circular in relation to the Rights Issues or the Prospectus when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the reasonable opinion of the Underwriter is material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it.

As at the Latest Practicable Date, as far as the Company is aware, there is no information falling within paragraph (c) above.

If the Underwriting Agreement is terminated by the Underwriter on or before the aforesaid deadline or does not become unconditional, the Underwriting Agreement shall terminate (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriter shall have any claim against the other party for costs, damages, compensation or otherwise and the Rights Issue will not proceed.

Pursuant to the Underwriting Agreement, the Underwriter is entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

(a) any material breach of any of the warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or

(b) any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered the warranties contained in the Underwriting Agreement untrue or incorrect in any material aspect comes to the knowledge of the Underwriter.

WARNING OF THE RISK OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES

The Shares will be dealt in on an ex-rights basis from 13 March 2007. Dealings in the Rights Shares in their nil-paid form will take place from 23 March 2007 to 30 March 2007 (both days inclusive). If the conditions of the Rights Issue are not fulfilled and/or waived on or before the Latest Acceptance Time (or such later time and/or date as the Company and the Underwriter may determine in writing), or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed and the Rights Issue will lapse.

Any persons contemplating buying or selling Shares from the date of the Announcement dated 9 January 2007 up to the date on which all the conditions of the Rights Issue are fulfilled or waived, and any dealings in the Rights Shares in their nil-paid form between 23 March 2007 to 30 March 2007 (both dates inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed.

Any Shareholders or other persons contemplating dealing in the Shares or nil-paid Rights Shares are recommended to consult their own professional advisers.

CHANGES IN SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company as at the Latest Practicable Date and immediately after completion of the Rights Issue assuming that there is no change in the shareholding structure of the Company from the Latest Practicable Date to immediately before completion of the Rights Issue save pursuant to the exercise of Outstanding Options (other than the 6,600,000 Outstanding Options held by parties acting in concert with World Gain and the 3,800,000 Outstanding Options held by Mr. Gu Laiyun and Ms. Xu Zhen (both are non-executive Directors)) and the transactions contemplated under the Underwriting Agreement:

Name of Shareholder/ Beneficial owner	As at the date of the Latest Practicable Date		Immediately after completion of the Rights Issue (assuming no Outstanding Options are exercised on or before completion of the Rights Issue and assuming no Shareholders (other than World Gain) have taken up rights entitlements and the maximum 211,470,000 excess Rights Shares are allocated to World Gain)		Immediately after completion of the Rights Issue (assuming all Outstanding Options (other than the 6,600,000 Outstanding Options held by parties acting in concert with World Gain and the 3,800,000 Outstanding Options held by Mr. Gu Laiyun and Ms. Xu Zhen (both are non-executive Directors)) are exercised on or before the Record Date and assuming no Shareholders (other than World Gain) have taken up rights entitlements and the maximum 211,470,000 excess Rights Shares are allocated to World Gain)	
	No. of Shares held	Approximate percentage shareholdings	No. of Shares held	Approximate percentage shareholdings	No. of Shares held	Approximate percentage shareholdings
World Gain and parties acting in concert with it	608,201,500	30.06%	1,002,131,950 *(Note 1)*	38.10%	1,002,131,950 *(Note 1)*	37.54%
Sub-total:	608,201,500	30.06%	1,002,131,950	38.10%	1,002,131,950	37.54%
Directors of the Company's subsidiaries *(note 2)*	Nil	0%	Nil	0%	16,350,000	0.61%
Oriental Patron Asia Limited	Nil	0%	213,121,040	8.10%	222,091,040	8.32%
Public	1,415,303,468	69.94%	1,415,303,468	53.80%	1,428,853,468	53.53%
Total	2,023,504,968	100%	2,630,556,458	100%	2,669,426,458	100%

Notes:

1. Such interests represent the sum of (a) the 608,201,500 Shares currently held by World Gain; (b) the 182,460,450 Rights Shares to be provisionally allotted to World Gain in respect of such 608,201,500 Shares which World Gain has undertaken to take up under the Rights Issue; and (c) the maximum 211,470,000 excess Rights Shares are allocated and taken up by World Gain by way of application for Excess Rights Shares under the Rights Issue.

2. Such interests represent the aggregate shareholding interests of the directors of the Company's subsidiaries (not including interests held by parties acting in concert with World Gain) in the Company assuming all their Outstanding Options (other than the 6,600,000 Outstanding Options held by parties acting in concert with World Gain and the 3,800,000 Outstanding Options held by Mr. Gu Laiyun and Ms. Xu Zhen (both are non-executive Directors)) are exercised on or before the Record Date and none of them take up the Rights Shares provisionally allotted to each of them.

3. Parties acting in concert with World Gain together holding Outstanding Options attaching subscription rights to subscribe for 6,600,000 Shares and Mr. Gu Laiyun and Ms. Xu Zhen (both are non-executive Directors) together holding 3,800,000 Outstanding Options, have indicated that they will not exercise their Outstanding Options on or before completion of the Rights Issue.

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Issue.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES

If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on the latest date for acceptance of and payment for the Rights Shares at any local time between 12:00 noon and 4:00 p.m., the Latest Acceptance Time will be postponed to 4:00 p.m. on the following Business Day, which does not have either of those warnings in force in Hong Kong at any time between 12:00 noon and 4:00 p.m.. Accordingly, the dates subsequent to the expected date of the Latest Acceptance Time mentioned in the section headed "Expected timetable for the Rights Issue" in this circular may be affected. A press announcement will be made by the Company in such event as soon as practicable.

WHITEWASH WAIVER

World Gain has the intention to apply for and take up in aggregate 211,470,000 excess Rights Shares and pay for such number of excess Rights Shares that may be allocated to it under the allocation of the excess Rights Shares to the Qualifying Shareholders who have applied for excess Rights Shares and will make an application for the said excess Rights Shares by way of application for excess Rights Shares as soon as practicable after the grant of the Whitewash Waiver and approval by the relevant Independent Shareholders of, inter alia, the Whitewash Waiver.

If no Qualifying Shareholder (other than World Gain and parties acting in concert with it) takes up any Rights Shares under the Rights Issue, a maximum of 211,470,000 excess Rights Shares will be allocated to World Gain, if World Gain implements its intention to take up all these excess Rights Shares. In such event, World Gain will hold 1,002,131,950 Shares (assuming that no Outstanding Options are exercised on or before the Record Date) and 1,002,131,950 Shares (assuming all Outstanding Options (other than the 6,600,000 Outstanding Options held by parties acting in concert with World Gain and the 3,800,000 Outstanding Options held by Mr. Gu Laiyun and Ms. Xu Zhen (both are non-executive Directors)) are exercised in full on or before the Record Date).

Parties acting in concert with World Gain hold Outstanding Options to subscribe for 6,600,000 Shares and Mr. Gu Laiyun and Ms. Xu Zhen (both are non-executive Directors) hold Outstanding Options to subscribe for 3,800,000 Shares, have indicated that they will not exercise their Outstanding Options on or before completion of the Rights Issue.

The taking up of the maximum 211,470,000 excess Right Shares by way of application for excess Rights Shares by World Gain would result in the aggregate shareholdings in the Company of World Gain and parties acting in concert with it being increased from approximately 30.06% to approximately 38.1% (assuming no Outstanding Options are exercised on or before the Record Date), or to approximately 37.54% (assuming all the Outstanding Options (other than the 6,600,000 Outstanding Options held by parties acting in concert with World Gain and the 3,800,000 Outstanding Options held by Mr. Gu Laiyun and Ms. Xu Zhen (both are non-executive Directors)) are exercised in full on or before the Record Date) and will trigger an obligation for World Gain and parties acting in concert with it to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares and securities issued by the Company not already held by World Gain and parties acting in concert with it.

The possible increase of the aggregate shareholding of World Gain and parties acting in concert with it of approximately 8.04% from approximately 30.06% to approximately 38.1% (assuming no Outstanding Options are exercised on or before the Record Date), or of approximately 7.48% from approximately 30.06% to approximately 37.54% (assuming all the Outstanding Options (other than the 6,600,000 Outstanding Options held by parties acting in concert with World Gain and the 3,800,000 Outstanding Options held by Mr. Gu Laiyun and Ms. Xu Zhen (both are non-executive Directors)) are exercised in full on or before the Record Date) as a result of the taking up of the maximum 211,470,000 excess Right Shares by way of application for excess Rights Shares by World Gain under the Rights Issue represents an increase over and above the limit as allowed by the 2% creeper mentioned in the Takeovers Code.

A formal application has been made by World Gain to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has agreed that the Whitewash Waiver will be granted subject to the approval of the Independent Shareholders to the Rights Issue at the EGM by way of poll, which World Gain and parties acting in concert with it and Shareholders who are involved in or interested in the Rights Issue, the Underwriting Agreement and the Whitewash Waiver will abstain from voting on the relevant resolution.

It is a condition precedent to the completion of the Rights Issue that the Whitewash Waiver is granted by the Executive. If the Whitewash Waiver is not granted by the Executive or if the condition imposed thereon is not fulfilled, the Rights Issue will not proceed.

DEALINGS OF THE SHARES BY WORLD GAIN AND ITS CONCERT PARTIES AND OTHER MISCELLANEOUS MATTERS

On 8 August 2006, a top-up placing agreement was entered into between the Company, World Gain and the Oriental Patron as placing agent, pursuant to which World Gain sold 332 million Shares and subscribe for the same number of Shares at a price of HK$0.30 per Share. Completion of the top-up subscription took place on 18 August 2006. As a result of the top-up subscription, the shareholding of World Gain and parties acting in concert with it in the Company was reduced from approximately 36.05% to approximately 30.12%. Other than the said top-up subscription, there has been no dealing of Shares and other securities in the Company by World Gain and parties acting in concert with it for the six months period immediately prior to the date of the Announcement dated 9 January 2007.

As at the date of the Latest Practicable Date, other than approximately 30.06% of the issued share capital of the Company beneficially owned by World Gain and parties acting in concert with it and the Outstanding Options attaching subscription right to subscribe for 6,600,000 Shares held by the parties acting and presumed to be acting in concert with World Gain, (a) World Gain and parties acting or presumed to be acting in concert with it do not hold any other shares, convertible securities, warrants or options of the Company, or any outstanding derivative in respect of securities in the Company; (b) there is no arrangement (whether by way of option, indemnity or otherwise) in relation to shares of World Gain or the Company and which may be material to the Whitewash Waiver and the Rights Issue; and (c) there are no agreements or arrangements to which World Gain is a party which related to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Whitewash Waiver and the Rights Issue, other than the transactions contemplated under the Underwriting Agreement and as disclosed in this circular.

PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES AND REPURCHASE SHARES

Background

At the AGM, approval was given by the Shareholders for the granting of the following mandates to the Directors:

(1) the Current Share Issue Mandate to allot, issue and deal with up to 337,420,993 new Shares, representing 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of the relevant resolution at the AGM;

(2) the Current Share Repurchase Mandate to repurchase up to 168,710,496 Shares, representing 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of the relevant resolution at the AGM; and

(3) the Current Extension Mandate to the effect that any Shares repurchased under the Current Share Repurchase Mandate will be added to the total number of Shares which may be allotted and issued under the Current Share Issue Mandate.

As disclosed in the announcement dated 8 August 2006 of the Company, the Top-Up Subscription Agreement was entered into between the Company, World Gain and Oriental Patron as placing agent, pursuant to which the Company had placed a total of 332,000,000 new Shares under the Current Share Issue Mandate granted at the AGM.

The Current Share Issue Mandate granted to the Directors at the AGM to allot, issue and deal with up to 337,420,993 new Shares has therefore been utilized to the extent of 332,000,000 new Shares for the Top-Up Subscription, representing approximately 19.68% of the total amount of issued share capital of the Company as at the date of the AGM. As a result of the Top-Up Subscription, the amount, in percentage term, of the unused part of the Current Share Issue Mandate is approximately 1.6%.

Reasons for, and benefit of, the Refreshment Mandate

The Directors consider it in the best interests of the Company and the Shareholders:

(1) to grant the New Share Issue Mandate to the Directors, which allows greater flexibility for the Company to capture fund raising opportunities should they arise; and

(2) to grant the New Repurchase Mandate to the Directors, which allows greater flexibility for the Company to repurchase Shares as and when the Directors consider it appropriate and desirable.

Refreshment Mandate

Ordinary resolutions will therefore be proposed at the EGM:

(1) to revoke the Current Share Issue Mandate, the Current Share Repurchase Mandate and the Current Extension Mandate;

(2) to grant the New Share Issue Mandate to the Directors, in terms set out in the notice of the EGM, to allot, issue and deal with unissued Shares the aggregate nominal amount of which shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of such resolution at the EGM;

(3) to grant the New Share Repurchase Mandate to the Directors, in terms set out in the notice of the EGM, to repurchase Shares of an aggregate nominal amount of up to 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of such resolution at the EGM; and

(4) to grant the New Extension Mandate to the Directors, in terms set out in the notice of the EGM, to the effect that any Shares repurchased under the New Share Repurchase Mandate will be added to the total number of Shares which may be allotted and issued under the New Share Issue Mandate.

Subject to the passing of the proposed resolutions for the grant of the New Share Issue Mandate and the New Share Repurchase Mandate, based on a total of 2,023,504,968 Shares in issue of the Company as at the Latest Practicable Date and presuming that the issued share capital of the Company remains unchanged up to the date of the EGM, the Company will be allowed:

(1) to allot and issue up to 404,700,993 Shares under the New Share Issue Mandate (representing 20% of the 2,023,504,968 Shares in issue as at the Latest Practicable Date, assuming that the issued share capital of the Company remained unchanged up to the date of the EGM), and adding to such mandate so granted to the Directors any Shares representing the aggregate nominal amount (up to a maximum of 10% of the aggregate nominal amount of the Company's issued share capital) of the Shares repurchased by the Company after the granting of the New Share Repurchase Mandate; and

(2) to repurchase up to 202,350,496 Shares under the New Repurchase Mandate.

The Directors wish to state that they have no immediate plan to repurchase any Shares and/or to allot and issue any new Shares, other than such Shares which may fall to be allotted and issued under the Rights Issue, the Service Agreement and upon the exercise of any options which may be granted under the Share Option Scheme.

Refreshment and utilization of the Current Share Issue Mandate since the date of the AGM

There was no refreshment of the Current Share Issue Mandate since the date of the AGM and up to the Latest Practicable Date.

Since the date of the AGM and up to the Latest Practicable Date, the Current Share Issue Mandate has been ultilised to the extent of 332,000,000 Shares for the Top-Up Subscription. A total net proceeds of approximately HK$98.1 million were raised from the Top-Up Subscription. As at the Latest Practicable Date, of the HK$98.1 million net proceeds raised, approximately HK$12.6 million had been ultilised for repayment of loan, approximately HK$36.7 million had had been ultilised for investment in the Group's property development business in the PRC and approximately HK$48.8 million had not been ultilised. The Company intends to use the amount of the net proceeds not yet ultilised for the proposed uses as announced in the Company's announcement of 8 August 2006 (i.e., about 60% thereof for investment in the Group's property development business in the PRC and as to the remaining 40% thereof for the general working capital of the Company, subject to such adjustment as to amount and proportion as the Directors consider appropriate).

Period during which the New Share Issue Mandate and the New Share Repurchase Mandate will remain in force

The New Share Issue Mandate and the New Share Repurchase Mandate, if granted, will continue in force during the period ended on the earliest of:

(1) the conclusion of the next annual general meeting of the Company after the EGM; or

(2) the date on which such authority is revoked or varied by an ordinary resolution passed in a general meeting of the Company; or

(3) the date by which the next annual general meeting of the Company after the EGM is required by laws or the Articles, the Companies Ordinance or any applicable law of Hong Kong to be held.

Independent Shareholders' approval

The Board will seek approval from the Independent Shareholders to the Transaction(s) (i.e., Shareholders other than World Gain and its associates) at the EGM for the proposed ordinary resolutions as set out above, including the refreshment of the Current Share Issue Mandate.

The Independent Board Committee of the Transaction(s) comprising all the independent non-executive Directors, namely Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec and Mr. Lao Youan, has been established to advise the Independent Shareholders to the Transaction(s) as to whether the terms of the Refreshment Mandate are fair and reasonable and whether the Refreshment Mandate is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders to the Transaction(s) on how to vote, taking into account the recommendations of the independent financial adviser.

CIMB-GK has been appointed by the Company to advise the Independent Board Committee of the Transaction(s) and the Independent Shareholders to the Transaction(s) on whether the terms of the Refreshment Mandate are fair and reasonable and whether the Refreshment Mandate is in the interests of the Company and the Shareholders as a whole.

Explanatory statement

Under the Listing Rules, the Company is required to give the Shareholders all information which is reasonably necessary to enable the Shareholders to make an informed decision as to whether to vote for or against the resolution in respect of the New Share Repurchase Mandate at the EGM. An explanatory statement for such purpose is set out in Appendix IV to this circular.

PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE SHARES

On 9 January 2007, the Company and Oriental Patron entered into an agreement ("**Service Agreement**") for the provision by Oriental Patron to the Company of services in relation to proposed fund raising of an estimated aggregate amount of not less than HK$500 million (not including, funds (if any) provided by the controlling shareholder (as defined in the Listing Rules) of the Company and/or the subsidiaries of such controlling shareholder). The Company may require additional funds for its future business plan. The amount of additional funds to be raised would depend on the future financial needs of the Company. As at the date of the Latest Practicable Date, there was no concrete plan on the size, method and timetable for such fund raising exercise and the Directors have not identified any specific projects or investments in relation to the future business plans. However, any future business plans are likely to be in one of the Group's principal activities, i.e., property investment, property development, trade and production of cement and investment holding. The Directors consider that a sound and strong capital reserve would be beneficial to the Company in the long run in enabling the Group to capture opportunities that may arise and respond fast to the market opportunities, developments and prospects, in particular, in view of the heavy funding requirements normally requires for investment in any of the Group's principal activities.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the principal activity of Oriental Patron is the provision of securities dealing, corporate finance advisory and asset management services and its ultimate beneficial owners are independent third parties.

The Company is to remunerate Oriental Patron for the services to be provided under the Service Agreement by the allotment and issue of Shares (the "Consideration Shares") in the event that Oriental Patron should succeed in raising funds (not including, funds (if any) provided by the controlling shareholder (as defined in the Listing Rules) of the Company and/or the subsidiaries of such controlling shareholder) for the Company.

In respect of the Consideration Shares to be allotted and issued:

(1) subject to adjustment set out in paragraph (2) immediately below, they will be in number of not more than 1% of the entire issued Shares as at 31 December 2006 ("Total Issued Shares") (note 1) for every HK$100 million raised (not including, funds (if any) provided by the controlling shareholder (as defined in the Listing Rules) of the Company and/or the subsidiaries of such controlling shareholder), and subject to a maximum of not more than 8% of the Total Issued Shares in number, i.e.,

Aggregate amount of fund raised	**Aggregate maximum number of Consideration Shares**
HK$100 million	1% of the Total Issued Shares (equivalent to 20,235,049 Shares) *(note 2)*
HK$200 million	2% of the Total Issued Shares (equivalent to 40,470,099 Shares) *(note 2)*
HK$300 million	3% of the Total Issued Shares (equivalent to 60,705,149 Shares) *(note 2)*
HK$400 million	4% of the Total Issued Shares (equivalent to 80,940,198 Shares) *(note 2)*
HK$500 million	5% of the Total Issued Shares (equivalent to 101,175,248 Shares) *(note 2)*
HK$600 million	6% of the Total Issued Shares (equivalent to 121,410,298 Shares) *(note 2)*
HK$700 million	7% of the Total Issued Shares (equivalent to 141,645,347 Shares) *(note 2)*
HK$800 million or more	8% of the Total Issued Shares (equivalent to 161,880,397 Shares) *(note 2)*

Notes:

(1) There were 2,023,504,968 Shares in issue as at 31 December 2006.

(2) The percentage will be adjusted in proportion to the amount raised if this is less than HK$100 million or less than an integral multiple of HK$100 million and rounded down to the nearest HK$10,000,000.

(3) The maximum number of Consideration Shares to be issued is not to be more than 8% of the Total Issued Shares.

(2) their number will be adjusted in accordance with the formula ("Formula") set out below:

Number of Consideration Shares to be allotted and issued = A x B x [(C – D)/C]

where:

A is the Total Issued Shares

B is the percentage as calculated in accordance with paragraph (1) immediately above

C is the average closing price per Share for the five trading days up to and including the date of receipt by the Company of a written notice from Oriental Patron requesting for the allotment and issue of the Consideration Shares

D is HK$0.42 on or prior to 31 December 2007 and HK$0.44 from 1 January 2008, subject to adjustment in the event of, among other matters, capitalization, bonus issue, rights issue, open offer, sub-division or consolidation of Shares and other events of the Company

(3) no fraction of a Share will be issued and any fraction of a Share will be ignored.

The values for D (being HK$0.42 for the year 2007 and HK$0.44 for the year 2008) of the Formula are determined after arm's-length negotiation between the Company and Oriental Patron with reference to the historical prices of the Shares in 2006.

The Company will identify new projects or investment opportunities and will discuss with and/or inform Oriental Patron about the funding needs of the Company, if any. Based on the needs of the Company, Oriental Patron will advise the Company on the fund raising plans and if considered appropriate, identify and solicit strategic investors for the Company. When funds are invested by the investors into the Company and/or its subsidiaries (not including, funds (if any) provided by the controlling shareholder (as defined in the Listing Rules) of the Company and/or the subsidiaries of such controlling shareholder), Oriental Patron may at any time up to 30 June 2008 ("Long Stop Date") request for the allotment and issue of the Consideration Shares by the service of a written notice to the Company ("Written Notice") and the Company shall within one month from the date of receipt of the Written Notice effect the allotment and issue of the Consideration Shares to Oriental Patron, provided that:

(1) the Company is only obliged to allot and issue 50% of the Consideration Shares to Oriental Patron if the aggregate amount of funds raised (not including, funds (if any) provided by the controlling shareholder (as defined in the Listing Rules) of the Company and/or the subsidiaries of such controlling

shareholder) at the time when the Written Notice is received by the Company is less than HK$500 million. The remaining unissued Consideration Shares will only be allotted and issued to Oriental Patron when the aggregate amount of funds raised is more than HK$500 million provided that the Written Notice is received by the Company on or prior to the Long Stop Date; and

(2) the Company is not obliged to allot and issue any Consideration Shares in respect of Written Notice which is received by the Company after the Long Stop Date.

Oriental Patron has undertaken in favour of the Company not to sell or otherwise dispose of the Consideration Shares allotted and issued unless and until the aggregate amount of fund raised (not including, funds (if any) provided by the controlling shareholder (as defined in the Listing Rules) of the Company and/or the subsidiaries of such controlling shareholder) is equal to or more than HK$500 million or after 30 June 2008, whichever is the earlier.

The Consideration Shares will rank *pari passu* with all the then existing issued Shares. The Consideration Shares will not be issued under the existing general mandate granted to the Directors at the AGM nor the Refreshment Mandate, but the Company will seek the grant of a specific mandate ("Specific Mandate") from the Shareholders (which is in addition to, and will not prejudice nor revoke the Refreshment Mandate) to allot and issue Shares to satisfy the allotment and issue of the Consideration Shares.

The period of services to be provided by Oriental Patron under the Service Agreement will be from the date when the Specific Mandate is approved by the Shareholders up to 30 June 2008.

The scope of services to be provided by Oriental Patron under the Service Agreement includes, inter alia:

(1) advising on the reorganization of the Group, including the financial aspects of its business development plan;

(2) advising on fund raising plans and soliciting strategic investors;

(3) assist in assets acquisition of the Group;

(4) raising fund of an estimated aggregate amount of not less than HK$500 million (excluding funds which may be injected by the controlling shareholder (as defined in the Listing Rules) of the Company and the subsidiaries of such controlling shareholder);

(5) assisting in the preparation of relevant announcements, circulars and/or other documents, if necessary; and

(6) liaising with the regulators and other relevant professional parties.

The fund raising exercises contemplate under the Service Agreement include equity and/or debt financing such as placing of shares and/or issue of convertible securities of the Company and/or its associates but does not include funds provided by the controlling shareholder (as defined in the Listing Rules) of the Company and/or the subsidiaries of such controlling shareholder. The scope of services to be provided by Oriental Patron under the Service Agreement does not include the arrangement of bank borrowing.

The terms of the Service Agreement are arrived at after arm's-length negotiation between the Company and Oriental Patron. The remuneration by way of Consideration Shares of services to be rendered by Oriental Patron under the Service Agreement allows the Company to reduce the expenses such as placing commission and/or advisory fee and enable the Company to retain funds for its uses.

Oriental Patron was appointed as placing agent for the top-up placing as announced by the Company on 8 August 2006 which was successfully implemented. The Directors consider that Oriental Patron is capable of accomplishing the works to be performed by it under the Service Agreement.

The Directors consider that the consideration for the Service Agreement is fair and reasonable on the basis that:

(1) in the best scenario, if the average closing price of the Shares for the five trading days up to and including the date of receipt of the Written Notice is below HK$0.42 during the year 2007 and HK$0.44 during the year 2008, the Company will not need to issue and allot any Consideration Shares or pay any fees (except all out-of-pocket expenses) to Oriental Patron despite services are provided to the Company;

(2) if the aggregate fund raised (not including, funds (if any) provided by the controlling shareholder (as defined in the Listing Rules) of the Company and/ or the subsidiaries of such controlling shareholder) pursuant to the Service Agreement is below HK$500 million, the Company is only obliged to allot and issue half of the Consideration Shares and that it is at the discretion of the Company to determine the size of the funds to be raised;

(3) the number of Consideration Shares is capped at 8% of the Total Issued Shares; and

(4) according to the Formula, Oriental Patron will always be receiving less than 1% of the Total Issued Shares (i.e. approximately 20 million Shares) for every HK$100 million raised.

The Service Agreement is conditional upon fulfillment of the following conditions on or before 31 March 2007 (or such later date as the parties may agree):

(1) the passing of an ordinary resolution by the Shareholders at the EGM approving, among other matters, the grant of the Specific Mandate and authorising the Board to allot and issue the Consideration Shares; and

(2) the Listing Committee of the Stock Exchange having granted listing of and permission to deal in the Consideration Shares either unconditionally or subject to such condition as may be reasonably acceptable to the Company.

In the event that the above conditions have not been fulfilled on or before the above timeline, the Service Agreement shall lapse and no party shall make any claim against the other in respect thereof.

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Recommendation

The Directors consider that the terms of the Service Agreement are fair and reasonable and that the Service Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution numbered 6 to approve the Specific Mandate as set out in the notice of the EGM.

EGM

There is set out on pages 188 to 194 of this circular a notice convening the EGM to be held at 10:30 a.m. on Monday, 19 March 2007 at Lavender Room, 27th Floor, The Park Lane Hong Kong, 310 Gloucester Road, Hong Kong, at which ordinary resolutions will be proposed to consider and, if thought fit, by the Shareholders to approve:

1. the Rights Issue;

2. the Whitewash Waiver;

3. the revocation of the Current Share Issue Mandate, the Current Share Repurchase Mandate and the Current Extension Mandate and the grant of the Refreshment Mandate; and

4. the grant of the Specific Mandate.

At the EGM:

(1) World Gain and its associates and parties acting in concert with any of them; and those who are involved in or interested in the Underwriting Agreement, the proposed Rights Issue and the Whitewash Waiver will abstain from voting on resolution numbered 1 to approve the Rights Issue and resolution numbered 2 to approve the Whitewash Waiver, both as set out in the notice of the EGM;

(2) World Gain and its associates will abstain from voting on resolution numbered 3, 4 and 5 to approve the grant of the Refreshment Mandate as set out in the notice of the EGM; and

(3) Oriental Patron and its associates will abstain from voting on resolution numbered 6 to approve the grant of the Specific Mandate as set out in the notice of the EGM. Oriental Patron has confirmed that it and its associates do not hold any Shares as at the date of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the EGM or any adjournment of it if you so wish.

RECOMMENDATION

Your attention is drawn to the letter from each of the Independent Board Committees set out on pages 40 to 42 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM in relation to (a) the Rights Issue and the Whitewash Waiver; and (b) the Refreshment Mandate.

Your attention is also drawn to the letter from CIMB-GK which contains its advice to the Independent Board Committees and the Independent Shareholders as regards the (a) the Rights Issue and the Whitewash Waiver; and (b) the Refreshment Mandate and the principal factors and reasons considered by it in arriving thereat. The text of the letter from CIMB-GK is set out on pages 43 to 69 of this circular.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
China Chengtong Development Group Limited
Zhang Guotong
Managing Director

CHINA CHENGTONG DEVELOPMENT GROUP LIMITED
中國誠通發展集團有限公司

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

1 March 2007

To the Independent Shareholders to the Rights Issue

Dear Sir or Madam,

(1) PROPOSED RIGHTS ISSUE OF NOT LESS THAN 607,051,490 RIGHTS SHARES AND NOT MORE THAN 616,021,490 RIGHTS SHARES OF HK$0.10 EACH AT HK$0.33 PER RIGHTS SHARE PAYABLE IN FULL ON ACCEPTANCE (IN THE PROPORTION OF THREE RIGHTS SHARES FOR EVERY TEN EXISTING SHARES HELD ON THE RECORD DATE) (2) APPLICATION FOR WHITEWASH WAIVER

We refer to the letter from the Board set out in the circular dated 1 March 2007 (the "Circular") of which this letter forms part. Capitalised terms defined in the Circular have the same meanings when used herein unless the context otherwise requires.

We have been appointed as the Independent Board Committee of the Rights Issue to consider the Rights Issue and the Whitewash Waiver and to advise the Independent Shareholders to the Rights Issue as to whether the terms of the Rights Issue and the Whitewash Waiver are fair and reasonable and in the interests of the Independent Shareholders to the Rights Issue and to recommend whether the Independent Shareholders to the Rights Issue should vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Rights Issue and the Whitewash Waiver. CIMB-GK has been appointed to advise the Independent Board Committee of the Rights Issue and the Independent Shareholders to the Rights Issue in relation to the Rights Issue and the Whitewash Waiver.

We wish to draw your attention to the letter from the Board and the letter from CIMB-GK to the Independent Board Committee of the Rights Issue and the Independent Shareholders to the Rights Issue which contains its advice to us and you in relation to the Rights Issue and the Whitewash Waiver as set out in the Circular.

Having taken into account the principal factors and reasons considered by, and the opinion of, CIMB-GK as stated in its letter of advice as set out on pages 43 to 69 of the Circular, we consider the terms of the Rights Issue and the Whitewash Waiver are fair and reasonable and the Rights Issue and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to the Rights Issue to vote in favour of the ordinary resolutions approving the Rights Issue and the Whitewash Waiver to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Independent Board Committee of the Rights Issue

Gu Laiyun	**Xu Zhen**	**Kwong Che Keung, Gordon**	**Tsui Yiu Wa, Alec**	**Lao Youan**
Non-executive Directors		*Independent non-executive Directors*		

CHINA CHENGTONG DEVELOPMENT GROUP LIMITED
中國誠通發展集團有限公司

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

1 March 2007

To the Independent Shareholders to the Transaction(s)

Dear Sir or Madam,

PROPOSED REFRESHMENT OF GENERAL MANDATE

We refer to the letter from the Board set out in the circular dated 1 March 2007 (the "Circular") of which this letter forms part. Capitalised terms defined in the Circular have the same meanings when used herein unless the context otherwise requires.

We have been appointed as the Independent Board Committee of the Transaction(s) to consider the Transaction(s) and to advise the Independent Shareholders to the Transaction(s) as to whether the terms of the Transaction(s) are fairness and reasonable and in the interests of the Independent Shareholders to the Transaction(s) and to recommend whether the Independent Shareholders to the Transaction(s) should vote in favour of the ordinary resolution to be proposed at the EGM to approve the Transaction(s). CIMB-GK has been appointed to advise the Independent Board Committee of the Transaction(s) and the Independent Shareholders to the Transaction(s) in relation to the Transaction(s).

We wish to draw your attention to the letter from the Board and the letter from CIMB-GK to the Independent Board Committee of the Transaction(s) and the Independent Shareholders to the Transaction(s) which contains its advice to us and you in relation to the Transaction(s) as set out in the Circular.

Having taken into account the principal factors and reasons considered by, and the opinion of, CIMB-GK as stated in its letter of advice as set out on pages 43 to 69 of the Circular, we consider the terms of the Transaction(s) are fair and reasonable and the Transaction(s) is in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to the Transaction(s) to vote in favour of the ordinary resolution approving the Transaction(s) to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Independent Board Committee of the Transaction(s)
Kwong Che Keung, Gordon **Tsui Yiu Wa, Alec** **Lao Youan**
Independent non-executive Directors

The following is the full text of a letter from CIMB-GK to the Independent Board Committee of the Rights Issue, the Independent Board Committee of the Transaction(s) and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

CIMB
CIMB-GK Securities (HK) Limited

25/F Central Tower
28 Queen's Road Central
Hong Kong

1 March 2007

To the Independent Board Committee of the Rights Issue, the Independent Board Committee of the Transaction(s) and the Independent Shareholders of ***China Chengtong Development Group Limited***

Dear Sirs,

(1) PROPOSED RIGHTS ISSUE OF NOT LESS THAN 607,051,490 RIGHTS SHARES AND NOT MORE THAN 616,021,490 RIGHTS SHARES OF HK$0.10 EACH AT HK$0.33 PER RIGHTS SHARE PAYABLE IN FULL ON ACCEPTANCE (IN THE PROPORTION OF THREE RIGHTS SHARES FOR EVERY TEN EXISTING SHARES HELD ON THE RECORD DATE)
(2) APPLICATION FOR WHITEWASH WAIVER
(3) PROPOSED REFRESHMENT OF GENERAL MANDATE
(4) PROPOSED GRANT OF SPECIFIC MANDATE

INTRODUCTION

We refer to i) our appointment to advise the Independent Board Committee of the Rights Issue and the Independent Shareholders to the Rights Issue in respect of the terms of the Rights Issue and the Whitewash Waiver; and ii) our appointment to advise the Independent Board Committee of the Transaction(s) and the Independent Shareholders to the Transaction(s) in respect of the terms of the Refreshment Mandate, details of which are set out in a circular ("Circular") to the Shareholders dated 1 March 2007, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in this circular unless the context otherwise requires.

The Independent Board Committee of the Rights Issue comprising all the non-executive Directors (other than Mr. Ma Zhengwu (a non-executive Director and a director of World Gain, China Chengtong Hong Kong Company Limited and China Chengtong Holdings Group Limited) and Mr. Hong Shuikun (a non-executive Director and a director of China Chengtong Holdings Group Limited), who are parties acting in concert with

World Gain and are not considered to be independent under the Takeovers Code so far as the Whitewash Waiver and the Rights Issue are concerned and are therefore excluded as members of the Independent Board Committee of the Rights Issue), namely Mr. Gu Laiyun, Ms. Xu Zhen, Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec and Mr. Lao Youan, has been established to advise the Independent Shareholders to the Rights Issue as to whether the terms of the Whitewash Waiver and the Rights Issue are fair and reasonable and whether the Whitewash Waiver and the Rights Issue are in the interests of the Company and the Shareholders as a whole.

The Independent Board Committee of the Transaction(s) comprising all the independent non-executive Directors, namely Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec and Mr. Lao Youan, has been established to advise the Independent Shareholders to the Transaction(s) as to whether the terms of the Refreshment Mandate are fair and reasonable and whether the Refreshment Mandate is in the interests of the Company and the Shareholders as a whole.

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular. We have also assumed that the information and representations contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information and documents to satisfy ourselves that we have a reasonable basis to assess the fairness and reasonableness of the terms of the Rights Issue, the Whitewash Waiver and the Refreshment Mandate in order to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company or any of its respective subsidiaries or associates.

A. THE RIGHTS ISSUE AND THE WHITEWASH WAIVER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the fairness and reasonableness of the Rights Issue and the Whitewash Waiver, we have taken into account the following principal factors and reasons:

Background and rationale

Recent financial performance

The Group is principally engaged in property investment, property development, trade and production of cement, and investment holding in

Hong Kong and the PRC. As stated in the annual report of the Company for the year ended 31 December 2005, given the expected demand for commercial and residential development and logistics property in the PRC will continue to grow driven by a continued and rapid increase in income and urbanization process, the Group will concentrate its resources to fully expand property and land resources development business in the PRC. Set out below is a summary of the consolidated results of the Group:

	Nine months Ended 31 December 2004 (audited) *(HK$'000)* *(Note 1)*	**Years ended 31 December 2005** (audited) *(HK$'000)*	**Six months ended 30 June 2005** (unaudited) *(HK$'000)*	**Six months ended 30 June 2006** (unaudited) *(HK$'000)*
Turnover:	210,992	253,772	29,980 *(Note 2)*	247,739
– Property development	–	114,053	–	231,001
– Property investment	36	–	–	–
– Trade and manufacture of cement	81,518	46,458	29,980	16,738
– Trade of goods	129,438	93,261	–	–
Segment results:				
– Property development	(303)	8,219	592	49,638
– Property investment	(32,876)	(10,286)	(32)	820
– Trade and manufacture of cement	(15,879)	(30,069)	(4,559)	402
– Trade of goods	45	7	5	(3)
Net profit/(loss) attributable to Shareholders	99,714 *(Note 3)*	(45,997)	(61,913)	17,270

Notes:

1. As the Company changed its financial year end date from 31 March to 31 December in the year ended 31 December 2004, the comparative consolidated financial statements of the Group only cover the nine months period ended 31 December 2004.

2. Excludes the turnover from trade of goods for the period of approximately HK$79 million, which was classified as a "discontinued operation".

3. In 2004, the recorded an one-off gain on disposal of subsidiaries of approximately HK$163 million. Excluding such gain, the Group's net loss attributable to shareholders would be approximately HK$63 million.

In October 2005, Zhongshi's residential property project located in Xicheng, Beijing was completed. As a result, the Group began to record turnover from this project in the year ended 31 December 2005 ("FY2005"), which amounted to approximately HK$114 million. The contribution from property development business for FY2005 amounted to approximately HK$8 million.

Turnover from the cement business continued to decline in FY2005, resulting in an operating loss of approximately HK$6 million. The Directors attributed the deteriorating result from the cement business to the overall unfavourable market conditions. The unsatisfactory performance of the cement business coupled with the one-off charge for impairment loss on property, plant and equipment resulted in a segment loss of approximately HK$30 million for the year.

The Group's trading business also recorded a drop in turnover in FY2005. Given the fact that trading business only contributed minimal operating profit to the Group, the Group had ceased its trading business starting in 2006.

For FY2005, the Group recorded a net loss attributable to shareholders of approximately HK$46 million, which was mainly attributable to the loss from the cement business of approximately HK$30 million, the loss from the property investment business of approximately HK$10 million and the selling and administration expenses of approximately HK$34 million. The loss for FY2005 represented an improvement as compared to the nine months period ended 31 December 2004, which recorded a loss of approximately HK$63 million as adjusted for the one-off gain from disposal of subsidiaries of approximately HK$163 million as explained in Note 3 above.

For the six months ended 30 June 2006, the turnover from property development business recorded a substantial increase to approximately HK$231 million, which represented the sales revenue generated by the Group's residential development project located at Xicheng District, Beijing. Together with the sales made in FY2005, most of the residential units and 103 car parks of the project were sold and most of them had been delivered to the purchasers as at 30 June 2006. As a result, the Group recorded a substantial segment contribution of approximately HK$50 million from its property development business for the period.

The Group's cement business recorded a 44% drop in turnover as compared to the corresponding period in 2005. Despite the decrease in turnover, the Group managed to improve the results of the segment, recording a breakeven situation as compared to a segment loss of approximately HK$4 million for the corresponding period in 2005. The Directors attributed the improvement in the result of the cement business to the overall improvement in market conditions since early 2006 and implementation of stringent cost control measures.

Given the significant contribution for the property development business and the stabilization of the performance of the cement business, the Group recorded a net profit attributable to shareholders of approximately HK$17 million in the first six months of 2006 as compared to a net loss of approximately HK$62 million for the corresponding period in 2005. It should be noted that the loss for the first half of 2005 included a provision for legal claims of approximately HK$52 million. Excluding such provision, the Group's net loss for the first half of 2005 would be approximately HK$11 million.

As at 30 June 2006, the Group's gearing ratio calculated on the basis of the total bank loans, loans from a related company and a minority shareholder and other loans of approximately HK$62 million and total assets of approximately HK$536 million was 0.12.

Recent fund raising activities

We note from the Letter from the Board that during the twelve months immediately preceding the date of the Announcement, the Company had raised an aggregate of approximately HK$98.1 million by way of top-up placing of existing Shares and subscription for new Shares of 332 million Shares in August 2006 ("Top-up placement"), the intended and actual usage of which proceeds are set out below:

Usage	**Intended amount to be utilized** *(HK$' million)*	**Actual amount utilised** *(HK$' million)*	**Remaining amount** *(HK$' million)*
Investment in the Group's property development business in the PRC (60%)	58.9	36.7	22.2
General working capital of the Company (40%)	39.2	–	26.6
Repayment of loan	–	12.6	–
	98.1	49.3	48.8

As advised by the Company, the amount of the remaining proceeds of approximately HK$48.8 million will be utilized in accordance with the originally stated usage of proceeds.

Use of proceeds

The net proceeds from the Rights Issue of approximately HK$194 to HK$197 million is intended to be applied as follows:

Usage	**Intended amount if no Outstanding Options are exercised** *(HK$' million)*	**Intended amount if all Outstanding Options (other than those held by parties acting in concert with World Gain, Mr. Gu Laiyun and Ms. Xu Zhen) are exercised** *(HK$' million)*
Investment in the Group's property development business in the PRC (80%)	155.2	157.6
General working capital of the Company (20%)	38.8	39.4
	194	197

The Directors advised that the Group is considering a number of potential property development projects in the PRC and will continue to identify suitable investment opportunities. As significant funding and timely injection of funds are required for property investment and development projects, the Directors consider that the capital reserve and the general strength of the Company have to be increased and strengthened in order for the Group to capture any opportunities when it arises.

Fund raising alternatives

As advised by the Directors, the Company had considered other forms of fund raising alternatives for its business development needs. However, the Company concluded that the Rights Issue was the most appropriate option. The Directors consider that the Rights Issue would enable the Company to strengthen its capital base and improve its working capital position. The Rights Issue which is effected on a pro-rata basis will also offer all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enable the Qualifying Shareholders to maintain their proportionate interest in the Company and to continue to participate in the future development of the Group.

Views

Having considered the Group's intention to further expand its property development business in the PRC, the intended use of proceeds and the proforma increase in the consolidated net tangible asset value of the Group as at 30 June 2006 from approximately HK$265.4 million to HK$460.6 million as set out in Appendix II to the Circular upon completion of the Rights Issue, we concur with the views of the Directors that it is in the interest of the Company and the Shareholder as a whole to effect the Rights Issue.

Rights Issue Subscription Price

The Rights Issue will be made available to the Qualifying Shareholders at the Subscription Price of HK$0.33 per Rights Share on the basis of three Rights Shares for every ten existing Shares in issue on the Record Date.

Subscription Price

The Subscription Price of HK$0.33 per Rights Shares have been determined with reference to the prevailing market price of the Shares and represent:

(i) a discount of approximately 42.1% to the closing price of HK$0.57 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 43.5% to the average closing price of HK$0.584 per Share for the five consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 43.6% to the average closing price of HK$0.585 per Share for the ten consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 35.9% to the theoretical ex-rights price of HK$0.515 per Share based on the closing price of HK$0.57 per Share as quoted on the Stock Exchange on the Last Trading Day;

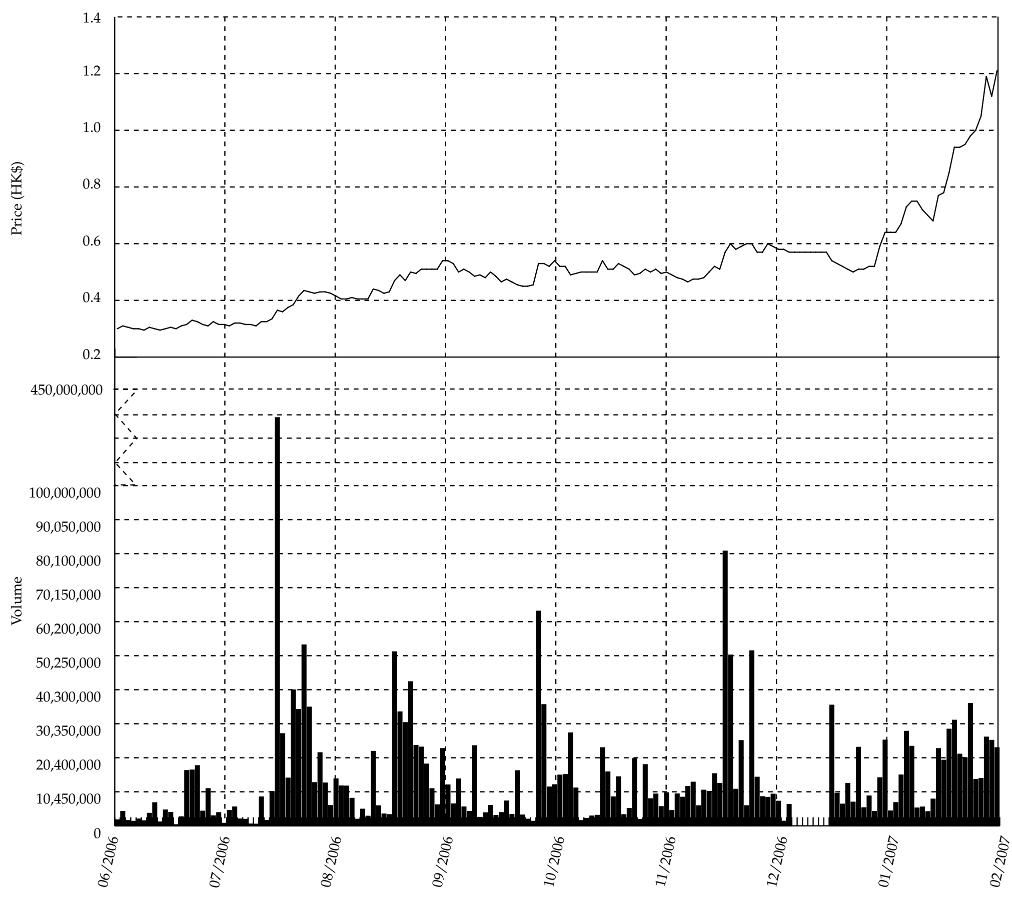
(v) a discount of approximately 72.7% to the closing price of HK$1.21 per share as quoted on the Stock Exchange on the Latest Practicable Date;

(vi) a premium of approximately 62.64% to the adjusted unaudited consolidated net tangible asset value per Share of approximately HK$0.2029 per Share (calculated based on the latest unaudited net tangible assets value of the Group as at 30 June 2006 as adjusted for thereto the net proceeds of the top-up subscription completed in August 2006, and 2,023,504,968 Shares in issue as at the Latest Practicable Date); and

(vii) a premium of approximately 88.57% to the unaudited pro forma adjusted consolidated net tangible asset value per Share of HK$0.175 upon completion of the Rights Issue (as set out in Appendix II to the Circular).

Share price performance

The following chart illustrates the closing prices of the Shares on the Stock Exchange in the last six months (the "Six-month Period") preceding to the Last Trading Date and up to and including the Latest Practicable Date (the "Review Period")



Source: Bloomberg

For the Six-month Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK$0.60 per Share recorded on 8 December 2006, 13 December 2006, 14 December 2006, 19 December 2006 and HK$0.295 per Share recorded on 5 July 2006 and 10 July 2006 respectively. Following the announcement of the Company dated 8 August 2006 in relation to the top-up placing of the shares of the Company, the price of the Share was generally on an increasing trend rising from the lowest of HK$0.335 per Share recorded on 8 August 2006 to the highest of HK$0.60 per Share recorded on 8 December 2006. Following the release of the Announcement and up to the Latest Practicable Date, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK$1.21 per Share recorded on 26 February 2007 and HK$0.50 per Share recorded on 16 January 2007 respectively.

The following table sets out the trading volume of the Shares during the Review Period:

	Total trading volume for the month/period	Average daily trading volume for the month/period *(Note 1)*	Percentage of average daily trading volume to total number of Shares in issue as at the Latest Practicable Date	Percentage of average daily trading volume to total number of Shares held by public Shareholders as at the Latest Practicable Date *(Note 2)*
2006				
June (from 28 June 2006)	8,882,000	2,960,667	0.15%	0.21%
July	122,267,700	5,822,271	0.29%	0.41%
August	763,948,000	33,215,130	1.64%	2.35%
September	372,827,300	17,753,681	0.88%	1.25%
October	252,659,000	12,632,950	0.62%	0.89%
November	212,166,000	9,643,909	0.48%	0.68%
December	333,980,000	19,645,882	0.97%	1.39%
2007				
January	235,044,949	14,690,309	0.73%	1.04%
February (up to and including the Latest Practicable Date)	308,805,200	19,300,325	0.95%	1.36%

Source: Bloomberg

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period which exclude any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole trading day.

2. Based on 1,415,303,468 Shares held by public Shareholders as at the Latest Practicable Date.

As illustrated in the above table, the average daily trading volume of the Shares in each month during the Six-month Period ranged from 2,960,667 Shares to 33,215,130 Shares, representing approximately 0.15% and approximately 1.64% respectively of the total number of Shares in issue as at the Latest Practicable Date and approximately 0.21% and 2.35% respectively of the total number of Shares held by public Shareholders as at the Latest Practicable Date.

Trading volume of the Shares was approximately 35,750,000 Shares on 10 January 2007, the resumption date of trading in the Shares subsequent to the publication of the Announcement. Following the release of the Announcement and up to the Latest Practicable Date, the average daily trading volume of the Shares was 16,995,317 Shares, representing approximately 0.84% of the total number of Shares in issue as at the Latest Practicable Date and approximately 1.20% of the total number of Shares held by the public Shareholders as at the Latest Practicable Date.

Rights Issue Comparables

In assessing the fairness of the Subscription Price, we have, to the best of our knowledge, reviewed and compared the Subscription Price with the subscription prices of all the rights issue/open offers (the "Rights Issue Comparables") announced by other companies listed on the Stock Exchange from January 2006 up to the date of the Announcement ("Rights Issue Review Period"). We consider the Right Issue Comparables collectively reflect the indicative market pricing of a rights issue. We also consider the duration of the Rights Issue Review Period reasonable as it provides a more objective average discount/premium of the subscription price to the closing price/

theoretical ex-entitlement price and the pro forma net tangible asset value per share compare to a shorter period. Our review is summarized as follows:

Date	Stock Code	Stock Name	Principal Business	Market capitalisation as at the last trading date prior to the release of the respective rights issue announcement of the Rights Issue Comparables *(HK$' million)*	(Discount)/ Premium of effective subscription price to closing price *(%)*	(Discount)/ Premium of effective subscription price to theoretical ex-entitlement price *(%)*	(Discount)/ Premium of subscription price to the unaudited pro forma consolidated net tangible asset value per share upon completion of the rights issue *(%)*	Dividend yield *(%)* *(Note 1)*	Price-earnings multiples as at the last trading date prior to the release of the respective announcement of the Rights Issue Comparables *(times)*	Gross proceeds *(HK$' million)*	Basis
2006											
11 Jan	706	Fintronics Holdings Limited	Provisions of software development and systems integration services, sale of integrated circuits and computer software.	118.94	(55.60)	(38.70)	(43.27)	0.00	N/A *(Note 2)*	52.86	1 to 1
26 Jan	76	South Sea Petroleum Holdings Limited	Develop, explore and produce crude oil in Indonesia and Philippines, and provide electronics manufacturing services in the U.K.	221.16	(41.18)	(31.03)	(41.41)	0.00	N/A *(Note 2)*	65.05	1 to 2
27 Jan	530	Fortuna International Holdings Limited	Property investment, skin and health care, operation of Japanese restaurant, trading of jewellery, steel, wine, artwork, glass eel and other products.	136.02	(90.00)	(75.00)	(49.88)	0.00	N/A *(Note 2)*	27.20	2 to 1
6 Feb	439	Climix International Company Limited	Manufacturing and trading of OEM paper products and house brand and agency products.	67.22	(41.10)	(31.50)	(54.77)	0.00	18.89	39.54	1 to 2
10 Feb	214	Asia Orient Holdings Limited	Property development and investment, hotel, travel agency and management operations.	540.94	(38.80)	(37.60)	(77.53)	2.78	24.71	165.46	1 to 2

Date	Stock Code	Stock Name	Principal Business	Market capitalisation as at the last trading date prior to the release of the respective rights issue announcement of the Rights Issue Comparables *(HK$' million)*	(Discount)/ Premium of effective subscription price to closing price *(%)*	(Discount)/ Premium of effective subscription price to theoretical ex-entitlement price *(%)*	(Discount)/ Premium of subscription price to the unaudited pro forma consolidated net tangible asset value per share upon completion of the rights issue *(%)*	Dividend yield *(%)* *(Note 1)*	Price-earnings multiples as at the last trading date prior to the release of the respective announcement of the Rights Issue Comparables *(times)*	Gross proceeds *(HK$' million)*	Basis
15 Feb	690	Uni-Bio Science Group Limited	Manufacture and sale of packaging products and paper gift items and the printing of paper promotional materials in accordance with customers' designs and specifications.	109.80	(18.00)	(6.90)	17.38	0.00	N/A *(Note 2)*	180.00	2 to 1
17 Feb	626	JCG Holdings Limited	Deposits taking, personal and commercial lending, operation of a credit card business, mortgage financing stockbroking, letting of investment properties, taxi trading and related operation.	5,761.19	(7.59)	(5.19)	(55.55)	9.49	12.68	2,661.82	1 to 2
1 Mar	197	Heng Tai Consumables Group Limited	Distribution of packaged food, beverages, household consumer products, cosmetics products, cold chain products and fresh fruit.	1,455.67	(47.60)	(39.50)	37.91	0.99	10.75	305.39	2 to 5
6 Mar	298	Chuang's China Investments Limited	Manufacturing and sales of watches and watches components, property investments and development as well as commercial book, magazine and packaging printing, securities trading, and e-commerce solution provider.	455.88	(10.10)	(8.30)	(75.50)	2.25	16.54	102.44	1 to 4
8 Mar	1218	Easyknit International Holdings Limited	Garment sourcing and export, property investment, investment in securities and loan financing.	187.96	(15.50)	(11.10)	(77.48)	3.52	0.48	79.42	1 to 2
8 Mar	760	Tomorrow International Holdings Limited	Design, development, manufacture & sale of electronic products, printed circuit boards, optical products, trading and distribution of electronic components and parts, trading of listed equity, and provision of loan financing.	160.20	(13.40)	30.70	(55.48)	0.00	33.53	173.43	5 to 4

Date	Stock Code	Stock Name	Principal Business	Market capitalisation as at the last trading date prior to the release of the respective rights issue announcement of the Rights Issue Comparables *(HK$' million)*	(Discount)/ Premium of effective subscription price to closing price *(%)*	(Discount)/ Premium of effective subscription price to theoretical ex-entitlement price *(%)*	(Discount)/ Premium of subscription price to the unaudited pro forma consolidated net tangible asset value per share upon completion of the rights issue *(%)*	Dividend yield *(%)* *(Note 1)*	Price-earnings multiples as at the last trading date prior to the release of the respective announcement of the Rights Issue Comparables *(times)*	Gross proceeds *(HK$' million)*	Basis
23 Mar	292	Asia Standard Hotel Group Limited	Hotel and catering, travel agency and management services.	990.37	(42.68)	(33.33)	(42.24)	0.00	9.35	283.86	1 to 2
29 Mar	621	Wing Hing International (Holdings) Limited	Construction of superstructures, and foundation piling, substructure works, slope improvement works and interior decoration works in Hong Kong.	56.83	(36.31)	(27.54)	(64.80)	0.00	34.51	18.10	1 to 2
7 Apr	2349	Wah Yuen Holdings Limited	Production and distribution of snack food and convenience frozen food in Hong Kong and the PRC.	43.44	(50.74)	(29.18)	(67.20)	0.00	4.03	32.10	3 to 2
26 Apr	661	China National Resources Development Holdings Limited	Corporate investment, trading in securities, property investment and management consultancy.	174.76	(28.60)	(21.10)	85.40	0.00	N/A *(Note 2)*	62.41	1 to 2
27 Apr	491	See Corporation Limited	Manufacture and sale of multimedia electronic products, toys, games and trading of telecommunication components and provision of system integration services.	146.49	(79.40)	(39.10)	(45.70)	0.00	N/A *(Note 2)*	150.80	5 to 1
27 Apr	905	Haywood Investments Limited	Investment in listed and unlisted companies in Hong Kong and in the PRC.	13.28	(15.66)	(11.39)	9.92	0.00	N/A *(Note 2)*	5.60	1 to 2
28 Apr	979	China Nan Feng Group Limited	Construction contractor.	141.89	(63.86)	(30.64)	35.69	0.00	N/A *(Note 2)*	153.86	3 to 1

Date	Stock Code	Stock Name	Principal Business	Market capitalisation as at the last trading date prior to the release of the respective rights issue announcement of the Rights Issue Comparables *(HK$' million)*	(Discount)/ Premium of effective subscription price to closing price *(%)*	(Discount)/ Premium of effective subscription price to theoretical ex-entitlement price *(%)*	(Discount)/ Premium of subscription price to the unaudited pro forma consolidated net tangible asset value per share upon completion of the rights issue *(%)*	Dividend yield *(%)* *(Note 1)*	Price-earnings multiples as at the last trading date prior to the release of the respective announcement of the Rights Issue Comparables *(times)*	Gross proceeds *(HK$' million)*	Basis
3 May	723	Anex International Holdings Limited	Design and manufacture of electrical appliances and trading of merchandise.	95.31	(19.40)	(10.70)	(24.79)	0.00	N/A *(Note 2)*	76.86	1 to 1
11 May	1104	Shanghai Merchants Holdings Limited	Trading in base metals and fabric.	107.38	(61.50)	(34.80)	20.43	0.00	16.56 *(Note 2)*	82.60	2 to 1
18 May	767	Pacific Plywood Holdings Limited	Manufacture, distribution and sale of plywood, veneer, jamb and moulding, structural, flooring and other wood related products.	128.36	(89.13)	(80.39)	(85.55)	0.00	N/A *(Note 2)*	13.95	1 to 1
7 Jun	729	Carico Holdings Limited	Manufacturing and trading of automotive components, automotive telemetics and the trading of electronics components.	205.73	(51.61)	(34.78)	41.39	0.00	N/A *(Note 2)*	99.55	1 to 1
7 Jun	59	Skyfame Realty (Holdings) Limited	Property development and provision of management services for poperty development project.	1,028.17	(28.00)	(22.40)	129.80	0.00	N/A *(Note 2)*	240.59	13 to 40
16 Jun	167	IDT International Limited	Manufacture and sale of various consumer electronic products.	1,000.91	(37.50)	(33.30)	(42.68)	0.00	N/A *(Note 2)*	625.57	1 to 5
22 Jun	119	Poly (Hong Kong) Investments Limited	Property investment and management, hotel and restaurant operations, supply of electricity and gas, shipping, financial services and manufacturing and media.	1,255.70	(3.60)	(2.20)	(45.12)	3.57	4.95	605.43	1 to 2
6 Jul	381	Kiu Hung International Holdings Limited	Design, manufacture and sale of a wide range of plush stuffed toys as well as decorative gift items on an OEM and ODM basis and under the Group's own brandnames KCARE and KMATES.	376.35	(70.59)	(64.03)	8.94	0.00	N/A *(Note 2)*	38.74	7 to 2

Date	Stock Code	Stock Name	Principal Business	Market capitalisation as at the last trading date prior to the release of the respective rights issue announcement of the Rights Issue Comparables *(HK$' million)*	(Discount)/ Premium of effective subscription price to closing price *(%)*	(Discount)/ Premium of effective subscription price to theoretical ex-entitlement price *(%)*	(Discount)/ Premium of subscription price to the unaudited pro forma consolidated net tangible asset value per share upon completion of the rights issue *(%)*	Dividend yield *(%)* *(Note 1)*	Price-earnings multiples as at the last trading date prior to the release of the respective announcement of the Rights Issue Comparables *(times)*	Gross proceeds *(HK$' million)*	Basis
20 Jul	535	Frasers Property (China) Limited	Property investment, development and management, business park development and management, infrastructure investment and securities.	903.21	(39.39)	(30.23)	(39.94)	0.00	6.13	273.70	1 to 2
28 Jul	305	Magnum International Holdings Limited	Securities dealing and brokerage, money lending and property investment.	79.34	(75.54)	(67.31)	Net deficit	0.00	N/A *(Note 2)*	9.70	1 to 2
17 Aug	1141	Xin Corporation Limited	Design, manufacture and sale of a wide range of toys.	17.29	(42.60)	(15.50)	11.88	0.00	N/A *(Note 2)*	29.77	3 to 1
21 Aug	385	Chinney Alliance Group Limited	Trading and manufacturing of plastic and chemical products, distribution and installation of building supplies, electrical and mechanical products, electrical appliance and air-conditioning business, property and investment holding.	38.07	4.20	1.60	(53.77)	0.00	11.16	59.49	3 to 2
23 Aug	1217	Sino Technology Investments Company Limited	To achieve medium term (i.e. from three to five years) capital appreciation through investments in listed and unlisted companies, mainly in Hong Kong and the PRC.	16.00	(50.00)	(40.03)	(60.82)	0.00	N/A *(Note 2)*	4.00	1 to 2
30 Aug	1218	Easyknit International Holdings Limited	Garment sourcing and export, property investment, investment in securities and loan financing.	218.41	(68.18)	(35.19)	(77.49)	0.00	8.40	208.48	3 to 1
26 Sep	129	Asia Standard International Group Limited	Property investment and development, hotel, travel agency and catering operations.	1,182.92	(24.90)	(19.90)	(63.26)	2.58	7.04	299.34	1 to 3

Date	Stock Code	Stock Name	Principal Business	Market capitalisation as at the last trading date prior to the release of the respective rights issue announcement of the Rights Issue Comparables *(HK$' million)*	(Discount)/ Premium of effective subscription price to closing price *(%)*	(Discount)/ Premium of effective subscription price to theoretical ex-entitlement price *(%)*	(Discount)/ Premium of subscription price to the unaudited pro forma consolidated net tangible asset value per share upon completion of the rights issue *(%)*	Dividend yield *(%)* *(Note 1)*	Price-earnings multiples as at the last trading date prior to the release of the respective announcement of the Rights Issue Comparables *(times)*	Gross proceeds *(HK$' million)*	Basis
29 Sep	79	Century Legend (Holdings) Limited	Travel and gaming related business, health and beauty services, money leanding, stock broking and trading.	187.86	(71.80)	(63.00)	(55.78)	0.00	N/A *(Note 2)*	26.46	1 to 2
4 Oct	120	Cosmopolitan International Holdings Limited	Securities trading in equity securities listed on global stock markets, property investment in residential units and office space for rental income, provides information technology system and service wireless Internet access.	45.76	(41.86)	(41.86)	(30.80)	0.00	N/A *(Note 2)*	53.21	2 to 1
11 Oct	1049	Celestial Asia Securities Holdings Ltd.	Provision of broking, financing, corporate finance services, wealth management, and strategic investments.	168.43	(27.30)	(20.00)	(10.77)	0.00	N/A *(Note 2)*	61.25	1 to 2
11 Oct	8129	Q9 Technology Holdings Limited	Computer software and embedded systems development, sales and licensing of the software and systems.	62.32	(22.00)	(15.22)	78.42	0.00	N/A *(Note 2)*	24.30	1 to 2
17 Nov	365	Sun East Technology (Holdings) Limited	Design, manufacture & distribution of production lines for manufacturers of consumer electronic products, home electrical appliances & telecom products, distribution of brand name production equipment.	78.75	(42.86)	(34.89)	(78.06)	0.00	N/A *(Note 2)*	18.00	2 to 5
23 Nov	362	Daqing Petroleum and Chemical Group Limited	Manufacture and sale of lubricants, anti-corrosive coatings, additives, and vinyl acetate.	872.14	(27.71)	(11.24)	(28.32)	0.00	8.65	315.23	1 to 2

Date	Stock Code	Stock Name	Principal Business	Market capitalisation as at the last trading date prior to the release of the respective rights issue announcement of the Rights Issue Comparables *(HK$' million)*	(Discount)/ Premium of effective subscription price to closing price *(%)*	(Discount)/ Premium of effective subscription price to theoretical ex-entitlement price *(%)*	(Discount)/ Premium of subscription price to the unaudited pro forma consolidated net tangible asset value per share upon completion of the rights issue *(%)*	Dividend yield *(%)* *(Note 1)*	Price-earnings multiples as at the last trading date prior to the release of the respective announcement of the Rights Issue Comparables *(times)*	Gross proceeds *(HK$' million)*	Basis
7 Dec	2336	Sunlink International Holdings Limited	Distribute semiconductors, develop and provide electronic turnkey device solutions for customers in Hong Kong and the PRC.	63.86	(85.19)	(67.27)	(74.25)	0.00	6.75	17.03	1 to 5
21 Dec	348	Lung Cheong International Holdings Limited	Development, engineering, manufacture and sales of toys and mould.	135.45	(28.60)	(20.90)	(70.24)	0.00	3.94	48.37	1 to 2
		Maximum			**4.20**	**30.70**	**129.80**	**9.49**	**34.51**		
		Minimum			**(90.00)**	**(80.39)**	**(85.55)**	**0.00**	**0.48**		
		Total Average			**(41.49)**	**(29.51)**	**(27.88)**	**0.87**	**12.58**		
		Average Rights Issue Premium			**4.2** *(Note 3)*	**16.15** *(Note 3)*	**43.38** *(Note 3)*	–	–		
		Average Rights Issue Discount			**(42.63)** *(Note 4)*	**(31.85)** *(Note 4)*	**(54.91)** *(Note 4)*	–	–		
		The Company			**(42.1)**	**(35.9)**	**55.61** *(Note 5)*	**0.00**	**N/A** *(Note 2)*	**200.33**	**3 to 10**

Source: Bloomberg, www.hkex.com.hk (the "Stock Exchange's Website"), the respective announcement and circular containing details of the Rights Issue Comparables and the latest published financial reports prior to the release of their rights issue/open offer announcements.

Notes:

1. Based on the dividend per share per the latest published annual reports of the Rights Issue Comparables prior to the respective announcement date of their rights issue/open offer and the respective closing share prices of the Rights Issue Comparables as quoted on the Stock Exchange's website on the last trading date of the shares prior to the release of their rights issue/open offer announcements.

2. These companies were loss making in the latest financial year prior to the release of their rights issue/open offer announcement.

3. These amounts represent the average premium of the Rights Issue Comparables with premium (excluding those with discount) of subscription price to closing price or theoretical ex-entitlement price or unaudited pro forma consolidated net tangible asset value per share ("Average Rights Issue Premium").

4. These amounts represent the average discount of the Rights Issue Comparables with discount (excluding those with premium) of subscription price to closing price or theoretical ex-entitlement price or unaudited pro forma consolidated net tangible asset value per share ("Average Rights Issue Discount").

5. Based on the Subscription Price and the Adjusted Consolidated NTA per Share (as defined in the section headed "Financial effects of the Rights Issue – Net Tangible Asset Value") of approximately HK$0.2121 (calculated by using the latest published audited net tangible asset value of approximately HK$265.4 million of the Group as at 30 June and adding thereto i) the net proceeds of approximately HK$98.1 million from the Top-up Placement and ii) the net proceeds of approximately HK$194.3 from the Rights Issue and dividing this amount by 2,630,556,438 Shares, which represents the sum of the existing 2,023,504,968 Shares in issue as at the Latest Practicable Date and 607,051,490 Shares expected to be issued following the completion of the Rights Issue, assuming no outstanding share option of the Company will be exercised on or before the Record Date).

It is a common market practice that in order to enhance the attractiveness of a rights issue or open offer of shares to the shareholders, the pricing is normally at a discount to the theoretical ex-entitlement prices of the shares. As noted from the above, the subscription prices to their respective theoretical ex-entitlement prices of the Right Issue Comparables ranged from a discount of approximately 80.39% to a premium of approximately 30.70% with a total average discount of approximately 29.51%. The discount of the Subscription Price to its theoretical ex-entitlement prices is comparable to the total average discount and the Average Rights Issue Discount of the Rights Issue Comparables.

The subscription prices to their respective unaudited adjusted consolidated net tangible asset value per share of the Rights Issue Comparables ranged from a discount of approximately 85.55% to a premium of approximately 129.80% with a total average discount of approximately 27.88%, an Average Rights Issue Discount of approximately 54.91% and an Average Rights Issue Premium of approximately 43.38%. We note that the Shares has been traded at a relatively higher price-to-book ratio of approximately 217.28% (as calculated in the section headed "Industry

Comparables" below) prior to the announcement of the Rights Issue. Given that the discount of the Subscription Price to its theoretical ex-entitlement price is comparable to the Rights Issue Comparables, the higher of the Subscription Price to the Adjusted Consolidated NTA per Share of approximately 55.61% as compared to the Rights Issue Comparables would have been attributable to the higher price-to-book ratio of the Company. For details, please refer to the section headed "Industry Comparables" below. In addition, as the Subscription Price is at a 55.61% premium to the Adjusted Consolidated NTA per Share, there will not be any dilution in net asset value on a per Share basis upon completion of the Rights Issue.

Having regarded to the nature of a rights issue/open offer, the subscription price is often determined by a listed company with a view to provide sufficient incentive (in the form of a discount to the theoretical ex-entitlement price) for its shareholders to subscribe for the rights shares. We consider that the reference of the subscription price in a rights issue in terms of price-to-earnings ratio not meaningful as the subscription price is principally determined at a direct reference to the theoretical ex-entitlement price rather than the earnings per share. In addition, the Company was loss making and did not declare any dividend for the year ended 31 December 2005, accordingly, we consider it not meaningful to compare the price-to-earnings ratio and the dividend yield of the Company with the Rights Issue Comparables.

Industry Comparables

For additional reference, we have also, to the best of our knowledge, analysed the price-to-book ratios, price-to-earnings ratios and dividend yields of those companies that are listed on the Stock Exchange (the "Industry Comparables") which are principally engaged in the property development business in the PRC; and had market capitalisation of less than HK$10,000 million and above HK$500 million as at the Last Trading Day. Our review is summarized as follows:

Stock Code	Company	Market capitalisation (HK$'million) (Note 1)	Premium/ (discount) of closing price to book value per share (%) (Note 2)	Price-earnings multiples as at the Last Trading Day of the Industry Comparables (times)	Dividend yield (%)
604	Shenzhen Investment Limited	8,137.10	71.04	15.06	4.0
28	Tian An China Investments Company Limited	6,696.57	13.29	25.67	0.0
1207	Shanghai Real Estate Limited	5,590.60	(56.07)	12.84	1.3
1124	Coastal Greenland Limited	2,633.35	53.07	23.20	1.7
258	Tomson Group Limited	2,674.47	(32.94)	11.29	2.5
1125	Lai Fung Holdings Limited	2,696.07	(48.61)	15.58	0.3
160	Hon Kwok Land Investment	1,320.79	(39.24)	2.54	3.3
59	Skyframe Realty Holdings Limited	1,591.21	371.14	N/A *(Note 3)*	0.0
535	Frasers Property China Limited	1,046.90	(28.91)	8.36	0.0
747	Shenyang Public Utility Holdings Company Limited	612.24	(62.73)	N/A *(Note 3)*	0.0
		Total average	**24.00**	**14.32**	**1.3**
		Average Industry Premium	**127.13** *(Note 4)*		
		Average Industry Discount	**(44.75)** *(Note 5)*		
The Company				**N/A**	**N/A**
– Based on the closing price of the Shares			**217.28** *(Note 6)*		
– Based on the Subscription Price			**55.61** *(Note 7)*		

Source: Bloomberg and the respective latest published financial reports of the Industry Comparables.

Notes:

1. Based on the market capitalisation as quoted on Bloomberg on the Last Trading Date.

2. Premium/discount of closing price to net asset value per share are calculated based on the closing price of the Industry Comparables on the Last Trading Date and the book value per share as reported in their respective latest published financial reports.

3. These companies were loss making in the latest financial year.

4. Such amount represents the average premium of the Industry Comparables with premium (excluding those with discount) of closing price-to-book value per share ("Average Industry Premium").

5. Such amount represents the average discount of the Industry Comparables with discount (excluding those with premium) of closing price-to-book value per share ("Average Industry Discount").

6. Calculated based on the closing price of HK$0.57 per Share as quoted on the Stock Exchange on the Last Trading Day divided by the latest published audited net tangible asset value of approximately HK$265.4 million of the Group as at 30 June 2006 and adding thereto the net proceeds of approximately HK$98.1 million from the Top-up Placement.

7. Calculated based on the Subscription Price divided by the Adjusted Consolidated NTA per Share.

The closing prices to the respective book value per share of the Industry Comparables ranged from a discount of approximately 62.73% to a premium of approximately 371.14% with a total average premium of approximately 24.00% and Average Industry Premium of approximately 127.13%. As noted from the table above, we note that even prior to the announcement of the Rights Issue, the closing price per Share of HK$0.57 on the Last Trading Day represented a 217.28% premium to the NTA per Share as at 30 June 2006 (after taking into account the net proceeds from the Top-up Placing but before accounting for the Rights Issue). We note that the price-to-book ratios of the Industry Comparables varies, which may reflect the different property portfolios held by these Industry Comparables and the market views towards the future prospect of each Industry Comparables. As compared to its Industry Comparables, the Company has a relatively higher price-to-book ratio, which may reflect the market expectation towards the growth prospect of the Company. The premium of approximately 55.61% to the Adjusted Consolidated NTA per Share as implied by the Subscription Price is within the range of the Industry Comparables. As the price-to-book ratios of the Industry Comparables are affected by the market consensus towards each individual company, we consider the comparison of the discount to theoretical ex-entitlement price to be of more relevance and appropriate in assessing the overall fairness of the Subscription Price.

As mentioned in the above section headed "Rights Issue Comparables", we consider that the reference of the subscription price in a rights issue in terms of price-to-earnings ratio not meaningful as the subscription price is principally determined at a direct reference to the theoretical ex-entitlement price rather than the earnings per share. In addition, the Company was loss making and did not declare any dividend for the year ended 31 December 2005, accordingly, we consider it not meaningful to compare the price-to-earnings ratio and the dividend yield of the Company with the Industry Comparables.

Views

Given the above, we consider the Subscription Price to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Effect on shareholding interests of the Shareholders

For those Shareholders who take up their entitlements in full under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue.

For those Shareholders who do not exercise their rights to subscribe for the Rights Shares in full, depending on the extent that they take up their entitlements, their shareholding interests will be diluted up to a maximum of 30% before taking into account of the dilutive effect assuming exercise of the subscription rights attaching to all Outstanding Options and up to 30.4% after taking into account of the dilutive effect exercise of the subscription rights attaching to all Outstanding Options (other than those held by parties acting in concert with World Gain, Mr. Gu Laiyun and Ms. Xu Zhen). However, it should be noted that such Shareholders will have the opportunity to realise their nil-paid rights to subscribe for the Rights Shares (the "Nil-Paid Rights") on the market during the dealings of Nil-Paid Rights on the Stock Exchange, subject to the then prevailing market conditions.

Having considered the Group's intention to further expand its property development business in the PRC, which the Directors consider to have good prospects, the intended use of proceeds and the proforma increase in the consolidated net tangible asset value of the Group, we concur with the view of the Directors that the Rights Issue would enable the Company to improve its overall financial position and to capitalize for future business development. Having considered the above analyses, we consider that the shareholding dilution effect arising from the Rights Issue is acceptable.

Financial effects of the Rights Issue

Net tangible asset value

Based on the pro forma statement of adjusted unaudited consolidated net tangible asset ("NTA") of the Group as at 30 June 2006 set out in Appendix II to the Circular, the unaudited consolidated NTA of the Group as at 30 June 2006 was approximately HK$265.4 million, representing approximately HK$0.131 per Share (based on the Shares in issue as at 30 June 2006). Upon completion of the Rights Issue, the unaudited pro forma adjusted consolidated NTA of the Group will increase to approximately HK$459.8 million (the "Pro Forma Adjusted NTA"), representing approximately HK$0.175 per Share (based on the sum of 2,023,504,968 Shares in issue as at the Latest Practicable Date and 607,051,490 Rights Shares being issued upon completion of the Rights Issue).

We note that the Pro Forma Adjusted NTA has not taken into account the net proceeds from the Top-up Placement of approximately HK$98.1 million. After taking into account such net proceeds, the consolidated NTA of the Group will be adjusted upward to approximately HK$557.8 million, represent approximately HK$0.2121 per Share (the "Adjusted Consolidated NTA per Share") based on the sum of 2,023,504,968 Shares in issue as at the Latest Practicable Date and 607,051,490 Rights Shares to be issued upon completion of the Rights Issue.

Gearing ratio and working capital

As part of the proceeds of the Rights Issue will be used as general working capital, we consider that the Rights Issue would have a positive impact on the working capital position of the Group.

The Whitewash Waiver

As noted in the Letter from the Board of the Circular, World Gain has the intention to apply for and take up in aggregate 211,470,000 excess Rights Shares. The taking up of the maximum 211,470,000 excess Right Shares by way of application for excess Rights Shares by World Gain would result in the aggregate shareholding of World Gain and parties acting in concert with it in the Company being increased from approximately 30.06% to approximately 38.1% (assuming no Outstanding Options are exercised on or before the Record Date), or to approximately 37.54% (assuming all the Outstanding Options (other than the 6,600,000 Outstanding Options held by parties acting in concert with World Gain and the 3,800,000 Outstanding Options held by Mr. Gu Laiyun and Ms. Xu Zhen (both are non-executive Directors)) are exercised in full on or before the Record Date) and will trigger an obligation for World Gain and parties acting in concert with it to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares and securities issued by the Company not already held by World Gain and parties acting in concert with it.

A formal application has been made by World Gain to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has agreed that the Whitewash Waiver will be granted subject to the approval of the Independent Shareholders to the Rights Issue at the EGM by way of poll, which World Gain and parties acting in concert with it and Shareholders who are involved in or interested in the Rights Issue, the Underwriting Agreement and the Whitewash Waiver will abstain from voting on the relevant resolution. It is a condition precedent to the completion of the Rights Issue that the Whitewash Waiver is granted by the Executive. If the Whitewash Waiver is not granted by the Executive or if the condition imposed thereon is not fulfilled, the Rights Issue will not proceed.

We also note that Qualifying Shareholders are entitled to apply for any unsold entitlements of the Excluded Shareholders, any unsold fractions of Rights Shares and any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the following principles which we consider to be a fair basis:

(1) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings;

(2) subject to availability of excess Rights Shares after allocation under principle (1) above, allocation will then be made to satisfy applications for excess Rights Shares by Qualifying Shareholders in proportion to and up to the number of nil-paid Rights Shares provisionally allotted to those Qualifying Shareholders who also have applied for the excess Rights Shares and, subject to the availability of excess Rights Shares, applications by Qualifying Shareholders whose number of excess Rights Shares being applied for are equal to or less than the number of excess Rights Shares allocated according to the principle as aforesaid will be satisfied in full;

(3) subject to availability of excess Rights Shares after allocation under principles (1) and (2) above, any further remaining excess Rights Shares will be allocated to applicants in proportion to the excess Rights Shares applied by them after netting off their respective entitlements as calculated in principle (2) above; and

(4) in accordance with any further requirements of the Stock Exchange.

Given that the Whitewash Waiver is a condition precedent to the Rights Issue which will not proceed if the Whitewash Waiver is rejected and taking into account the benefits of the Rights Issue to the Company as explained above, we consider that the grant of the Whitewash Waiver is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

RECOMMENDATION

Rights Issue and the Whitewash Waiver:

Having considered the abovementioned principal factors and reasons, in particular:

- given the Group's intention to further expand its property development business in the PRC, which the Directors consider to have good prospect, the Rights Issue would provides fund for the Group to capture opportunities in property development projects in the PRC;

- the Rights Issue would be a preferred method of equity financing as it will allow all Qualifying Shareholders to maintain their proportionate interests in the Company and to participate in the future growth and development of the Group;

- the discount represented by the Subscription Price to the theoretical ex-rights price of the Shares is comparable to the total average discount of the Rights Issue Comparables; and

- given the fact that the Subscription Price is at a premium to the net tangible asset value per Share, the Rights Issue will enhance the pro forma adjusted unaudited consolidated net tangible asset value per Share,

we consider that the Rights Issue is in the interests of the Company and the Shareholders as a whole and the terms thereof are fair and reasonable so far as the Company and the Independent Shareholders to the Rights Issue are concerned.

In terms of the Whitewash Waiver, it is a condition precedent to the Rights Issue which will not proceed if the Whitewash Waiver is rejected, we consider that the grant of the Whitewash Waiver is fair and reasonable so far as the Company and the Independent Shareholders to the Rights Issue are concerned. We therefore recommend the Independent Board Committee of the Rights Issue to advise the Independent Shareholders to the Rights Issue to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Rights Issue and the Whitewash Waiver.

B. REFRESHMENT MANDATE

PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the fairness and reasonableness of the Refreshment Mandate, we have taken into account the following principal factors and reasons:

Background and rationale

As disclosed in the Announcement dated 8 August 2006 of the Company, the Top-Up Subscription Agreement was entered into between the Company, World Gain and Oriental Patron as placing agent, pursuant to which the Company had placed a total of 332,000,000 new Shares under the Current Share Issue Mandate granted at the AGM.

The Current Share Issue Mandate granted to the Directors at the AGM to allot, issue and deal with up to 337,420,993 new Shares has therefore been utilized to the extent of 332,000,000 new Shares for the Top-Up Subscription, representing approximately 19.68% of the total amount of issued share capital of the Company as at the date of the AGM. As a result of the Top-Up Subscription, the amount, in percentage term, of the unused part of the Current Share Issue Mandate is approximately 1.6%.

The Directors consider it in the best interests of the Company and the Shareholders to grant the Refreshment Mandate to the Directors, which allows greater flexibility for the Company to capture fund raising opportunities should they arise; and to grant the Repurchase Mandate to the Directors, which allows greater flexibility for the Company to repurchase Shares as and when the Directors consider it appropriate and desirable.

Refreshment Mandate

Subject to the passing of the proposed resolutions for the grant of the New Share Issue Mandate and the New Shares Repurchase Mandate, based on a total of 2,023,504,968 Shares in issue of the Company as at the Latest Practicable Date and presuming that the issued share capital of the Company remains unchanged up to the date of the EGM, the Company will be allowed:

(1) to allot and issue up to 404,700,993 Shares under the New Share Issue Mandate, and adding to such mandate so granted to the Directors any Shares representing the aggregate nominal amount (up to a maximum of 10% of the aggregate nominal amount of the Company's issued share capital) of the Shares repurchased by the Company after the granting of the New Share Repurchase Mandate; and

(2) to repurchase up to 202,350,496 Shares under the New Repurchase Mandate.

As advised by the Directors, they have no immediate plan to repurchase any Shares and/or to allot and issue any new Shares, other than such Shares which may fall to be allotted and issued under the Rights Issue, the Service Agreement and upon the exercise of any options which may be granted under the Share Option Scheme.

We note that the Current Share Issue Mandate granted to the Directors at the AGM to allot, issue and deal with up to 337,420,993 new Shares has been utilized to the extent of 332,000,000 new Shares for the Top-Up Subscription, representing approximately 19.68% of the total amount of issued share capital of the Company as at the date of the AGM. If no refreshment is made to the Current Share Issue Mandate before the next AGM, only 5,420,993 Shares can be issued pursuant to the Current Share Issue Mandate. Accordingly, the New Repurchase Mandate is also required to give the Directors a mandate to exercise all powers of the Company to repurchase the Shares on the Stock Exchange up to a maximum of 10% of the Shares in issue at the date of passing the ordinary resolution given that the issued share capital of the Company has been enlarged by the issue of 332,000,000 new Shares under the Top-Up Subscription.

The shareholding dilution impact on the Shareholders under the New Share Issue Mandate is identical and amounted to approximately 16.7% on a fully diluted basis. Notwithstanding this, we consider that the granting of the New Share Issue Mandate will continue to provide the Company with the flexibility it requires to raise new equity funding in an efficient manner when the Company requires additional financing for its business operations or when the prevailing stock market conditions are favourable for fund raising exercises. We also consider that the granting of the New Repurchase Mandate and the New Extension Mandate, as far as permissible under the Listing Rules, will provide the Company the flexibility to make such repurchase when the Directors believe that such repurchase is in the interests of the Company and the Shareholders as a whole. Thus, we consider that the Refreshment Mandate is in the interests of the Company and the Shareholders as a whole and in the ordinary and usual course of business of the Company.

RECOMMENDATION

Having considered the above principal factors and reasons, we consider the Refreshment Mandate is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee of the Transaction(s) to advise the Independent Shareholders to the Transaction(s) to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Refreshment Mandate.

Yours faithfully,
For and on behalf of
CIMB-GK Securities (HK) Limited
Alex Lau — *Executive Vice President*
Heidi Cheng — *Senior Vice President*

1. FINANCIAL SUMMARY

Set out below is a summary of the audited consolidated income statements and financial positions for each of the three financial years ended 31 March 2004, 31 December 2004 and 31 December 2005 as extracted from the annual reports of the Group for the respective years. The auditors' reports as set out in the annual reports of the Group for each of the three years ended 31 December 2005 were unqualified. The unaudited condensed consolidated income statements of the Group for the six months ended 30 June 2006 as well as the financial position of the Group as at 30 June 2006 as extracted from the interim report dated 11 September 2006 issued by the Company are also set out below. There was no extraordinary or exceptional item as defined under accounting principles generally accepted in Hong Kong affecting the audited financial statements of the Group for the three years ended 31 December 2005 and the unaudited condensed financial statements of the Group for the six months ended 30 June 2006.

	Results of the Group				
	for the year ended			for the six months ended	
	31 March 2004	**31 December 2004**	**31 December 2005**	**30 June 2005**	**30 June 2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(restated) *(note)*	(restated) *(note)*			
Turnover	175,050	210,992	253,772	29,980	247,739
(Loss)/profit before taxation	30,588	89,936	(50,314)	(67,446)	43,260
Taxation (charge)/credit	2,752	4,205	(3,371)	4,385	(16,096)
(Loss)/profit for the year/ period from discontinued operations	–	–	–	5	(3)
(Loss)/profit for the year/period	33,340	94,141	(53,685)	(63,056)	27,161
Minority interests	10,818	5,573	7,688	1,143	(9,891)
(Loss)/profit attributable to shareholders of the Company	44,158	99,714	(45,997)	(61,913)	17,270
Total dividend and distribution	–	–	–	–	–
Dividend and distribution per share	–	–	–	–	–
(Loss)/earnings per share					
Basic	0.0262	0.0591	(0.0273)	(0.037)	0.01
Diluted	0.0262	0.0590	–	–	0.01

Note: Please refer to notes 2 and 3 to the audited financial statements of the Company for the year ended 31 December 2005 in paragraph 7 of this appendix for details of the restatements made.

	Assets and liabilities of the Group			
		as at 31		as at 30
	March 2004	December 2004	December 2005	June 2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	533,673	628,506	694,132	536,051
Less:				
Total liabilities	(322,159)	(296,125)	(408,800)	(223,558)
Minority interests	(22,294)	(39,362)	(32,266)	(42,157)
Total net assets attributable to shareholders of the Company	189,220	293,019	253,066	270,336

The audited accounts of the Group for the three years ended 31 March 2004, 31 December 2004 and 31 December 2005 have been prepared in accordance with accounting principles generally accepted in Hong Kong. The Hong Kong Institute of Certified Public Accountants ("**HKICPA**") has issued a number of new and revised Hong Kong Financial Reporting Standards ("**HKFRS(s)**") and Hong Kong Accounting Standards ("**HKAS(s)**") (collectively the "**new HKFRSs**") which are effective for accounting periods beginning on or after 1 January 2005.

The key changes have been discussed in note 2 of the audited financial statements of the Group for the year ended 31 December 2005 as set out on pages 84 to 85 of this appendix I and note 2 of the unaudited condensed interim consolidated financial statements of the Group for the six months ended 30 June 2006 as set out on pages 128 to 129 of this appendix I. The major effects of the adoption of the new HKFRSs on the financial summary are set out below:

	Results of the Group for the year ended 31		
	March 2004	December 2004	December 2005
	HK$'000	*HK$'000*	*HK$'000*
(Decrease)/increase in profit before taxation	(234)	(4,085)	(4,392)
Decrease/(increase) in taxation	–	–	–
Decrease/(increase) in minority interests	–	–	–
(Decrease)/increase in results attributable to shareholders of the Company	(234)	(4,085)	(4,392)

	Assets and liabilities of the Group as at 31		
	March 2004	**December 2004**	**December 2005**
	HK$'000	*HK$'000*	*HK$'000*
(Decrease)/increase in total assets	–	–	–
Decrease/(increase) in total liabilities	–	–	–
Decrease/(increase) in minority interests	–	–	–
(Decrease)/increase in net assets attributable to shareholders of the Company	–	–	–

2. MATERIAL CHANGE

As at the Latest Practicable Date, save for the following which have been disclosed in the announcements of the Company (i) the capital reduction of the Company which became effective on 21 June 2006 by the cancellation of the entire sum of HK$939,273,144.96 standing to the credit of the share premium account of the Company as at 31 December 2004 and the application of the said amount in writing off the accumulated losses of HK$938,308,422.76 of the Company as at 31 December 2004 as disclosed in the announcement of the Company dated 21 June 2006; (ii) the completion of the subscription of 332,000,000 new Shares at HK$0.3 per Share on 18 August 2006 pursuant to the Top-Up Subscription Agreement, details of which were set out in the announcement of the Company dated 8 August 2006; (iii) the fallen through of the disposal by Shine Ocean Limited (the Company's wholly owned subsidiary) of the entire issued share capital in Price Sales Limited and the shareholder's loan advanced by or on behalf of Shine Ocean Limited to Price Sales Limited at a consideration of US$24,701,754 (equivalent to approximately HK$192,673,681) which would have resulted in the gain on disposal of approximately HK$31.6 million expected to have had upon completion of the disposal not being recognized as expected as disclosed in the announcement of the Company dated 24 November 2006; (iv) the two settlement agreements both dated 1 March 2006 entered into between Merry World Associates Limited ("**Merry World**"), the Company's wholly owned subsidiary, and Guangzhou Sui Nan Building Development Limited ("**Guangzhou Sui Nan**") for, among other matters, the transfer of Zone A of Level 3 of Li Wan Plaza, No. 9 Dexing Lu, Li Wan District, the PRC by Merry World to Guangzhou Sui Nan and the discontinuance and withdrawal by Guangzhou Sui Nan of all its claims made and legal proceedings instituted against Merry World in relation to Zone C of Level 3 of Li Wan Plaza, No. 9 Dexing Lu, Li Wan District, the PRC and confirmation of title of Merry World in Zone C of Level 3 of Li Wan Plaza, No. 9 Dexing Lu, Li Wan District, the PRC, as disclosed in the announcement of the Company dated 30 March 2006; (v) the acquisition of the entire issued share capital of and shareholder's loan to Great Royal International Limited by the Company's wholly owned subsidiary, at an aggregate consideration of RMB27,513,131.36 from Time Add International Limited as disclosed in the announcements of the Company dated 20 and 21 June 2006; and (vi) the establishment of a joint venture company in Hong

Kong, namely, CIMPOR Chengtong Cement Corporation Limited, by China Chengtong Cement Group Limited, the Company's wholly owned subsidiary, and CIMPOR Inversiones SA as the joint venture partners as disclosed in the announcements of the Company dated 18 October 2006 and 4 January 2007, the Directors were not aware of any material change in the financial or trading position or outlook of the Group since 31 December 2005, the date to which the latest published audited consolidated financial statements of the Group were made up.

3. INDEBTEDNESS

At the close of business on 31 December 2006 being the latest practicable date prior to the printing of this circular for the purpose of this indebtedness statement, the Group had outstanding short term secured other borrowings of approximately HK$9.0 million, all of which were secured by fixed charges on certain of the Group's property, plant and equipment. In addition, the Group had outstanding at that date other loans and amount due to a minority shareholder of a subsidiary of approximately HK$7.2 million and HK$4.0 million, respectively.

Save as aforesaid, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 31 December 2006 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

Foreign currency amounts have been translated at the approximate exchange rates prevailing at the close of business on 31 December 2006.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Following the stringent macro-economic control measures implemented by the central government in the second half of 2005, sales turnover of the property market in Mainland China has become stable. In the long run, these measures will contribute to bring about sustained economic growth and influx of foreign investments, eventually leading to a healthier property market in the Mainland China.

In view of the favourable environment of the capital market, the Group had in August conducted a fund raising activity and an aggregate of 332,000,000 shares of the Company were placed to three independent investors in a top-up placing, raising a net proceeds of approximately HK$98.1 million. The net proceeds from the placing are intended to be used for the Group's property development business in Mainland China and for general working capital of the Group.

China Chengtong Holdings Group Limited ("**CCHG**") (formerly known as China Chengtong Holdings Company), the Group's ultimate holding company, is the largest integrated warehousing logistics service enterprise in Mainland China, and has been selected by the State-owned Assets Supervision and Administration Commission of the State Council as a state-owned asset operating company. It was assigned a group of state-owned factories which further increased its land reserve.

Further to the dedicated efforts on the disposals of non-core and not well performed assets in the past two years, the Group is now in a position to explore appropriate investment opportunities in Mainland China in order to enhance its growth. With the immense support from CCHG, the Group will endeavour to broaden its quality portfolio in its property development business. The Board is confident of the Group's prospects.

After completion of the Rights Issue, the financial position and financial flexibility of the Group will be significantly enhanced which prepare the Company to be financial capable and flexible to respond to and capture future investment opportunities which are beneficial to the Group. The Company will actively identify suitable business opportunities which are beneficial to the Group and any of these investments will likely to be in one of the Group's principal activities, i.e., property investment, property development, trade and production of cement, and investment holding.

5. WORKING CAPITAL

The Directors are of the opinion that after taking into account the Group's cashflow generated from operating activities and the estimated net proceeds from the Rights Issue, the Group has sufficient working capital for its present requirements, for at least the next 12 months from the date of this circular.

6. MANAGEMENT DISCUSSION AND ANALYSIS

Property Development

Zhongshi Investment Company Limited

The Group's residential development project located at Xicheng District, Beijing completed on schedule in October 2005. It achieved a remarkable result by contributing a net profit of approximately HK$23 million to the Group for the six months ended 30 June 2006. Together with the sales made in 2005, all the residential units and 103 car parks of the project were sold and most of them had been delivered to the purchasers at 30 June 2006.

Huzhou Land

To further enhance the Group's property development business in Mainland China, in June 2006, at a consideration of approximately RMB27.5 million (which was fully paid in cash in August 2006), the Group acquired the entire equity interests of Great Royal International Limited, which is one of the equity owners of Huzhou Wangang United Estate Company Limited ("Huzhou Land Company"), a sino-foreign equity joint venture established in Mainland China, and had a capital commitment of 50% to the registered capital of Huzhou Land Company.

Huzhou Land Company is solely engaged in the development, construction and operation of a piece of vacant land of site area of approximately 214,000 square metres at

Nos. 19, 20A of West Southern District of Huzhou City of the Zhejiang Province ("Huzhou Land"), which will be developed as a residential and commercial development for the re-housing of local farmers with a total building floor area of approximately 290,000 square metres. The whole development of Huzhou Land will be purchased by Huzhou People's Government upon its completion at an agreed consideration.

Cement Business

Nanda Cement recorded a turnover of HK$16.7 million for the six months ended 30 June 2006, representing a decrease of 44% as compared to that for the corresponding period in 2005. Despite the decrease in total turnover, Nanda Cement could still manage to achieve a decrease of approximately HK$4 million in its loss for the six months ended 30 June 2006 as compared to that for the corresponding period in 2005. The drop in loss was mainly attributable to its successful cost control measures.

The sales has picked up since March 2006 due to the overall improved market condition for cement industry in Suzhou. The management of Nanda Cement will continue to implement strict cost control measures and policies to improve its profitability.

Disposal of the entire shareholding and shareholder loan of Price Sales Limited

In January 2006, the Group entered into a conditional disposal agreement ("Disposal Agreement") for the disposal of a wholly owned subsidiary of the Group, Price Sales Limited, and the shareholder's loan to that subsidiary to an independent third party at a consideration of approximately US$24.7 million (equivalent to approximately HK$193 million). Price Sales Limited is the owner of a 32% interest in Goodwill (Overseas) Limited. The Group and the Purchaser have not come to an agreement on the terms of the formal agreement, as such, no formal agreement has been entered into and payment of the further deposit in the sum of US$4.5 million (equivalent to approximately HK$35.1 million) and completion of the disposal has eventually fallen through as announced in the announcement of the Company dated 24 November 2006. The Group has reserved all its rights and remedies against the third party purchaser.

Settlement Agreements in relation to Merry World Associates Limited

In March 2006, a wholly owned subsidiary of the Group, Merry World Associates Limited ("Merry World"), entered into two settlement agreements with Guangzhou Sui Nan Building Development Limited ("Plaintiff"), putting an end to the disputes and ensuing litigations between them in relation to Zone A ("Property A") and Zone C ("Property C") both of Level 3 of Li Wan Plaza, No. 9 Dexing Lu, Li Wan District, Guangzhou City, Guangdong Province, the PRC. Pursuant to the settlement agreements, among other matters, Property A was transferred to the Plaintiff in the six months ended 30 June 2006 and the Plaintiff had discontinued and withdrawn all its claims made and legal proceedings instituted against Merry World in relation to Property C and confirmed the title of Merry World to Property C. The entering into of the two settlement agreements enables the Group to retain Property C despite the judgment of the relevant court in the PRC ordering the transfer of Property C by Merry World to the Plaintiff.

Capital Reduction

On 20 June 2006, the High Court of the Hong Kong Special Administrative Region made an order 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 losses of the Company (the "Capital Reduction"). A credit amount of HK$939,273,144.96 arising from the Capital Reduction has been applied to write off the accumulated losses of HK$938,308,422.76 of the Company as at 31 December 2004 and the balance of HK$964,722.20 has been transferred to a special capital reserve created by the Company.

Although there is no assurance that a dividend will be declared or paid in the future, the principal purpose of the Capital Reduction is to enable the Company to achieve a capital structure that would permit the payment of dividends to its shareholders as and when appropriate.

7. AUDITED FINANCIAL STATEMENTS

The following is the audited consolidated financial statements of the Group for the year ended 31 December 2005 together with accompanying notes as extracted from the annual report of the Company for the year ended 31 December 2005. Please refer to notes 2 and 3 to the audited consolidated financial statements of the Group for the year ended 31 December 2005 as set out on pages 84 to 87 of this appendix I for the nature of the restatement made to the audited financial statements of the Group for the period from 1 April 2004 to 31 December 2004 and as at 31 December 2004 as stated below.

Consolidated income statement
For the year ended 31 December 2005

	NOTES	**1.1.2005 to 31.12.2005** *HK$'000*	**1.4.2004 to 31.12.2004** *HK$'000* (Restated)
Turnover	*7*	253,772	210,992
Cost of sales		(243,187)	(209,732)
Gross profit		10,585	1,260
Other income		7,429	1,767
Distribution costs		(6,585)	(1,216)
Administrative expenses		(27,856)	(24,289)
Impairment loss on property, plant and equipment		(23,781)	(9,473)
Revaluation deficit recognised in respect of investment properties	*15*	–	(6,262)
Provision for a legal claim	*25*	(8,698)	(32,792)
Finance costs	*8*	(1,407)	(1,787)
Gain on disposal of subsidiaries		–	162,989
Share of results of associates		(1)	(261)
(Loss) profit before taxation		(50,314)	89,936
Taxation	*9*	(3,371)	4,205
(Loss) profit for the year/period	*10*	(53,685)	94,141
Attributable to:			
Shareholders of the Company		(45,997)	99,714
Minority interests		(7,688)	(5,573)
		(53,685)	94,141
(Loss) earnings per share	*12*		
Basic		HK(2.73) cents	HK5.91 cents
Diluted		N/A	HK5.90 cents

Consolidated balance sheet
At 31 December 2005

	NOTES	2005 HK$'000	2004 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment	14	55,650	77,022
Investment properties	15	86,400	84,870
Interests in associates	17	263	264
Amounts due from an associate	17	–	174,832
		142,313	336,988
Current assets			
Inventories	18	4,536	9,114
Properties held for sales		230,162	–
Properties under development for future sale	19	–	170,135
Trade and other receivables	20	31,784	18,991
Bills receivables		144	839
Tax recoverable		2,414	–
Amount due from a minority shareholder	21	1,359	1,337
Amounts due from related companies	22	5,282	5,020
Bank balances and cash		115,058	86,082
		390,739	291,518
Assets classified as held for sale	23	161,080	–
		551,819	291,518

	NOTES	2005 HK$'000	2004 HK$'000 (Restated)
Current liabilities			
Trade and other payables	24	128,391	99,794
Deposits received on sale of properties		189,435	19,156
Provision for a legal claim	25	41,490	32,792
Loan from a related company	26	15,000	15,000
Amount due to a minority shareholder	27	3,978	3,978
Taxation payable		–	6
Other loans	28	7,196	7,196
Bank loans, secured	29	17,616	17,304
		403,106	195,226
Net current assets		148,713	96,292
Total assets less current liabilities		291,026	433,280
Non-current liabilities			
Bank loans, secured – amount due after one year	29	–	94,300
Deferred taxation	30	5,694	6,599
		5,694	100,899
Net assets		285,332	332,381
Capital and reserves			
Share capital	32	168,710	168,710
Reserves		84,356	124,309
Equity attributable to shareholder		253,066	293,019
Minority interests		32,266	39,362
		285,332	332,381

Balance sheet
At 31 December 2005

	NOTES	2005 HK$'000	2004 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment	14	61	87
Interests in subsidiaries	16	1	1
Amount due from an associate of the Group	17	–	517
		62	605
Current assets			
Other receivables		621	1,056
Amounts due from subsidiaries	31	260,548	257,248
Bank balances and cash		227	107
		261,396	258,411
Assets classified as held for sale	23	517	–
		261,913	258,411
Current liabilities			
Other payables		6,081	6,500
Amounts due to subsidiaries	31	81,739	82,439
		87,820	88,939
Net current assets		174,093	169,472
		174,155	170,077
Capital and reserves			
Share capital	32	168,710	168,710
Reserves	34	5,445	1,367
		174,155	170,077

Consolidated statement of changes in equity
For the year ended 31 December 2005

	Attributable to shareholders of the Company									
	Share capital	Share premium	Capital redemption reserve	Exchange reserve	Legal surplus	Share options reserve	Accumulated losses	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2004										
– as previously stated	168,710	939,273	402	284	565	–	(920,014)	189,220	22,294	211,514
– effect of changes in accounting policies *(note 3)*	–	–	–	–	–	234	(234)	–	–	–
– as restated	168,710	939,273	402	284	565	234	(920,248)	189,220	22,294	211,514
Acquired on acquisition of a subsidiary	–	–	–	–	–	–	–	–	22,641	22,641
Profit and total recognised gain (loss) for the period	–	–	–	–	–	–	99,714	99,714	(5,573)	94,141
Recognition of equity-settled share based payments	–	–	–	–	–	4,085	–	4,085	–	4,085
At 31 December 2004 and 1 January 2005	168,710	939,273	402	284	565	4,319	(820,534)	293,019	39,362	332,381
Exchange realignment	–	–	–	1,652	–	–	–	1,652	592	2,244
Loss for the year	–	–	–	–	–	–	(45,997)	(45,997)	(7,688)	(53,685)
Total recognised gain (loss) for the year	–	–	–	1,652	–	–	(45,997)	(44,345)	(7,096)	(51,441)
Recognition of equity-settled share based payments	–	–	–	–	–	4,392	–	4,392	–	4,392
At 31 December 2005	168,710	939,273	402	1,936	565	8,711	(866,531)	253,066	32,266	285,332

The accumulated losses of the Group include the accumulated profits of approximately HK$249,000 (2004: HK$250,000) retained by associates of the Group.

Consolidated cash flow statement

For the year ended 31 December 2005

	1.1.2005 to 31.12.2005 HK$'000	1.4.2004 to 31.12.2004 HK$'000 (Restated)
Cash flows from operating activities		
(Loss) profit before taxation	(50,314)	89,936
Adjustments for:		
Interest income	(1,882)	(22)
Interest expense	1,407	1,787
Increase in provision for a legal claim	8,698	32,792
Gain on disposal of subsidiaries	–	(162,989)
Share of results of associates	1	261
Expenses recognised in respect of share options granted	4,392	4,085
Loss on disposal of property, plant and equipment	1,009	2,366
Depreciation of property, plant and equipment	3,217	4,541
Revaluation deficit recognised in respect of investment properties	–	6,262
Impairment loss recognised in respect of property, plant and equipment	23,781	9,473
Operating cash flows before working capital changes	(9,691)	(11,508)
Decrease in inventories	4,578	2,697
Increase in properties under development	(6,888)	(6,663)
Increase in trade and other receivables	(12,793)	(3,453)
Decrease in bills receivables	695	8,992
Increase in amount due from a minority interest	(22)	–
Decrease in trade and other payables	(20,986)	(18,822)
Increase in deposit received on sale of properties	170,279	19,156
Decrease in amount due to a minority interest	–	(3,799)
Cash flows from (used in) operations	125,172	(13,400)
Hong Kong Profits Tax paid	(298)	–
PRC Enterprise Income Tax paid	(6,398)	(765)
Net cash flow from (used in) operating activities	118,476	(14,165)

	1.1.2005 to 31.12.2005	1.4.2004 to 31.12.2004
	HK$'000	*HK$'000* (Restated)
Cash flows from investing activities		
Purchase and disposal of subsidiaries (net of cash and cash equivalents acquired for/disposed of)	–	71,830
(Advance to) repayment from amount due from related companies	(262)	3,980
Proceeds from disposals of property, plant and equipment	2,551	35
Purchases of property, plant and equipment	(7,830)	(20,289)
Repayment of amount due from associates	13,752	22,388
Interest received	2,502	265
Net cash from investing activities	10,713	78,209
Cash flows from financing activities		
Bank loan raised	–	28,290
Repayment of bank loans	(94,300)	(1,178)
Repayment of other loans	–	(28,529)
Interest paid	(5,583)	(5,300)
Net cash used in financing activities	(99,883)	(6,717)
Net increase in cash and cash equivalents	29,306	57,327
Cash and cash equivalent at beginning of year/period	86,082	28,755
Effect of foreign exchange rate changes	(330)	–
Cash and cash equivalents at end of year/period, representing bank balances and cash	115,058	86,082

Notes to the financial statements

For the year ended 31 December 2005

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 are disclosed in the Corporate Information to the annual report.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 16.

The financial statements are presented in Hong Kong dollars which is also the functional currency of the Company.

During the prior period, the Company changed its financial year end date from 31 March to 31 December and the consolidated financial statements incorporate the financial statements of the Company and its subsidiaries which cover nine months period ended 31 December 2004. For current year, the consolidated financial statements incorporated the financial statements of the Company and its subsidiaries cover twelve months period up to 31 December 2005. The corresponding amounts shown for the consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement and related notes cover a nine month period from 1 April 2004 to 31 December 2004 and therefore may not be comparable with amounts shown for the current year.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARD/ CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations (hereinafter collectively referred to as "new HKFRS(s)") issued by Hong Kong Institute of Certified Public Accountants that are relevant to its operations and are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and the consolidated statement of changes in equity.

The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting years are prepared and presented.

Share-based payments

In the current year, the Group has applied HKFRS 2, Share-based Payment, which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. In relation to share options granted before 1 January 2005, the Group has not applied HKFRS 2 to share options granted on or before 7 November 2002 and share options that were granted after 7 November 2002 and had vested before 1 January 2005 in accordance with the relevant transitional provisions. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not yet vested on 1 January 2005. Comparative figures have been restated (see note 3 for the financial impact).

Financial instruments

In the current year, the Group has applied HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior accounting periods. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

From 1 January 2005 onwards, the Group classifies and measures its financial assets and financial liabilities in accordance with the requirements of HKAS 39. The classification depends on the purpose for which the assets are acquired. The Group's financial assets are loans and receivables which are measured at amortised cost using the effective interest method. Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". The Group's financial liabilities are "other financial liabilities" which are carried at amortised cost using the effective interest method. The adoption of HKAS 39 has no impact on the Group's accumulated losses on 1 January 2005 and results for the current year.

Investment properties

In the current year, the Group has, for the first time, applied HKAS 40 Investment Property. The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the predecessor standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1 January 2005 onwards. It has no impact on the Group's accumulated losses on 1 January 2005 and the results for the current year.

Deferred tax related to investment properties

In previous period, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current year, the Group has applied HKAS Interpretation 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HKAS Interpretation 21, this change in accounting policy has been applied retrospectively. It has no impact on the results for current and prior accounting year/period as the Group's intention is to recover the property through sale.

3. SUMMARY OF THE EFFECTS OF ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARD CHANGES IN ACCOUNTING POLICIES

The effects of changes in the accounting policies described above on the results for the current year and prior period are as follows:

	1.1.2005 to 31.12.2005	**1.4.2004 to 31.12.2004**
	HK$'000	*HK$'000*
Expenses recognised in relation to share options granted		
– Increase in administrative expenses	(4,392)	(4,085)

The cumulative effects of the application of the new HKFRSs as at 31 December 2004 and 1 January 2005 are summarised below:

	31.12.2004	**Adjustment**	**31.12.2004 and 1.1.2005**
	HK$'000	*HK$'000*	*HK$'000*
	(Originally stated)		(Restated)
Accumulated losses	(816,215)	(4,319)	(820,534)
Share options reserve	–	4,319	4,319
Minority interests	–	39,362	39,362
Total effects on equity	(816,215)	39,362	(776,853)
Minority interests	39,362	(39,362)	–
	(776,853)	–	(776,853)

The financial effects of the application of the new HKFRSs to the Group's equity at 1 April 2004 are summarised below:

	As originally stated	Adjustment	As restated
	HK$'000	*HK$'000*	*HK$'000*
Accumulated losses	(920,014)	(234)	(920,248)
Share options reserve	–	234	234
Minority interests	–	22,294	22,294
Total effects on equity	(920,014)	22,294	(897,720)

The Group has not early applied the new standards, interpretations and amendments that have been issued but are not yet effective as at 31 December 2005.

HKAS 1 (Amendment)	Capital disclosure[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HKFRS-INT 4	Determining whether an arrangement contains a lease[2]
HKFRS-INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC)-INT 6	Liabilities arising from participating in a specific market-waste electrical and electronic equipment[3]
HK(IFRIC)-INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 January 2006.
[3] Effective for annual periods beginning on or after 1 December 2005.
[4] Effective for annual periods beginning on or after 1 March 2006.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These HKFRSs may result in change in the future as to how the results and financial position are prepared and presented.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, except for investment properties which are stated at fair values.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants. In additions, the financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange and the Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of subsidiaries acquired and disposed of during the year/period are included in the consolidated income statement from and up to their effective dates of acquisition and disposal respectively.

All significant inter-company transactions and balances within the Group have been eliminated on consolidation.

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.

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.

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 nominal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has been passed.

Service income is recognised when services are rendered.

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.

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

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.

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 assets to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Investment properties

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

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less accumulated depreciation and identified impairment losses.

Construction in progress is not depreciated until completion of construction and the asset is ready for its intended use.

Depreciation is provided to write off the cost of property, plant and equipment other than construction in progress over their estimated useful lives, using the straight line method, at the following rates per annum:

Buildings	1.67% to 3.60%
Plant and machinery	5% to 20%
Furniture and equipment	10% to 20%
Motor vehicles	20%

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 amount of the item) is included in the income statement in the year in which the item is derecognised.

Subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Investments in associates

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale (in which case it is accounted for under HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations). 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 profit or loss and of changes in equity of the associate, 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.

Non-current assets held for sale

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Properties under development for future sale/Properties held for sales

Properties under development for future sale/properties held for sales 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, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of cost of those assets. Capitalisation of such borrowing costs ceased 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 capitalised.

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

Impairment

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

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/period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods 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 the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the 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.

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 profit 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 the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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 its 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 except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity in which cases, the exchange differences is recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (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/period, 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 translation 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 leasee, others are operating leases.

Rentals payable under operating leases are charged to the income statement on a straight line basis over the term of the relevant leases.

Financial instruments

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

Financial assets

The Group's financial assets are mainly classified into loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of financial assets are set out below.

Loans and receivables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits which are subject to an insignificant risk of changes in value.

Financial liabilities and equity

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

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

Financial liabilities

Financial liabilities including trade and other payables, loan from an intermediate controlling shareholder, amount due to a minority shareholder, other loans, bank loans 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.

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 expenses as they fall due.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At subsequent balance sheet date, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation (if appropriate).

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees of the Company

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 (share option reserve).

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 4, management had made the following judgments that have the most significant effect on the amounts recognised in the financial statements.

Impairment of property, plant and equipment

Determining whether property, plant and equipment is impaired requires an estimation of the recoverable amounts of the assets. The recoverable amounts requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. During the year, an impairment loss of HK$23,781,000 (1.4.2004 to 31.12.2004: HK$9,473,000) was recognised.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Interest rate risk

The Group's cash flow interest rate risk primarily relates to fixed-rate bank loans.

The Group currently does not have any risk hedging policy. However, the management monitors interest rate risk exposure and will consider hedging significant risk exposure should the used arises.

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. The maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2005 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 at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

Concentration risk

The Group is exposed to concentration risk as a significant portion of its business are derived from its largest customer.

7. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances.

Business Segments

The Group's principal activities are trade and manufacture of cement, trade of goods, property investment, property development and investments holding. These five business segments are the basis on which the Group reports its primary segment information. Segment information about these businesses is presented as below:

	Trade and manufacture of cement	Trade of goods	Property investment	Property development	Investments holding	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2005						
Turnover						
Segment turnover	46,458	93,261	–	114,053	–	253,772
Result						
Segment result	(30,069)	7	(10,286)	8,219	–	(32,129)
Unallocated corporate expenses						(16,777)
Finance costs						(1,407)
Share of results of associates					(1)	(1)
Loss before taxation						(50,314)
Taxation						(3,371)
Loss for the year						(53,685)
Other information						
Additions of property, plant and equipment	7,731	–	–	97	2	7,830
Impairment loss on property, plant and equipment	(23,781)	–	–	–	–	(23,781)
Depreciation and amortisation of property, plant and equipment	(2,854)	–	–	(90)	(273)	(3,217)
Loss on disposal of property, plant and equipment	(986)	–	–	(23)	–	(1,009)
Provision for a legal claim	–	–	(8,698)	–	–	(8,698)

	Trade and manufacture of cement HK$'000	Trade of goods HK$'000	Property investment HK$'000	Property development HK$'000	Investments holding HK$'000	Consolidated HK$'000
As at 31 December 2005						
Balance sheet						
Assets						
Segment assets	62,260	601	84,870	332,453	213,948	694,132
Consolidated total assets						694,132
Liabilities						
Segment liabilities	(30,605)	(8)	(48,968)	(251,893)	(6,374)	(337,848)
Unallocated corporate liabilities						(70,952)
Consolidated total liabilities						(408,800)
For the period from 1 April 2004 to 31 December 2004						
Turnover						
Segment turnover	81,518	129,438	36	–	–	210,992
Result						
Segment result	(15,879)	45	(32,876)	(303)	(23)	(49,036)
Unallocated corporate expenses						(21,969)
Finance costs						(1,787)
Gain on disposal of subsidiaries			162,989			162,989
Share of results of associates					(261)	(261)
Profit before taxation						89,936
Taxation						4,205
Profit for the period						94,141

	Trade and manufacture of cement HK$'000	Trade of goods HK$'000	Property investment HK$'000	Property development HK$'000	Investments holding HK$'000	Consolidated HK$'000
Other information						
Additions of property, plant and equipment	20,113	–	–	12	164	20,289
Impairment loss on property, plant and equipment	(9,473)	–	–	–	–	(9,473)
Depreciation and amortisation of property, plant and equipment	(4,283)	–	–	(24)	(234)	(4,541)
Allowance made for inventories	(2,931)	–	–	–	–	(2,931)
(Loss) gain on disposal of property, plant and equipment	(2,368)	–	–	2	–	(2,366)
Revaluation deficit recognised in respect of investment properties	–	–	(6,262)	–	–	(6,262)
Provision for a legal claim	–	–	(32,792)	–	–	(32,792)
As at 31 December 2004						
Balance sheet						
Assets						
Segment assets	92,531	638	84,870	216,041	234,426	628,506
Consolidated total assets						628,506
Liabilities						
Segment liabilities	30,527	6	39,403	52,709	6,793	129,438
Unallocated corporate liabilities						166,687
Consolidated total liabilities						296,125

Geographical Segments

The Group's operations are located in Mainland China and Hong Kong of the People's Republic of China (the "PRC"). The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods/services:

	Turnover by geographical market	
	1.1.2005 to 31.12.2005	**1.4.2004 to 31.12.2004**
	HK$'000	*HK$'000*
Mainland China	160,511	81,554
Hong Kong	93,261	129,438
	253,772	210,992

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment analysed by the geographical areas in which the assets are located:

	2005	**2004**
	HK$'000	*HK$'000*
Carrying amount of segment assets		
Mainland China	479,583	393,442
Hong Kong	214,549	235,064
	694,132	628,506

	1.1.2005 to 31.12.2005	**1.4.2004 to 31.12.2004**
	HK$'000	*HK$'000*
Additions to property, plant and equipment		
Mainland China	7,828	20,125
Hong Kong	2	164
	7,830	20,289

8. FINANCE COSTS

	THE GROUP	
	1.1.2005 to 31.12.2005	**1.4.2004 to 31.12.2004**
	HK$'000	*HK$'000*
Interest on:		
Bank loans and overdrafts wholly repayable within five years	5,583	5,300
Less: Amount capitalised in the cost of properties held for sales	(4,176)	(3,513)
	1,407	1,787

9. TAXATION

Hong Kong Profits Tax is provided at 17.5% (1.4.2004 to 31.12.2004: 17.5%) on the estimated assessable profits for the year/period. PRC Enterprise Income Tax is provided at range from 24% to 33% (1.4.2004 to 31.12.2004: 24%) on the estimated assessable profits for the year/period.

Pursuant to the relevant laws and regulations in the PRC, the Group's certain PRC subsidiaries are exempted from PRC Enterprise Income Tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years.

	THE GROUP	
	1.1.2005 to 31.12.2005	**1.4.2004 to 31.12.2004**
	HK$'000	*HK$'000*
The taxation charge comprises:		
Current tax:		
Hong Kong	–	6
PRC	3,334	–
	3,334	6
Under(over)provision in prior years:		
Hong Kong	297	(570)
PRC	645	–
	942	(570)
	4,276	(564)
Deferred taxation *(note 30)*	(905)	(3,641)
Taxation charge (credit) for the year/period	3,371	(4,205)

A statement of reconciliation of taxation is as follows:

	1.1.2005 to 31.12.2005	**1.4.2004 to 31.12.2004**
	HK$'000	*HK$'000*
(Loss) profit before taxation	(50,314)	89,936
Effective tax at the PRC Enterprise Income Tax rate of 24% (1.4.2004 to 31.12.2004: 24%)	(12,076)	21,585
Tax effect of share of results of associates	–	63
Tax effect of expenses not deductible for tax purposes	7,979	5,966
Tax effect of income not taxable for tax purposes	(444)	(39,815)
Tax effect of tax losses not recognised	5,690	8,580
Tax effect on utilisation of tax losses previously not recognised	–	(9)
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,280	(3)
Under(over)provision in prior year	942	(570)
Others	–	(2)
Taxation charge (credit) for the year/period	3,371	(4,205)

10. (LOSS) PROFIT FOR THE YEAR/PERIOD

	THE GROUP	
	1.1.2005 to 31.12.2005	**1.4.2004 to 31.12.2004**
	HK$'000	*HK$'000*
The (loss) profit for the year/period is arrived at after charging:		
Auditors' remuneration		
Current year/period provision	1,550	1,020
Prior period (over)underprovision	(120)	54
	1,430	1,074
Depreciation of property, plant and equipment	3,217	4,533
Impairment loss on property, plant and equipment	23,781	9,473
Loss on disposal of property, plant and equipment	1,009	2,366
Minimum lease payments in respect of rented premises	1,610	1,995
Allowance made for inventories	–	2,931
Contributions to retirement benefits schemes (including directors' emoluments)	1,558	1,315
Other staff costs (including directors' emoluments)	13,771	14,822
Cost of inventories recognised as an expense	236,760	206,776
after crediting:		
Gross rental income from investment properties, net of negligible outgoings	1,009	684
Interest income excluding of interest income on the temporary investment of specific borrowings of approximately HK$620,000 (1.4.2004 to 31.12.2004: HK$243,000) which has been capitalised in properties under development	1,882	22
Exchange gain	1,530	–

Other than interest income capitalised as stated above, the above amounts are shown net of expenses capitalised in properties under development as follows:

	1.1.2005 to 31.12.2005	**1.4.2004 to 31.12.2004**
	HK$'000	*HK$'000*
Other staff costs	3,319	701
Depreciation of property, plant and equipment	90	8
Operating lease rentals for land and building	654	95

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 11 (2004: 11) directors were as follows:

The other 1 director (2004: 1 director) has no emoluments for the year.

	Zhang Guotong	Wu Chun Wah	Wang Hongxin	Xu Zhen	Ma Zhengwu	Gu Laiyun	Hong Shui Kun	Chen Shengjie	Kwong Che Keung	Tsui Yiu Wa	Lao Youan	Total 1.1.2005 to 31.12.2005
	HK'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fee	1,018	1,610	465	182	240	240	240	60	360	360	180	4,955
Contributions to retirement benefit schemes	51	80	–	–	–	–	–	–	–	–	–	131
Share-based payment	402	402	–	22	43	282	43	–	–	–	–	1,194
Total emoluments	1,471	2,092	465	204	283	522	283	60	360	360	180	6,280

	Zhang Guotong	Wu Chun Wah	Xu Zhen	Li Tie Feng	Ma Zhengwu	Gu Laiyun	Hong Shui Kun	Chen Shengjie	Kwong Che Keung	Tsui Yiu Wa	Lao Youan	Total 1.4.2004 to 31.12.2004
	HK'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fee	454	1,000	–	260	164	164	164	164	270	270	135	3,045
Contributions to retirement benefit schemes	5	50	–	–	–	–	–	–	–	–	–	55
Share-based payment	266	266	73	146	146	226	146	146	–	–	–	1,415
Total emoluments	725	1,316	73	406	310	390	310	310	270	270	135	4,515

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (1.4.2004 to 31.12.2004: two) directors of the Company whose emoluments are included in note 11(a) above. The emoluments of the remaining three (1.4.2004 to 31.12.2004: three) individuals were as follows:

	THE GROUP	
	1.1.2005 to 31.12.2005	**1.4.2004 to 31.12.2004**
	HK$'000	*HK$'000*
Salaries and other benefits	1,557	2,646
Contributions to retirement benefits schemes	78	55
	1,635	2,701

Emoluments of the highest paid individuals were within the following bands:

	THE GROUP	
	1.1.2005 to 31.12.2005	**1.4.2004 to 31.12.2004**
	Number of employees	*Number of employees*
Nil to HK$1,000,000	3	3

12. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share is based on the following data:

	THE GROUP	
	1.1.2005 to 31.12.2005	**1.4.2004 to 31.12.2004**
	HK$'000	*HK$'000* (restated)
(Loss) profit for the year and earnings for the purposes of basic and diluted earnings per share	(45,997)	99,714
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,687,104,968	1,687,104,968
Effect of dilutive potential ordinary shares in respect of share options	N/A	1,976,336
Weighted average number of ordinary shares for the purpose of diluted earnings per share	N/A	1,689,081,304

No diluted loss per share has been presented for the year ended 31 December 2005 because the exercise of share options will be anti-dilutive.

Impact of the adoption of new and revised accounting policies

The Group's adoption of new and revised accounting policies during the year are described in detail in Note 2. To the extent that those changes have had an impact on results reported for 2005 and 2004, they have had an impact on the amounts reported for earnings per share. The following table summarises that impact on both basic and diluted earnings per share:

	Impact on basic (loss) earnings per share		Impact on diluted earnings per share	
	1.1.2005 to 31.12.2005	**1.4.2004 to 31.12.2004**	**1.1.2005 to 31.12.2005**	**1.4.2004 to 31.12.2004**
	HK cents	*HK cents*	*HK cents*	*HK cents*
Figures before adjustments	(2.47)	6.15	N/A	6.15
Adjustment arising from the adoption of new and revised accounting policies	(0.26)	(0.24)	N/A	(0.25)
As reported/restated	(2.73)	5.91	N/A	5.90

13. RETIREMENT BENEFITS SCHEMES

The Group participates in both a defined contribution 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 employees joining the Group on or after December 2000 are required to join the MPF Scheme. The Group contributes 5% of relevant payroll costs 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 benefit scheme operated by the PRC government. The subsidiaries are required to contribute 29% of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

For the year ended 31 December 2005, contributions totalling of approximately HK$1,558,000 (1.4.2004 to 31.12.2004: HK$1,315,000) were paid by the Group.

14. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Buildings	Plant and machinery	Furniture and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST						
At 1 April 2004	80,418	81,431	15,530	7,455	2,944	187,778
Additions	2,747	42	211	–	17,289	20,289
Acquired on acquisition of subsidiaries	–	–	60	304	–	364
Transfer	–	160	–	–	(160)	–
Disposals	(1,072)	(3,113)	(688)	(1,865)	–	(6,738)
Disposal of subsidiaries	(3,937)	–	(1,810)	(1,592)	–	(7,339)
At 31 December 2004	78,156	78,520	13,303	4,302	20,073	194,354
Currency realignment	1,266	1,416	12	61	362	3,117
Additions	3,023	434	111	–	4,262	7,830
Transfer	14,237	10,460	–	–	(24,697)	–
Disposals	(9,303)	(640)	(26)	(782)	–	(10,751)
At 31 December 2005	87,379	90,190	13,400	3,581	–	194,550
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 April 2004	31,050	60,474	13,711	6,222	–	111,457
Provided for the period	1,906	2,050	306	279	–	4,541
Eliminated on disposals	(483)	(1,729)	(607)	(1,518)	–	(4,337)
Impairment loss recognised in income statements	6,273	3,192	–	8	–	9,473
Disposal of subsidiaries	(518)	–	(1,692)	(1,592)	–	(3,802)
At 31 December 2004	38,228	63,987	11,718	3,399	–	117,332
Currency realignment	546	1,162	10	43	–	1,761
Provided for the year	1,359	1,211	196	451	–	3,217
Eliminated on disposals	(5,881)	(581)	(4)	(725)	–	(7,191)
Impairment loss recognised in income statements	9,166	14,615	–	–	–	23,781
At 31 December 2005	43,418	80,394	11,920	3,168	–	138,900
NET BOOK VALUES						
At 31 December 2005	43,961	9,796	1,480	413	–	55,650
At 31 December 2004	39,928	14,533	1,585	903	20,073	77,022

The directors of the Company have met the county government of Wen Ting County, Suzhou, the PRC and obtained written notice for the usage right of a piece of land located at Wen Ting County. However, the State Land Bureau has yet to give its approval to the Group's title to this piece of land, held through a 71% subsidiary (with the remaining 29% held by a PRC joint venture partner), on which buildings with net book value of HK$43,961,000 (2004: HK$39,928,000) have been erected. It is the responsibility of the PRC joint venture partner to ensure that the appropriate land use right certificate is obtained and they have confirmed to the Group that they are in the process of obtaining the land use right certificate from the State Land Bureau.

Certain plant and machinery with an aggregate net book value of HK$9,378,000 (1.4.2004 to 31.12.2004: HK$14,115,000) have been pledged as securities for the Group's bank loans.

During the year/period, the directors conducted a review of the Group's certain manufacturing assets and determined that a number of those assets were fully impaired, due to physical damage and technical obsolescence. Accordingly, full impairment losses of approximately HK$9,166,000 (1.4.2004 to 31.12.2004: HK$6,273,000) and HK$14,615,000 (1.4.2004 to 31.12.2004: HK$3,192,000) and Nil (1.4.2004 to 31.12.2004: HK$8,000) respectively have been recognised in respect of buildings, plant and machinery and motor vehicles.

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	Furniture and equipment *HK$'000*
COST	
At 1 April 2004, 1 January 2005 and 31 December 2005	353
ACCUMULATED DEPRECIATION	
At 1 April 2004	246
Provided for the year	20
At 31 December 2004	266
Provided for the year	26
At 31 December 2005	292
NET BOOK VALUE	
At 31 December 2005	61
At 31 December 2004	87

15. INVESTMENT PROPERTIES

	THE GROUP	
	2005	**2004**
	HK$'000	*HK$'000*
FAIR VALUE		
At beginning of year/period	84,870	194,796
Disposal of subsidiaries	–	(103,664)
Revaluation deficit	–	(6,262)
Exchange gain on revaluation of investment properties	1,530	–
At end of year/period	86,400	84,870
Analysed by lease term and geographical location:		
Medium term leasehold properties situated in the Mainland China	86,400	84,870

The fair value of the Group's investment properties at 31 December 2005 have been arrived at on the basis of a valuation carried out on that date by S.H. Ng & Co., Ltd., independent qualified professional valuers not connected with the Group. S.H. Ng & Co., Ltd. are members of the Hong Kong Institute of Surveyor, 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.

As at the balance sheet date, the Group had outstanding litigations in relation to the ownership of the Group's investment properties. For details of the litigations, please refer to note 25 to the financial statements.

16. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2005	**2004**
	HK$'000	*HK$'000*
Unlisted shares, at cost	1,001	1,001
Less: Impairment loss	(1,000)	(1,000)
	1	1

Particulars of the principal subsidiaries are as follows:

Company	**Place of incorporation/ registration**	**Total paid-up and issued ordinary share/ registered capital**	**Equity interest owned by the Group** %	**Principal activities**
Directly held:				
Galactic Investment Limited	Hong Kong	2 ordinary shares of HK$1 each	100	Investment holding
Merry World Associates Limited	British Virgin Islands (the "BVI")	1 ordinary share of US$1 each	100	Property investment
Indirectly held:				
Boxhill Limited	BVI	1 ordinary share of US$1 each	100	Investment holding
Chengtong Hua Da Trading Limited	Hong Kong	100 ordinary shares of HK$1 each	51	Trading
Come Ward Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100	Trading
Evolve Limited	Hong Kong	500 ordinary shares of HK$10 each	100	Property investment
Chengtong Trading (International) Limited	Hong Kong	429 ordinary shares of HK$1 each	100	Trading
Price Sales Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100	Investment holding
Sea-Land Mining Limited	Hong Kong	1,000,000 ordinary shares of HK$10 each	100	Investment holding
蘇州南達水泥有限公司* Suzhou Nanda Cement Company Limited	PRC	RMB101,262,000	71.03	Trade and manufacture of cement
中實投資有限責任公司* Zhongshi Investment Company Limited	PRC	RMB80,000,000	70	Properties development

* *The subsidiary was established in the PRC as a sino-foreign equity joint venture enterprise.*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the period/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 2005 or at any time during the year/period.

17. INTERESTS IN ASSOCIATES AND AMOUNTS DUE FROM AN ASSOCIATE

	THE GROUP	
	2005	**2004**
	HK$'000	*HK$'000*
Share of net assets	263	264
Amounts due from associates	–	175,918
Less: Allowance for doubtful receivables	–	(1,086)
	–	174,832

The amount due from an associate is unsecured, interest-free and have no fixed terms for repayment.

Particulars of the Group's associates at the balance sheet date are as follows:

Name of company	**Class of shares held**	**Place of incorporation**	**Equity interest owned by the Group** %	**Principal activity**
Goodwill (Overseas) Limited ("Goodwill")	Ordinary	BVI	32	Investment holding
Success Project Investments Ltd. ("Success Project")	Ordinary	BVI	35	Investment holding

During the year, the Group's interests in Goodwill have been classified as held for sale (note 23).

As at 31 December 2004, the Company had an amount due from an associate of the Group of approximately HK$517,000 which was interest-free and has no fixed terms of repayment.

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

	2005	2004
	HK$'000	*HK$'000*
Total assets	751	540,322
Total liabilities	–	(542,974)
Net assets (liabilities)	751	(2,652)
Group's share of associates' net assets	263	264

	2005	2004
	HK$'000	*HK$'000*
Revenue	–	–
Loss for the year	2	744
Group's share of loss of associates for the year (net of tax)	1	261

18. INVENTORIES

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
Raw materials	3,540	6,040
Work in progress	–	683
Finished goods	996	5,322
	4,536	12,045
Less: Allowance made	–	(2,931)
	4,536	9,114

As at the balance sheet dates, the inventories were carried at cost.

19. PROPERTIES UNDER DEVELOPMENT FOR FUTURE SALE

	THE GROUP	
	2005	**2004**
	HK$'000	*HK$'000*
At beginning of year/period	170,135	–
Acquisition of subsidiaries	–	128,173
Additions	60,027	41,962
	230,162	170,135
Transfer to properties held for sales	(230,162)	–
	–	170,135

The cost of properties under development situated in the PRC are held under long leases.

During the year, net interest capitalised amounted to HK$3,556,000 (1.4.2004 to 31.12.2004: HK$3,270,000). At 31 December 2004, properties under development amounting to HK$33,929,000 have been pledged as securities for the Group's bank loans.

At 31 December 2004, properties under development related to a site for residential development project comprising villas nos. 9 and 11 at Baiwanzhuang Dajie, Xicheng District, Beijing, the PRC with a site area of about 7,200 sq.m.

20. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2005	**2004**
	HK$'000	*HK$'000*
Trade receivables	11,758	7,713
Prepayments and deposits	2,259	1,992
Other receivables	17,767	9,286
	31,784	18,991

Trade receivables

The Group allows an average credit period of 30 days to its trade customers on open account credit terms. The ageing analysis of the trade receivables at the balance sheet date is as follows:

	THE GROUP	
	2005	**2004**
	HK$'000	*HK$'000*
Current	8,510	1,443
One to three months	128	796
Over three months	3,120	5,474
	11,758	7,713

The directors consider that the fair value of trade and other receivables at the balance sheet dates approximate the carrying amounts.

21. AMOUNT DUE FROM A MINORITY SHAREHOLDER

The amount due from a minority interest is unsecured, interest-free and repayable on demand. The directors considered that the fair value at the balance sheet date approximates to the carrying amount.

22. AMOUNTS DUE FROM RELATED COMPANIES

	THE GROUP		Maximum amount outstanding
	2005	**2004**	**during the year**
	HK$'000	*HK$'000*	*HK$'000*
Name of related companies			
中國物資開發投資總公司	4,621	4,621	4,621
北京京華都房地產開發有限公司	–	–	49,383
China Chengtong Hong Kong Company Limited	100	–	100
Nardu Company Limited	125	27	125
Panyu Lucky Rich Real-Estates Development Limited	430	372	430
Tat Yeung Investments Limited	6	–	6
	5,282	5,020	54,665

The amounts 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 Company, a holding company of a substantial shareholder of the Company. 北京京華都房地產開發有限公司is an indirectly owned subsidiary of China Chengtong Holdings Company, which is, in turn, the ultimate holding company of the substantial shareholder (as defined in the Listing Rules) of the Company, World Gain Holdings Limited. Nardu Company Limited, Panyu Lucky Rich Real-Estates Development Limited and Tat Yeung Investments Limited are subsidiaries of China Chengtong Hong Kong Company Limited, a substantial shareholder of the Company. The directors consider that the fair value at the balance sheet date approximates to the carrying amount.

23. ASSETS CLASSIFIED AS HELD FOR SALE

	2005
	HK$'000
Share of net assets	–
Amount due from an associate	162,166
Less: Allowance for doubtful receivables	(1,086)
	161,080
	161,080

During the year, the directors decided to dispose of the interest in an associate, Goodwill, and on 11 January 2006, the Group entered into an agreement (the "Disposal Agreement") with an independent third party (the "Purchaser") to dispose of a wholly owned subsidiary of the Company, Price Sales Limited which holds the 32% equity interest of Goodwill and the related loan advanced by the Group to Goodwill at a consideration of US$24,701,754 (equivalent to HK$192,674,000).

As at 31 December 2005, the Company had an amount due from Goodwill of HK$517,000 which will also be disposed of under the Disposal Agreement.

The directors consider that the fair value of assets classified as held for sale at the balance sheet dates approximate the carrying amounts.

The Disposal Agreement is conditional upon the following:

(1) the passing at the EGM of a resolution of the shareholders of the Company approving the Disposal in accordance with the terms of the Disposal Agreement pursuant to the requirements of the Listing Rules.

(2) the other shareholders of Goodwill (or their beneficial owners) shall enter into an agreement with the Purchaser (or its nominated wholly owned subsidiary) for the sale of their interest in Goodwill in form satisfactory to the Purchaser before Completion.

(3) satisfactory due diligence review by the Purchaser.

Details of the Disposal Agreement are set out in the Company's announcement dated 7 February 2006.

24. TRADE AND OTHER PAYABLES

	THE GROUP	
	2005	**2004**
	HK$'000	*HK$'000*
Trade payables	78,702	52,462
Deposits received, other payables and accruals	49,689	47,332
	128,391	99,794

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

	THE GROUP	
	2005	**2004**
	HK$'000	*HK$'000*
Current	717	6,056
One to three months	9,788	14,377
Over three months	68,197	32,029
	78,702	52,462

The directors consider that the fair value of trade and other payables at the balance sheet dates approximate the carrying amounts.

25. PROVISION FOR A LEGAL CLAIM

	THE GROUP
	HK$'000
Balance at 1 January 2005	32,792
Provide for the year	8,698
Balance at 31 December 2005	41,490

Petitions have been filed against a wholly owned subsidiary of the Company, Merry World Associates Limited ("Merry World") seeking orders, among other matters, for the transfer of the Group's two investment properties with carry value of HK$41,490,000 (the "Property A") and HK$44,910,000 (the "Property C"), respectively, as at 31 December 2005 in favour of the plaintiff (the "Plaintiff").

Property A and Property C were acquired by Merry World from the Plaintiff in 2001 when Merry World was not part of the Group. Merry World is the registered owner of Property A and Property C in the PRC. The Plaintiff alleged among other matters, that Merry World had failed to make payments for the purchase of the Property A and Property C.

Judgments of The Intermediate People's court of Guangzhou City were made on 13 July 2005 and 16 September 2005 ordering, *inter alias*, the transfer of the Property A and Property C to the Plaintiff. The directors, after consulting with the Group's legal counsel, have made appeal to the Higher People's court of Guangzhou City.

Merry World has on 1 March 2006 entered into two settlement agreements (the "Settlement Agreements") with the Plaintiff in relation to Property A and Property C for, among other matters, the transfer of Property A by Merry World to the Plaintiff in pursuant to the judgment and the discontinuance and withdrawal by the Plaintiff of all its claims made and legal proceedings instituted against Merry World in relation to Property C and the confirmation of the title of Merry World in Property C.

Having obtained the advice of the Group's legal counsel, the directors are of the opinion that provision is adequate as at the balance sheet dates with reference to the carrying values of the properties and the likelihood of the outcome of the claim.

Details of the Settlement Agreements are set out in the Company's announcement dated 31 March 2006.

26. LOAN FROM A RELATED COMPANY

The amount represents loan from a holding company of a substantial shareholder and is unsecured and interest-free. The repayment date of the loan was originally scheduled on 9 January 2005 and it was extended to 9 January 2006. The directors considered that the fair value at the balance sheet date approximates to the carrying amount.

27. AMOUNT DUE TO A MINORITY SHAREHOLDER

The amount due to a minority interest is unsecured, interest-free and is repayable on demand. The directors consider that the fair value at the balance sheet date approximates to the carrying amount.

28. OTHER LOANS

The other loans from third parties are unsecured, repayable on demand and interest-free, except for a loan of HK$3,600,000 (2004: HK$3,600,000) which is interest bearing at 0.05% per day on a compound basis. The directors considered that the fair value at the balance sheet date approximates to the carrying amount.

29. BANK LOANS, SECURED

	THE GROUP	
	2005	**2004**
	HK$'000	*HK$'000*
Within one year	17,616	17,304
After one year but within two years	–	94,300
	17,616	111,604
Less: Amount due within one year included in the current liabilities	(17,616)	(17,304)
Amount due after one year	–	94,300

The interests of the Group's bank loans are carried at fixed rate of 7.56% (2004: ranged from 5.49% to 7.56%) per annum.

For details of the securities to the bank loans, please refer to notes 14 and 19 to the financial statements.

30. DEFERRED TAXATION

THE GROUP

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

	Revaluation of properties	
	2005	**2004**
	HK$'000	*HK$'000*
At beginning of year/period	6,599	10,240
Credit to income for the year/period	(905)	(3,641)
At end of year/period	5,694	6,599

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

	THE GROUP	
	2005	**2004**
	HK$'000	*HK$'000*
Tax losses	(220,216)	(196,507)
Impairment losses and allowance made on assets	(76,678)	(54,338)
	(296,894)	(250,845)

No deferred tax asset has been recognised due to unpredictability of future profit streams. At 31 December 2005, included in unrecognized tax losses are losses of approximately HK$24,553,000 (2004: HK$16,923,000) which will expire in 2010. Other tax losses may be carried forward indefinitely.

THE COMPANY

At 31 December 2005, the Company has unused tax losses of HK$77,237,000 (2004: HK$61,575,000) 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.

31. AMOUNTS DUE FROM/TO SUBSIDIARIES

The amounts due from/to subsidiaries are unsecured, interest-free and repayable on demand. The directors considered that the fair value at the balance sheet date approximates to the carrying amount.

32. SHARE CAPITAL

	2005		2004	
	Number of shares *'000*	Amount *HK$'000*	Number of shares *'000*	Amount *HK$'000*
Authorised:				
At 1 April 2004, 31 December 2004 and 31 December 2005	5,000,000	500,000	5,000,000	500,000
Issued and fully paid:				
At 1 April 2004, 31 December 2004 and 31 December 2005	1,687,105	168,710	1,687,105	168,710

33. SHARE OPTIONS SCHEMES

The Company adopted a share option scheme at an extraordinary general meeting of the Company held on 24 June 2003 (the "Scheme"), the Directors 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-calibre employees and attract human resources that are valuable to the Group and any invested entity.

(ii) Participants

The Directors 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

(1) 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").

(2) 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.

(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 on 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 Shares 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

An option shall be exercisable at such time(s) or during such period(s) and subject to such terms, as the Directors may, at their discretion specify, provided that 50% of the option shall be exercisable with a period of three (3) years commencing from twelve (12) months after the date of acceptance of the offer and the balance 50% may be exercisable at any time with a period of three (3) years commencing from twenty-four (24) months after the date of acceptance of the offer.

(viii) Vesting periods

(1) The options granted on 8.3.2004 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 28.9.2004 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 Schemes is 10 years commencing on the Adoption Date and will end on 23 June 2013.

(x) Shares available for issue under the Scheme

As at 31 December 2005, the total number of shares available for issue under the Scheme was approximately 118,810,500 shares which represented approximately 7% of the total issued share capital of the Company.

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

	Exercisable period	Exercise price *HK$*	Outstanding at 1.4.2004	Granted during the period	Lapsed during the period	Outstanding at 1.1.2005	Granted during the year	Lapsed during the year	Outstanding at 31.12.2005	Number of underlying shares
Directors	9.3.2005 to 8.3.2009	0.364	9,000,000	–	–	9,000,000	–	(2,400,000)	6,600,000	6,600,000
	29.9.2005 to 28.9.2008	0.245	–	8,000,000	–	8,000,000	–	–	8,000,000	8,000,000
Other employees	9.3.2005 to 8.3.2009	0.364	16,150,000	–	(2,150,000)	14,000,000	–	(1,750,000)	12,250,000	12,250,000
	29.9.2005 to 28.9.2008	0.245	–	24,050,000	–	24,050,000	–	(1,000,000)	23,050,000	23,050,000
Total			25,150,000	32,050,000	(2,150,000)	55,050,000	–	(5,150,000)	49,900,000	49,900,000

The fair values of options granted in 2004 were calculated using the Black-Scholes pricing model which is considered by the Directors to be the best pricing model currently available for estimating the fair values of these options. The inputs into the model were as follows:

Fair value of option at date of grant	HK$0.161
Share price at date of grant	HK$0.290
Exercise price	HK$0.245
Expected volatility	78%
Expected life in years	3
Risk free rate	1.5%
Expected dividend yield	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.

The Group recognised total expenses of HK$4,392,000 (1.4.2004 to 31.12.2004: HK$4,085,000) related to equity-settled share-based payment transactions during the year.

34. RESERVES

Details of changes in reserves of the Group are set out in the consolidated statement of changes in equity on page 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 April 2004					
– as previously stated	939,273	402	–	(1,025,222)	(85,547)
– effect of changes in accounting policies *(note 3)*	–	–	234	(234)	–
– as restated	939,273	402	234	(1,025,456)	(85,547)
Recognition of equity-settled share based payments	–	–	4,085	–	4,085
Profit for the period	–	–	–	82,829	82,829
At 31 December 2004 and 1 January 2005	939,273	402	4,319	(942,627)	1,367
Recognition of equity-settled share based payments	–	–	4,392	–	4,392
Net loss for the year	–	–	–	(314)	(314)
At 31 December 2005	939,273	402	8,711	(942,941)	5,445

35. FAIR VALUE OF OTHER FINANCIAL ASSETS

The carrying amounts of cash and cash equivalents and bills receivables, approximate their respective fair values due to the relatively short term maturity of these financial instruments. The fair values of other classes of financial assets and financial liabilities are disclosed in the respective notes to financial statements.

36. COMMITMENTS

(a) Capital commitments

	THE GROUP	
	2005	**2004**
	HK$'000	*HK$'000*
Capital commitments in respect of properties under development:		
Contracted but not provided for	–	98,016
Authorised but not contracted for	–	72,018
	–	170,034
Capital commitments in respect of acquisition of property, plant and equipment:		
Contracted but not provided for	–	6,688

At the balance sheet date, the Company did not have any capital commitments.

(b) Operating lease commitments as leasee

At 31 December 2005, 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	
	2005	**2004**
	HK$'000	*HK$'000*
Within one year	1,655	2,342
In the second to fifth years inclusive	–	2,103
	1,655	4,445

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.

(c) Operating leases commitments as lessor

At 31 December 2005, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2005	**2004**
	HK$'000	*HK$'000*
Within one year	1,105	913
In the second to fifth years inclusive	768	913
More than five years	864	–
	2,737	1,826

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.

37. RELATED PARTY TRANSACTIONS

During the year/period, the Group received consultancy fee income of HK$Nil (1.4.2004 to 31.12.2004: HK$515,000) from an associate and interest income of HK$1,183,000 (1.4.2004 to 31.12.2004: nil) from a related company.

Balance with related parties at respective balance sheet dates are set out in the consolidated balance sheet/balance sheet and notes thereto.

8. SUMMARY OF UNAUDITED INTERIM RESULTS

The following is the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2006 together with accompanying notes as extracted from the interim report of the Company dated 11 September 2006:

Condensed consolidated income statement
for the six months ended 30 June 2006

		Six months ended 30 June	
		2006	**2005**
	Notes	*HK$'000*	*HK$'000*
		(Unaudited)	(Unaudited)
Continuing operations			
Turnover	3	247,739	29,980
Cost of sales		(190,389)	(33,222)
Gross profit (loss)		57,350	(3,242)
Other income		2,469	1,341
Distribution costs		(6,751)	(462)
Administrative expenses		(9,071)	(12,991)
Provision for legal claims	4	–	(52,078)
Share of result of associates		–	(1)
Finance costs	5	(737)	(13)
Profit (loss) before taxation	6	43,260	(67,446)
Taxation (charge) credit	7	(16,096)	4,385
Profit (loss) for the period from continuing operations		27,164	(63,061)
Discontinued operations			
(Loss) profit for the period from discontinued operations	9	(3)	5
Profit (loss) for the period		27,161	(63,056)
Attributable to:			
Shareholders of the Company		17,270	(61,913)
Minority interests		9,891	(1,143)
		27,161	(63,056)
Earnings (loss) per share	10		
From continuing and discontinued operations:			
Basic		HK1.0 cent	HK(3.7) cents
Diluted		HK1.0 cent	N/A
From continuing operations:			
Basic		HK1.0 cent	HK(3.7) cents
Diluted		HK1.0 cent	N/A

Condensed consolidated balance sheet
at 30 June 2006

	Notes	30.6.2006 HK$'000 (Unaudited)	31.12.2005 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	54,762	55,650
Investment properties	11	44,910	86,400
Interests in jointly controlled entity	12	74,594	–
Interests in associates		263	263
		174,529	142,313
Current assets			
Inventories		6,873	4,536
Properties held for sales		54,968	230,162
Trade and other receivables	13	15,981	31,784
Bills receivables		1,182	144
Tax recoverable		284	2,414
Amounts due from minority interests		2,799	1,359
Amounts due from related companies	14	5,324	5,282
Amount due from a jointly controlled entity		16,320	–
Restricted bank balance	15	4,200	–
Bank balances and cash		101,247	115,058
		209,178	390,739
Assets classified as held for sale	16	152,344	161,080
		361,522	551,819
Current liabilities			
Trade and other payables	17	138,757	128,391
Deposits received on sale of properties		3,318	189,435
Provision for legal claims	4	–	41,490
Loan from a related company	18	33,033	15,000
Amount due to a minority shareholder		3,978	3,978
Taxation payable		14,421	–
Other loans		7,196	7,196
Bank loans, secured		17,616	17,616
		218,319	403,106

	Notes	30.6.2006 HK$'000 (Unaudited)	31.12.2005 HK$'000 (Audited)
Net current assets		143,203	148,713
Total assets less current liabilities		317,732	291,026
Non-current liabilities			
Deferred tax liabilities		(5,239)	(5,694)
Net assets		312,493	285,332
Capital and reserves			
Share capital		168,710	168,710
Reserves		101,626	84,356
Equity attributable to shareholders of the Company		270,336	253,066
Minority interests		42,157	32,266
Total equity		312,493	285,332

Condensed consolidated statement of changes in equity
for the six months ended 30 June 2006

	Attributable to shareholders of the Company										
	Share capital	Share premium	Capital redemption reserve	Special capital reserve *(note)*	Exchange reserve	Legal surplus	Share options reserve	Accumulated (losses) profit	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2005	168,710	939,273	402	–	284	565	4,319	(820,534)	293,019	39,362	332,381
Exchange realignment	–	–	–	–	1,652	–	–	–	1,652	592	2,244
Loss for the year	–	–	–	–	–	–	–	(45,997)	(45,997)	(7,688)	(53,685)
Total recognised gain (loss) for the year	–	–	–	–	1,652	–	–	(45,997)	(44,345)	(7,096)	(51,441)
Recognition of equity-settled share based payments	–	–	–	–	–	–	4,392	–	4,392	–	4,392
At 31 December 2005 and 1 January 2006	168,710	939,273	402	–	1,936	565	8,711	(866,531)	253,066	32,266	285,332
Capital Reduction *(note)*	–	(939,273)	–	965	–	–	–	938,308	–	–	–
Share option forfeited	–	–	–	–	–	–	(818)	818	–	–	–
Profit and total income recognised for the period	–	–	–	–	–	–	–	17,270	17,270	9,891	27,161
At 30 June 2006	168,710	–	402	965	1,936	565	7,893	89,865	270,336	42,157	312,493
At 1 January 2005	168,710	939,273	402	–	284	565	4,319	(820,534)	293,019	39,362	332,381
Recognition of equity-settled share based payments	–	–	–	–	–	–	3,160	–	3,160	–	3,160
Loss and total expenses recognised for the period	–	–	–	–	–	–	–	(61,913)	(61,913)	(1,143)	(63,056)
At 30 June 2005	168,710	939,273	402	–	284	565	7,479	(882,447)	234,266	38,219	272,485

Note:

On 20 June 2006, the High Court of the Hong Kong Special Administrative Region (the "High Court") made an order (the "Order") 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 losses of the Company as at 31 December 2004 (the "Capital Reduction"). The Order stipulated that after the Capital Reduction becoming effective, the Company will create a Special Capital Reserve in the amount of approximately HK$965,000 representing the amount by which the Capital Reduction exceeds the total accumulated losses of the Company as at 31 December 2004 and that for so long as there remained any debt of or claim against the Company outstanding at the date when the Capital Reduction became effective which, if such date were the date of commencement of the winding up of the Company, would have been admissible in proof against the Company and the persons entitled to the benefit thereof had not have agreed otherwise, such reserve:

(i) should not be treated as realised profits for the purposes of Section 79B of the Companies Ordinance;

(ii) should, for so long as the Company remained a listed company, be treated as an undistributable reserve of the Company for the purposes of Section 79C of the Companies Ordinance or any statutory re-enactment or modification thereof.

It was also provided in the Order that, notwithstanding the above undertaking, (a) the Special Capital Reserve might be applied for the same purposes as a share premium account might be applied; (b) the amount standing to the credit of the Special Capital Reserve might be reduced by the aggregate of any increase in the paid up share capital or the amount standing to the credit of the share premium account of the Company resulting from the payment up of shares by the receipt of new consideration or upon a capitalisation of distributable reserve after the Capital Reduction becoming effective; and (c) in the event that the amount of the Special Capital Reserve is so reduced, the Company shall be at liberty to transfer the amount of any such reduction to the general reserves of the Company and the same shall become available for distribution.

Condensed consolidated cash flow statement
for the six months ended 30 June 2006

	Six months ended 30 June	
	2006	**2005**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	12,024	41,578
Net cash (used in) generated from investing activities:		
Capital contribution to a jointly controlled entity	(48,000)	–
Increase in restricted bank balance	(4,200)	–
Purchase of property, plant and equipment	(219)	(3,269)
Proceeds of disposal of property, plant and equipment	552	–
Repayment of amount due from an associate	8,736	8,764
Other investing activities	–	802
	(43,131)	6,297
Net cash generated from (used in) financing activities	17,296	(2,625)
Net (decrease) increase in cash and cash equivalents	(13,811)	45,250
Cash and cash equivalents at beginning of the period	115,058	86,082
Cash and cash equivalents at end of the period	101,247	131,332

Notes to the condensed consolidated financial statements
for the six months ended 30 June 2006

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting".

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis except for investment properties, which are measured at fair value, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2005 except as described below.

Financial guarantee contracts

In the current period, the Group has applied HKAS 39 and HKFRS 4 (Amendments) *Financial Guarantee Contracts* which is effective for annual periods beginning on or after 1 January 2006.

A financial guarantee contract is defined by HKAS 39 *Financial Instruments: Recognition and Measurement* as "a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument".

The Group acts as the issuer of the financial guarantee contracts

Prior to 1 January 2006, financial guarantee contracts were not accounted for in accordance with HKAS 39 and those contracts were disclosed as contingent liabilities. A provision for financial guarantee was only recognised when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount can be estimated reliably.

Upon the application of these amendments, a financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

In relation to a financial guarantee granted to a bank in favour of its customers in respect of the mortgage loans provided by the banks to such customers for purchase of the Group's developed properties, no financial guarantee contract was recognised as the fair values of these guarantees was insignificant.

Joint ventures

Jointly controlled entities

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 profit or loss and of changes in equity 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.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (new "HKFRSs") issued by the HKICPA, which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of these new HKFRSs has had no material effect on how the results for the current and prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standard amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standard amendment or interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC)-INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC)-INT 8	Scope of HKFRS 2[3]
HK(IFRIC)-INT 9	Reassessment of embedded derivatives[4]

[1] *Effective for annual periods beginning on or after 1 January 2007.*

[2] *Effective for annual periods beginning on or after 1 March 2006.*

[3] *Effective for annual periods beginning on or after 1 May 2006.*

[4] *Effective for annual periods beginning on or after 1 June 2006.*

3. TURNOVER AND SEGMENT INFORMATION

Business segments

The Group's principal activities are trade and manufacture of cement, property investment and property development. These business segments are the basis on which the Group reports its primary segment information. During the period ended 30 June 2006, the Group discontinued its trade of goods business. Segments information about these business is presented as below:

	Continuing operations			Discontinued operations	
	Trade and manufacture of cement *HK$'000*	Property investment *HK$'000*	Property development *HK$'000*	Trade of goods *HK$'000*	Consolidated *HK$'000*
For the six months ended 30 June 2006					
Turnover	16,738	–	231,001	–	247,739
Result					
Segment result	402	820	49,638	(3)	50,857
Unallocated corporate expenses					(6,863)
Finance costs					(737)
Profit before taxation					43,257
Taxation charge					(16,096)
Profit for the period					27,161

	Continuing operations			Discontinued operations	
	Trade and manufacture of cement *HK$'000*	Property investment *HK$'000*	Property development *HK$'000*	Trade of goods *HK$'000*	Consolidated *HK$'000*
For the six months ended 30 June 2005					
Turnover	29,980	–	–	78,962	108,942
Result					
Segment result	(4,559)	(32)	592	5	(3,994)
Unallocated corporate expenses					(11,355)
Provision for legal claims	–	(52,078)	–	–	(52,078)
Share of results of associates					(1)
Finance costs					(13)
Loss before taxation					(67,441)
Taxation credit					4,385
Loss for the period					(63,056)

Geographical segments

The Group's operations are located in Mainland China and Hong Kong of the People's Republic of China (the "PRC"). The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods/services:

	Continuing operations		**Discontinued operations**	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	–	–	–	78,962
Mainland China	247,739	29,980	–	–
	247,739	29,980	–	78,962

4. PROVISION FOR LEGAL CLAIMS

	HK$'000
Balance at 1 January 2006	41,490
Utilisation of provision upon the transfer of Property A	(41,490)
Balance at 30 June 2006	–

Petitions have been filed against a wholly owned subsidiary of the Company, Merry World Associates Limited ("Merry World") seeking orders, among other matters, for the transfer of the Group's two investment properties with carry value of HK$41,490,000 (the "Property A") and HK$44,910,000 (the "Property C"), respectively, as at 31 December 2005 in favour of the plaintiff (the "Plaintiff").

Property A and Property C were acquired by Merry World from the Plaintiff in 2001 when Merry World was not part of the Group. Merry World is the registered owner of Property A and Property C in the PRC. The Plaintiff alleged among other matters, that Merry World had failed to make payments for the purchase of the Property A and Property C.

Judgments of The Intermediate People's Court of Guangzhou City were made on 13 July 2005 and 16 September 2005 ordering, inter alias, the transfer of the Property A and Property C to the Plaintiff. The directors, after consulting with the Group's legal counsel, have made appeal to the Higher People's Court of Guangzhou City.

On 1 March 2006, Merry World entered into two settlement agreements (the "Settlement Agreements") with the Plaintiff in relation to Property A and Property C for, among other matters, the transfer of Property A by Merry World to the Plaintiff in pursuant to the judgment and the discontinuance and withdrawal by the Plaintiff of all its claims made and legal proceedings instituted against Merry World in relation to Property C and the confirmation of the title of Merry World in Property C. During the period, the legal procedures for the transfer of Property A were completed.

5. FINANCE COSTS

	Six months ended 30 June	
	2006	**2005**
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	(737)	(2,525)
Less: Amount capitalised in the cost of properties under development	–	2,512
	(737)	(13)

6. PROFIT (LOSS) BEFORE TAXATION

	Continuing operations Six months ended 30 June	
	2006	**2005**
	HK$'000	*HK$'000*
Profit (loss) before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	890	2,300
and after crediting:		
Gain on disposal of property, plant and equipment	335	243

7. TAXATION (CHARGE) CREDIT

	Six months ended 30 June	
	2006	**2005**
	HK$'000	*HK$'000*
The (charge) credit comprises:		
Continuing operations		
Current tax		
Hong Kong	284	(292)
PRC	(16,834)	–
Deferred taxation	454	4,677
Taxation (charge) credit for the period	(16,096)	4,385

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit for both periods. The tax credit (charge) represents the over (under) provision in previous years.

PRC Enterprise Income Tax is provided for with reference to the applicable tax rates prevailing in the respective regions of the Mainland China on the estimated assessable profits of the Group's PRC subsidiaries.

8. SHARE OPTIONS

The Company has a share option scheme for eligible directors and employees of the Group. Details of the share options outstanding during the current period are as follows:

	Number of share options
Outstanding at 1 January 2006	49,900,000
Lapsed during the period	4,700,000
Outstanding at 30 June 2006	45,200,000

9. DISCONTINUED OPERATIONS

The results of the discontinued operations are analysed as follows:

	Six months ended 30 June	
	2006	**2005**
	HK$'000	*HK$'000*
(Loss) profit for the period in respect of trading of goods	(3)	5

The results of trade of goods business for the period, which have been included in the condensed consolidated income statements, were as follows:

	Six months ended 30 June	
	2006	**2005**
	HK$'000	*HK$'000*
Turnover	–	78,962
Other income	–	3
Cost of sales and other operating expense	(3)	(78,960)
(Loss) profit for the period	(3)	5

The carrying amounts of the assets and liabilities of the trading business is insignificant.

10. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted earnings (loss) per share is based on the following data:

	Six months ended 30 June 2006	2005
	HK$'000	*HK$'000*
Earnings		
Earnings (loss) for the purposes of basic and diluted earnings per share	17,270	(61,913)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	1,687,104,968	1,687,104,968
Effect of dilutive potential ordinary shares in respect of share options	4,004,339	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,691,109,307	N/A

No diluted loss per share has been presented for the prior period as the exercise of the Company's outstanding share options would reduce loss per share.

11. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the period, the Group spent approximately HK$219,000 (six months period ended 30 June 2005: HK$3,269,000) on acquisitions of property, plant and equipment.

At 30 June 2006, the directors have considered the Group's investment properties are carried at fair values at the balance sheet date. No gains or losses arising from changes in the fair value has been recognised in profit or loss during the current period.

12. INTEREST IN JOINTLY CONTROLLED ENTITY

	30.6.2006	31.12.2005
	HK$'000	*HK$'000*
Share of net assets	69,700	–
Goodwill on acquisition of jointly controlled entity	4,894	–
	74,594	–

The principal investment in jointly controlled entity at 30 June 2006 represents the Company's interest in 50% of registered capital of 湖州萬港聯合置業有限公司 (Huzhou Wangang United Estate Company Limited).

13. TRADE AND OTHER RECEIVABLES

	30.6.2006	31.12.2005
	HK$'000	*HK$'000*
Trade receivables	8,143	11,758
Prepayments and deposits	2,336	2,259
Other receivables	5,502	17,767
	15,981	31,784

The Group allows an average credit period of 30 days (31 December 2005: 30 days) to its trade customers on open account credit terms. The aged analysis of the trade receivables at 30 June 2006 is as follows:

	30.6.2006	31.12.2005
	HK$'000	*HK$'000*
Current	703	8,510
One to three months	105	128
Over three months	7,335	3,120
	8,143	11,758

14. AMOUNTS DUE FROM RELATED COMPANIES

Name of related companies	**30.6.2006**	**31.12.2005**
	HK$'000	*HK$'000*
中國物資開發投資總公司	4,621	4,621
Nardu Company Limited	167	125
Panyu Lucky Rich Real-Estates Development Limited	430	430
Tat Yeung Investments Limited	6	6
China Chengtong Hong Kong Company Limited	100	100
	5,324	5,282

The amounts 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 (formerly known as China Chengtong Holdings Company prior to 20 July 2006), the ultimate controlling shareholder of the Company. Nardu Company Limited, Panyu Lucky Rich Real-Estates Development Limited and Tat Yeung Investments Limited are subsidiaries of China Chengtong Hong Kong Company Limited, the holding company of a substantial shareholder of the Company.

15. RESTRICTED BANK BALANCE

Pursuant to the order of the High Court of the Hong Kong Special Administrative Region dated 20 June 2006 confirming the Capital Reduction of the Company which became effective on 21 June 2006 (the "Effective Date"), a sum of HK$4,200,000 ("Trust Fund") was on 20 June 2006 deposited 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 Creditor 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 Creditor(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.

16. ASSETS CLASSIFIED AS HELD FOR SALE

	30.6.2006	**31.12.2005**
	HK$'000	*HK$'000*
Share of net assets	–	–
Amount due from an associate	153,430	162,166
Less: Allowance for doubtful receivables	(1,086)	(1,086)
	152,344	161,080
	152,344	161,080

During the year ended 31 December 2005, the directors decided to dispose of the interest in an associate, Goodwill (Overseas) Limited ("Goodwill"), and on 11 January 2006, the Group entered into an agreement (the "Disposal Agreement ") with an independent third party (the "Purchaser") to dispose of a wholly owned subsidiary of the Company, Price Sales Limited, which holds the 32% equity interest of Goodwill and the related loan advanced by the Group to Goodwill at a consideration of US$24,701,754 (equivalent to HK$192,674,000). Details of the Disposal Agreement are set out in the Company's circular dated 9 May 2006.

17. TRADE AND OTHER PAYABLES

	30.6.2006	31.12.2005
	HK$'000	*HK$'000*
Trade payables	55,239	78,702
Other deposits received, other payables and accruals	83,518	49,689
	138,757	128,391

The aged analysis of the trade payables at 30 June 2006 is as follows:

	30.6.2006	31.12.2005
	HK$'000	*HK$'000*
Current	4,621	717
One to three months	679	9,788
Over three months	49,939	68,197
	55,239	78,702

18. LOAN FROM A RELATED COMPANY

	30.6.2006	31.12.2005
	HK$'000	*HK$'000*
Non-interest bearing portion	15,000	15,000
Interest bearing portion	18,033	–
	33,033	15,000

The amount represents loan from a holding company of a substantial shareholder.

The non-interest bearing portion is unsecured and its repayment date was originally scheduled on 9 January 2006. The Group had repaid the loan on 31 August 2006.

The interest bearing portion is unsecured and bears interest rate of 3.5% per annum. Such loan and the related interest was fully settled on 31 August 2006.

19. OPERATING LEASE COMMITMENTS

As lessee

The Group had commitments for future minimum lease payments in respect of rented premises under non-cancellable operating leases which fall due as follows:

	30.6.2006	31.12.2005
	HK$'000	*HK$'000*
Within one year	1,081	1,655

As lessor

The Group had contracted with tenants for the following future minimum lease payments in respect of the investment properties:

	30.6.2006	31.12.2005
	HK$'000	*HK$'000*
Within one year	648	1,105
In the second to fifth year inclusive	768	768
More than 5 years	768	864
	2,184	2,737

20. CAPITAL COMMITMENTS

	30.6.2006	31.12.2005
	HK$'000	*HK$'000*
Capital commitments in respect of investment in jointly controlled entity:		
Contracted but not provided for	22,758	–

21. POST BALANCE SHEET EVENT

On 8 August 2006, the Company, the substantial shareholder of the Company (the "Substantial Shareholder") and an agent ("Placing Agent") entered into a placing and subscription agreement in relation to the placing of a total of 332,000,000 existing shares (the "Placing Shares") of the Company held by the Substantial Shareholder to the placees which represented approximately 19.68% of the total issued share capital of the Company (the "Placing") and the subscription by the Substantial Shareholder of 332,000,000 new shares of the Company (the "Subscription Shares") after the Placing completed (the "Subscription").

The Placing Shares were placed to three independent third parties at HK$0.3 each in the proportion of 166,000,000 shares, 99,600,000 shares and 66,400,000 shares respectively. The Placing Agent charged a placing commission of 1% of the aggregate placing price. The Subscription Shares were issued to the Substantial Shareholder at HK$0.3 each. The completion of Placing and Subscription took place on 11 August 2006 and 18 August 2006, respectively.

The shareholdings in the Company immediately before completion of the Placing and the Subscription, immediately after completion of the Placing but before completion of the Subscription, and immediately after the Subscription are as follows:

Shareholders	No. of Shares held as at the date of the Placing and Subscription Agreement	%	No. of Shares held immediately after completion of the Placing but before the Subscription	%	No. of Shares held immediately after completion of the Placing and the Subscription *(Note)*	%
The Substantial Shareholder	608,201,500	36.05	276,201,500	16.37	608,201,500	30.12
Sub-total	608,201,500	36.05	276,201,500	16.37	608,201,500	30.12
Public						
(excluding placees)	1,046,703,468	62.04	1,046,703,468	62.04	1,046,703,468	51.84
Placees						
Mr. Hua Sheng	32,200,000	1.91	98,600,000	5.85	98,600,000	4.89
Mr. Dai Fan	Nil	Nil	99,600,000	5.90	99,600,000	4.93
Benemo Corporation	Nil	Nil	166,000,000	9.84	166,000,000	8.22
Total	1,687,104,968	100.00	1,687,104,968	100.00	2,019,104,968	100.00

The details of the Placing and the Subscription were set out in the announcement of the Company dated 8 August 2006 and 18 August 2006.

Note: No accounts has been taken in respect of any share options which have been or may be granted by the Company under its share option scheme.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group which has been prepared to illustrate the effect of the Rights Issue on the net tangible assets of the Group as if the Rights Issue had been completed on 30 June 2006. As it is prepared for illustrative purposes only, and because of its nature, it may not give a true picture of the financial position of the Group as at 30 June 2006 or any future date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the net tangible assets of the Group attributable to the shareholders of the Company attributable to the shareholders of the Company as at 30 June 2006 as extracted from the published unaudited interim report of the Group for the six months ended 30 June 2006 and is adjusted for the effect of the Rights Issue.

	Unaudited consolidated net tangible assets of the Group attributable to the shareholders of the Company as at 30 June 2006	Estimated net proceeds from the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the shareholders of the Company after the Rights Issue	Unaudited consolidated net tangible assets per Share of the Group as at 30 June 2006	Unaudited pro forma adjusted consolidated net tangible assets per Share of the Group after the Rights Issue
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$*	*HK$*
Based on the Subscription Price of HK$0.33 per Rights Share	265,442	194,327	459,769	0.131	0.175

Notes:

1. The unaudited consolidated net tangible assets of the Group attributable to the shareholders of the Company as at 30 June 2006 is arrived at based on the unaudited consolidated net assets of the Group attributable to the shareholders of the Company as at 30 June 2006 of approximately HK$270,336,000 as disclosed in the interim report of the Company after deducting the goodwill on acquisition of a jointly controlled entity of approximately HK$4,894,000.

2. The estimated net proceeds from the Rights Issue is calculated based on 607,051,490 Rights Shares to be issued at the Subscription Price of HK$0.33 per Rights Share, after deduction of the estimated related expenses of approximately HK$6,000,000. It is assumed that no outstanding share option of the Company will be exercised on or before the Record Date.

3. The number of Shares used for the calculation of unaudited consolidated net tangible assets per Share of the Group is 2,023,504,968 as at the Latest Practicable Date which was 1,687,104,968 Shares in issue as at 30 June 2006 plus 332,000,000 Shares subscribed on 18 August 2006 and 4,400,000 Shares issued between 1 July 2006 and the Latest Practicable Date upon the exercise of share option of the Company.

4. The unaudited pro forma adjusted consolidated net tangible assets per Share of the Group after the Right Issue is calculated based on 2,630,556,458 Shares which represents the existing 2,023,504,968 Shares in issue as at the Latest Practicable Date and 607,051,490 Shares expected to be issued following the completion of the Rights Issue assuming no outstanding share option of the Company will be exercised on or before the Record Date.

B. LETTER ON THE PRO FORMA FINANCIAL INFORMATION

Deloitte.
德勤

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

To the Directors of China Chengtong Development Group Limited

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets (the "Pro Forma Financial Information") of China Chengtong Development Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company (the "Directors") for illustrative purposes only, to provide information about how the proposed issue by way of rights shares of three rights shares for every ten existing shares held on 19 March 2007 at HK$0.33 per rights share payable in full on application might have affected the financial information presented, for inclusion in section A of Appendix II to the circular dated 1 March 2007 (the "Circular"). The basis of preparation of the Pro Forma Financial Information is set out on page 140 of the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

It is the responsibility solely of the Directors to prepare the Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Pro Forma Financial Information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The Pro Forma Financial Information is for illustrative purpose only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 30 June 2006 or any future date.

OPINION

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 1 March 2007

(a) *The following are the text of the letter and valuation certificates from S.H. Ng & Co., Ltd. in connection with their valuation as at 31 December 2006 of the property interests of the Group, which has been prepared for the purpose of incorporation in this circular.*

S.H. NG & CO., LTD.
Real Estate Consultant
21/F, Chun Wo Commercial Centre,
25 Wing Wo Street,
Central, Hong Kong
Tel: 2882 7291 Fax: 2881 5905

The Directors
China Chentong Development Group Limited
Suite 6406, 64th/F., Central Plaza
18 Harbour Road, Wanchai
Hong Kong

1 March 2007

Dear Sir or Madam:

Re: Zone C Level 3 Li Wan Plaza, 9 Dexing Lu, Li Wan District, Guangzhou and various unsold units in City of Mergence, 9 & 11 Baiwanzhuang Dajie, Xicheng District, Beijing, The People's Republic of China, the "Properties"

In accordance with your instructions to value the properties in which China Chengtong Development Group Limited or its subsidiaries (together the "Group") have interests, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the properties as at 31 December 2006 ("date of valuation"). We understand that our report will be used as a public document for disclosure purposes.

BASIS OF VALUATION

Market Value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The basis of valuation of the property interests is in accordance with The HKIS Valuation Standards on Properties (1st Edition 2005) issued by The Hong Kong Institute of Surveyors and under generally accepted valuation procedures and practices, which comply with Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the requirements contained in Rule 11 of The Codes of Takeovers and Mergers and Share Repurchases issued by the Securities and Futures Commission of Hong Kong.

VALUATION METHODLOGY

The properties which are vacant have been valued on an market basis assuming sale with the benefit of vacant possession by reference to comparable market transactions. This approach rests on the wide acceptance of market price as the best indicator of value and pre-supposes that evidence of recent transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

The properties which are tenanted have been valued subject to existing tenancies by capitlatisation of the rent passing and by reference to the estimated market rent or market value of the property after expiration of the current term of lease.

VALUATION ASSUMPTIONS

The properties are held for sale. Our valuations have been made on the assumption that the owner sells the property interests on the market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interests.

In valuing the property interests, we have assumed that the grantee or the user of the property has free and uninterrupted rights to use or to assign the property interests for the whole of the unexpired term of the lease.

TITLE INVESTIGATION

According to the information provided by your Group, the status of title, the grant of major approvals and licenses on the Properties are as follows:–

Zone 3C Li Wan Plaza, Guangzhou

1.	Pre-sale Contract	Yes
2.	Realty Title Certificate	Yes
3.	Memorandum of Leasing Contract	Yes
4.	Settlement Agreement on Legal Charge	Yes
5.	Legal Opinion (prepared by Guangdong Guangkai Law Office)	Yes

City of Mergence, Beijing

1.	Business License	Yes
2.	Realty Title Certificate	Yes
3.	Beijing Realty Rights Registration Certificate (Beijing City)	Yes
4.	State-owned Land Use Right Certificate	Yes
5	Land Use Right Certificate (Beijing City and District)	Yes
6.	Legal Opinion (prepared by Li Wen & Partners)	Yes

Legal opinion regarding the legality and ownership details of the property interests in Guangzhou and Beijing were formed respectively by the Guangdong Guangkai Law Office on 17 January 2007 and the Li Wen & Partners on 23 January 2007, legal advisers to the Group.

LIMITING CONDITIONS

We have assumed that all consents, approvals and licenses from the relevant Government authorities for the legal use of the properties have been granted which might otherwise affect value. According to our standard practice, we must state that we have not taken into account of any tax liabilities, which might affect the net sale proceed of the property.

We have relied to a very considerable extent on the information given by you and have accepted advice given to us on such matters as statutory notices, easements, tenure, lettings, site and floor areas and all other relevant matters.

We have been supplied with the title documents relating to the properties. However, we have not searched the original documents to verify ownership or to verify any lease amendments, which may not appear on the copies handed to us. All documents and leases have been used for reference only and all dimensions measurements and areas are approximate only. No on site measurements have been taken.

We have been advised by the Group that save for the property interests of the Group in the City of Mergence which are held for sale, the Group does not have the intention to sell any or all of the properties. In the event that the properties be disposed of, the tax liabilities arising from the disposal of the properties may include stamp duty (0.1% – 0.3% on the transaction amount), business tax (5% on the transaction amount), profit tax (33% on the profit gain), land appreciation tax (30% to 60% on the net appreciated amount less deductibles), city development tax (7% on amount of land tax payable for city properties), education additional fee (1% – 3% on the business tax amount). The Group has not made assessment on such potential tax liabilities. The above tax liabilities would not be crystallized before completion of the disposal of the properties.

No allowance has been made in our report for any charges, mortgages or amount owing on the properties nor for any expenses or taxation, which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and out-goings of an onerous nature which could affect value.

We have no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also read the legal opinions regarding the ownership and related documents on the two property interests.

We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary amounts stated in this valuation certificates are in Hong Kong Dollars. The exchange rate used in valuing the property interests in the PRC on the date of valuation was RMB1.00 = HK$1.00. There has been no significant fluctuation in the exchange rate for the above currency between the date of valuation and the date of this letter.

We confirm that we have neither present nor future interests in the Group, the properties or the values reported herein.

Our valuations are summarized below and the valuation certificates are attached.

Yours faithfully;
For and on behalf of
S.H. NG & Co., Ltd.
NG SAI HEE
FHKIS, MCIREA, RPS(GP)

Mr. Ng Sai Hee is a Fellow of The Hong Kong Institute of Surveyors, a Registered Professional Surveyor and is an approved valuer under the Hong Kong Stock Exchange list of valuers. He has over 30 years valuation experience in properties in China, Hong Kong, Macau, South East Asia and is a practicing valuation surveyor in Hong Kong.

SUMMARY OF VALUES

Address of Property	Market Value in Existing State as at 31 December 2006	Interest attributable to the Group in Percentage	Value attributable to the Group as at 31 December 2006
Zone C on Level 3, Li Wan Plaza, 9 Dexing Lu, Li Wan District, Guangzhou, The People's Republic of China	HK$45,000,000.00 (or RMB45,000,000.00)	100%	HK$45,000,000.00 (or RMB45,000,000.00)
Various domestic units, commercial areas, car parking spaces and storerooms, City of Mergence, 9-11 Baiwanzhuang Dajie, Xicheng District, Beijing, The People's Republic of China	HK$53,228,085.00 (or RMB53,228,085.00)	70%	HK$37,259,659.50 (or RMB37,259,659.50)
Total:	HK$98,228,085.00		HK$82,259,659.50

VALUATION CERTIFICATE

Address of Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2006
Zone C on Level 3, Li Wan Plaza, 9 Dexing Lu, Li Wan District, Guangzhou, The People's Republic of China	The property comprises the entire Zone C on Level 3 of a purpose built 6-storey shopping arcade built in 1997. The property has a registered gross floor area of 5,366.34 sq.m. The term of use is 50 years from 30 July 1994.	An area of 3,000 sq.m. is subject to a lease due to expire on 2 June 2007. Current monthly rent is RMB218,792 inclusive of management fees.	HK$45,000,000.00 (Hong Kong Dollars Forty Five Million Only) or RMB45,000.000.00

Notes:

(1) The property owner is Merry World Associates Limited, a wholly owned subsidiary of the Company (China Chengtong Development Group Limited) as registered under the Realty Title Certificate No.0837802 dated 29 April 2001.

(2) A Pre-sale Contract No.93019578 dated 25 April 2001 refers to the Sale and Purchase Agreement on Zone C of Level 3 Li Wan Plaza. The registered purchaser is Merry World Associates Limited. The consideration is RMB32,198,040 and the registered gross floor area is 5,366.34 sq.m.

(3) The Realty Title Certificate No.0837802 dated 29 April 2001 issued by the Building Control Department of the Land Bureau of Guangzhou City refers to Merry World Associates Limited as the registered owner of Zone C of Level 3 of Li Wan Plaza. The registered gross floor area of the property is 5,366.34 sq.m. The term of use is 50 years from 30 July 1994.

(4) A memorandum of a leasing contract (in Chinese) dated 16 June 2006 on Zone C01 Level 3 of Li Wan Plaza was made between Merry World Associates Limited (the current Landlord), Guangzhou Sui Nan Building Development Limited (the previous Landlord), Guangdong Xi Hang Tung Xin Appliances Co. Ltd (the Tenant) and Guangzhou Li Wan Property Management Co. Ltd. (the Property Management Co.).

The salient points of the memorandum refer to the Landlord (Merry World) agrees to continue to lease the property to the Tenant (Guangdong Xi Hang Tung Xin Appliances Co. Ltd.) up to 2 June 2007 at a monthly rent of RMB218,792 inclusive of management fees.

The Landlord is to pay the Property Management Co. (Guangzhou Li Wan Property Management Co. Ltd.) a monthly management fees of Rmb155,624. between the period from 3 September 2006 to 2 June 2007.

(5) A Settlement Agreement was made and confirmed at the Guangzhou City Nan Fong Notary Office of Guangdong between the Gunagzhou Sui Nan Building Development Limited (Party A) and Merry World Associates Limited (Party B).

The salient points of the Agreement refer to the settlement of the legal charge by Party A on Party B regarding the legal ownership of Zone C Level 3 of Li Wan Plaza created vide the Presale Building and Land Agreement dated 25 April 2001 registered under Shi Guan Qi Zi Di 93019578 and the legal ownership registered under the Building Ownership Certificate Sui Nan Di Zheng Zi Di 0837802.

Party A agreed and confirmed that Party B is the legal owner of Zone C Level 3 of Li Wan Plaza. Both parties also agreed no further claim and or legal liability on each other shall arise.

Legal Opinion were formed by the Guangdong Guangkai Law Office, the salient points as extracted from their letter to the "Group" dated 17 January 2007 are as follows:

(1) Address of Property — Zone C Level 3, 9 Dexing Lu, Li Wan District.

(2) Basic Facts on Property:

2.2 Location: 9 Dexing Lu, Li Wan District, Guangzhou, Guangdong
2.3 Term of Lease: 50 years from 30 July 1994.
2.4 Building Area: 5,366.34 sq.m.
2.5 Permitted Use: Commercial

(3) The Solicitor confirmed the legality of the Settlement Agreement reached on the 1 March 2006 between Sui Nan Building Development Limited and Merry World Associates Limited regarding the property on Zone C Level 3 of 9 Dexing Lu, Li Wan District.

(4) Merry World Associates Limited confirmed that Unit 01 of Zone 3C with an area of 3,000 sq.m. is leased to the existing tenant (Guangdong Xi Hang Tung Appliances Co. Ltd.) from 16 May 2002 to 15 May 2007.

(5) The Property and Property Interests are not subjected to any enforcement, mortgage, sale or legal action. It is also not subjected to any unusual terms and conditions or contracts.

VALUATION CERTIFICATE

Address of Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2006
Various domestic units, commercial areas, car parking spaces and storerooms, City of Mergence, 9–11 Baiwanzhuang Dajie, Xicheng District, Beijing, The People's Republic of China	The unsold units comprise a total of 2 domestic units, 8 commercial units, 2 store rooms, 92 decked parking spaces together with 21 unregistered car parks in various floors. The development was built in 2006. The domestic units have a total gross area of 266.26 sq.m. The commercial units have a total gross area of 3,442.13 sq.m. and storage area of 701.44 sq.m. The property is granted with the land use rights for terms to expire on 20 June 2073 for domestic use, on 20 June 2053 for car parking use and on 20 June 2043 for ancillary facility uses.	All units and car parking spaces were vacant as at 31 December 2006.	HK$53,228,085.00 Hong Kong Dollars Fifty Three Million and Two Hundred and Twenty Eight Thousand and Eighty Five Only) or RMB53,228,085.00 (Value attributable to the Group: HK$37,259,659.50 or RMB37,259,659.50) *See Notes: 1. 4), 8) and 9).*

Notes:

(1) Subject of Valuation:

(1.1) Domestic Units No.2–1703 (161.06 sq.m.) and No.2–1002 (105.20 sq.m.).

(1.2) Commercial Unit 01A (487.34 sq.m.) on Level 1 of Block A.. Commercial Units B1 (158.53 sq.m.), B2 (212.05 sq.m.) and B3 (84.15 sq.m.) on Level 1 of Block B. Commercial Unit 02 (1,316.35 sq.m.) on Level 2 of Block A & B. Commercial Unit 01 (1,183.71 sq.m.) in Basement 1 of Blocks A & B.

(1.3) Storage Unit 03 (588.60 sq.m.) in Basement 2 of Blocks A & C. Storage Unit 02 (112.84sq.m.) in Basement 3 of Block A.

(1.4) Basement Car Parks Nos.87, 88, 90–94, 110, 113–117, 124, 133, 136, 137, 142, 144–151, 159–170, 172, 174, 175, 176, 178–227 (a total of 92 decked car parking spaces in B2).

Nos. 10,12-14, 20-22, 28, 29, 32, 35-39, 41, 42, 46, 59, 73 & 75 (a total of 21 single car parking spaces in B3). We were informed that these 21 car parking spaces in Basement 3 are carved out from the bunker area, which user rights can only be transferred by agreement but cannot be properly granted with Reality Title Certificates. However, it is understood that the Group will be able to benefit from the proceeds from sale of these car parks (same as those car parks of same status that had already been sold). We have therefore included the possible sales income of RMB2,640,000 in our valuation.

(2) The property owner of the above units is Zhongshi Investment Company Limited, a 70% subsidiary of the Company (China Chengtong Development Group Limited).

(3) Pursuant to a Business License No.021063 dated 16 August 2004:

Name of Company:	Zhongshi Investment Company Limited.
Registered Capital:	RMB80,000,000.
Business:	construction, letting, selling of 9–11 Baiwanzhuang Dajie.
Business Operation Period:	16 August 2004 to 15 August 2034.

(4) Pursuant to a State-owned Land Use Rights Certificate — Jing Guo Yong (2004) No. 20089 issued by the State Land Resource Bureau on 12 April 2004. The owner of 9–11 Baiwanzhuang Dajie is Zhongshi Investment Company Limited. The permitted land area is 7,206.33 sq.m. The permitted term of uses of the land are granted, for residential (up to 20 June 2073), ancillary facilities (up to 20 June 2043) and basement car parking (up to 20 June 2053).

(5) Pursuant to a Realty Title Certificate dated 24 March 2006, the owner of 9–11 Baiwanzhuang Dajie is Zhongshi Investment Company Limited.

(6) Pursuant to a Realty Right Registration Certificate (Beijing City) dated 29 January 2005 the registered owner of all those units in 01–02, ancillary areas in the basements and the domestic units at 9–11 Baiwanzhuang Dajie is Zhongshi Investment Company Limited.

(7) Pursuant to a Land Use Rights Certificate dated 9 January 2004, the registered land use owner of 9–11 Baiwanzhuang Dajie is Zhongshi Investment Company Limited. The permitted uses are residential with ancillary services.

(8) Sales and Purchase Agreement in respect of the domestic unit B1002 was entered into on 20 June 2005 for a sum of RMB1,110,530.12 with deposit in the sum of RMB225,196 already paid. The registration of Realty Title Certificate has not yet been processed. For the purpose of this exercise, we have assumed that the balance of payment (RMB886,334.12 is receivable) and had been included in our valuation as cash receivable from units sold but not yet received as at 31 December 2006.

(9) Sales and Purchase Agreement in respect of the domestic unit A1703 was entered into on 27 October 2005 for a sum of RMB1,988,085. However, the purchaser had not been able to pay up the same amount as at 31 December 2006. For the purpose of this valuation, we have assumed that Unit A1703 will be put on the market for sale. This amount, which represented the market value of the unit as at 31 December 2006, had been included in our valuation as cash receivable from unit to be sold.

Legal opinion were formed by Li Wen & Partners, the salient points as extracted from their letter to your "Group" dated 23 January 2007 are as follows:

(1) Zhongshi Investment Company Limited is a legal joint-venture enterprise to carry out business from 16 August 2004 to 15 August 2034.

(2) Zhongshi Investment Company Limited legally owns the following property interests:

Address of Property: Block 1 and Block 2, 9 Baiwanzhuang Dajie, Xicheng District, Beijing, China

A. Residential:
Unit A1703 – 161.06 sq.m.
Unit B1002 – 105.20 sq.m.

B. Commercial:
Unit 02-1 – 1,316.35 sq.m.
Unit 01A – 487.34 sq.m.
Unit 01B – 454.73 sq.m.
Unit-01 – 1,183.71 sq.m.

C. Basement Car Parks:
Level–02 – 3,349.60 sq.m.

D. Basement Storage Units:
Unit-02 – 588.60 sq.m.
Unit-03 – 112.84 sq.m.

(3) Land Use Rights: residential, ancillary uses and basement car parking.

(4) Land Use Rights term of use:

Land Use Rights term of use:	Residential	—	up to 20 June 2073
	Ancillary	—	up to 20 June 2043
	Basement Car Parking	—	up to 20 June 2053

(5) Zhongshi Investment Company Limited has already granted with the State-owned Land Use Rights Certificate and the Reality Title Certificate. Zhongshi Investment Company Limited therefore legally owns and can freely dispose, sell, mortgage and lease all the above mentioned property interests.

(6) Points to note are –

6.1 The purchaser of domestic Unit A1703 had not been able to pay up the purchase price. Zhongshi Investment Company Limited is in the course of seeking arbitration action from the China International Trade Arbitration Board to determine the Sale and Purchase Agreement on Unit A1703.

6.2 Zhongshi Investment Company Limited had entered into a Sale and Purchase Agreement with a party for the sale of 50 car parking spaces in Basement-02 but had not yet applied for the transfer of ownership.

(b) The following are the text of the letter and valuation certificates from B.I. Appraisals Limited. in connection with their valuation as at 31 December 2006 of the property interests of the Group, which has been prepared for the purpose of incorporation in this circular.

B.I.
To Know Your Strength Better

B.I. Appraisals Limited
保柏國際評估有限公司
Registered Professional Surveyors, Valuers & Property Consultants
Unit B, 38th Floor, Bank of China Tower, 1 Garden Road, Hong Kong
Tel: (852) 21277762 Fax: (852) 21379876
Email: info@biappraisals.com.hk
Website: www.bisurveyors.com.hk

1 March 2007

The Directors
China Chengtong Development Group Limited
Suite 6406, 64th Floor
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

In accordance with the instructions from China Chengtong Development Group Limited (hereinafter referred to as the "Company") for us to value the properties (please refer to Summary of Values below for details), in which the Company and/or its subsidiaries (hereinafter together referred to as the "Group") has interests, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of each of such property interests as at 31 December 2006 (hereinafter referred to as the "Date of Valuation").

It is our understanding that this valuation document is to be used for disclosure purpose.

This letter, forming part of our valuation report, identifies the properties being valued, explains the basis and methodology of our valuation, and lists out the assumptions and the title investigation we have made in the course of our valuation, as well as the limiting conditions.

BASIS OF VALUATION

Our valuation of each of the properties is our opinion of its market value which we would define as intended to mean "an estimated amount for which a property should exchange on the Date of Valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

We have valued the properties on the basis that each of them is considered individually. We have not allowed for any discount for the properties to be sold to a single party nor taken into account any effect on the values if the properties are to be offered for sale at the same time as a portfolio.

Our valuations have been carried out in accordance with The HKIS Valuation Standards on Properties (1st Edition 2005) issued by the Hong Kong Institute of Surveyors and under generally accepted valuation procedures and practices, which are in compliance with Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Practice Note 12 issued by The Stock Exchange of Hong Kong Limited and the requirements contained in Rule 11 of The Codes of Takeovers and Mergers and Share Repurchases issued by the Securities and Futures Commission of Hong Kong.

VALUATION METHODOLOGY

In arriving at the value of the property interest in each of Property Nos. 1 and 2 which are held and occupied by the Group, we have adopted the Direct Comparison Approach assuming such property interest is capable of being sold in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence or offerings as available in the relevant market.

In arriving at the market value of the property interest in Property No. 3, which is an industrial complex held and occupied by the Group, owing to the nature of the buildings and structures erected thereon, there are no readily identifiable comparable sale transactions; the property cannot be valued by comparison with open market transactions. Therefore, we have adopted the Depreciated Replacement Cost ("DRC") 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 DRC Approach generally furnishes the most reliable indication of value for property in the absence of a known market based on comparable sales.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that each of the property interest is sold in the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement that would serve to affect the value of such property interest. In addition, no account has been taken of any option or right of pre-emption concerning or effecting sales of the property interest and no forced sale situation in any manner is assumed in valuation.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the property interests valued nor for any expenses or taxation which may be incurred in effecting sales. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature that could affect their value.

TITLE INVESTIGATION

We have been provided by the Company with copies of title documents relating to Property No. 1 and a copy of the legal opinion dated on 24 January 2007 prepared by Soochow Lantern Law Firm, the Group's legal adviser as to PRC law (hereinafter referred to as the "PRC Legal Adviser") regarding the title to the Group's interest in the properties. We have not examined the original documents to verify the ownership and to ascertain the existence of any amendments that may not appear on the copies handed to us. All documents have been used for reference only. In the course of our valuations, we have relied on the advices given by the Group and the PRC Legal Adviser regarding the title to the interest in the properties.

LIMITING CONDITIONS

We have inspected the exterior, and where possible, the interior of the properties. However, no structural survey has been made nor have any tests been carried out on any of the building services provided in the properties. We are, therefore, not able to report that the properties are free from rot, infestation or any other structural defects. Yet, in the course of our inspections, we did not note any serious defects.

We have not conducted any on-site measurement to verify the correctness of the site and floor areas of the properties but have assumed that the areas shown on the documents furnished to us are correct. Dimensions, measurements and areas included in the valuation certificates attached are based on information contained in the documents provided to us by the Group and are therefore approximations only.

Moreover, we have not carried out any site investigations to determine or otherwise the suitability of the ground conditions, the presence or otherwise of contamination and the provision of or otherwise suitability for services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred in the event of any development.

In the course of our valuations, we have neither verified nor taken into account any PRC tax liabilities that would arise if any of the properties were to be sold at the amount of our valuation. We have been advised by the Group that the properties are held as an element for the operation of its subsidiaries and that the Group does not have the intention to sell any or all of the properties. However, should the properties be disposed of, the potential tax liabilities arising from the disposal of the properties may include stamp duty

(0.1% on the transaction amount), business tax (5% on the transaction amount), profit tax (24% on the profit gained), land appreciation tax (30% to 60% on the net appreciated amount less deductibles), city property tax (1.2% on the transaction amount), education additional fee (1% on the business tax amount); and that the Group has not made any assessment of such potential tax liabilities. In fact, the amount of such PRC tax liabilities would not be crystallized before completion of the disposal of the properties.

We have relied to a considerable extent on the information provided by the Group and the advice given to us on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, development proposal, site and floor areas and all other relevant matters in the identification of the properties. We have not seen original planning consents and have assumed that the properties are erected, occupied and used in accordance with such consents.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We were also advised by the Group that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

REMARKS

Unless otherwise stated, all monetary amounts stated in our valuation report are Renminbi (RMB).

We hereby confirm that we have neither present nor prospective interests in the Group, the properties or the values reported herein.

Our valuations are summarized below and the valuation certificates are attached herewith.

Yours faithfully,
For and behalf of
B.I. APPRAISALS LIMITED
William C. K. Sham
Registered Professional Surveyor (G.P.)
China Real Estate Appraiser
MRICS, MHKIS, MCIREA
Executive Director

Note: Mr. William C. K. Sham is a qualified valuer on the approved List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the Hong Kong Institute of Surveyors. Mr. Sham has over 25 years' experience in the valuation of properties in Hong Kong and has over 10 years' experience in the valuation of properties in the People's Republic of China and the Asia Pacific regions.

SUMMARY OF VALUES

Property	Market value in existing state as at 31 December 2006 *(RMB)*	Interest attributable to the Group in Percentage	Value attributable to the Group as at 31 December 2006 *(RMB)*
1. Units 1704, 1705, 1706 and 1707, Times Square, No. 159 Zhongshan Road, Chong'an District, Wuxi City, Jiangsu Province, the PRC	1,900,000	71.03%	1,349,570
2. Unit 301, Lane 25 of Gongshang Road, Wangting Town, Suzhou City, Jiangsu Province, the PRC	No commercial value	71.03%	No commercial value
3. Land and buildings of the industrial complex of Suzhou Nanda Cement Company Limited, No. 1 Wen Du Road, Wangting Town, Suzhou City, Jiangsu Province, the PRC	No commercial value	71.03%	No commercial value
Total:	1,900,000		1,349,570

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2006
1. Units 1704, 1705, 1706 and 1707, Times Square, No. 159 Zhongshan Road, Chang'an District, Wuxi City, Jiangsu Province, the PRC	The property comprises four adjoining office units on Level 17 of a 24-storey (excluding basement) commercial building completed in about 1994. The total gross floor area of the property is approximately 342.56 sq.m. (3,687 sq.ft.). The land use rights of the property have been granted for commercial use for a term due to expire on 8 February 2043.	The property is currently occupied by the Group for office use.	RMB1,900,000 (Value attributable to the Group: RMB1,349,570)

Notes:

(1) Pursuant to four sets of Certificate of State-owned Land Use 錫國用(2004)第01004531, 01004532, 01004533, 01004534號 (Xi Guo Yung (2004) Nos. 01004531, 01004532, 01004533, 01004534) all issued by Wuxi Municipal People's Government on 19 July 2004, the land use rights of the property have been granted to 蘇州南達水泥有限公司 (Suzhou Nanda Cement Company Limited) for commercial use for a term due to expire on 8 February 2043.

(2) Pursuant to four sets of Certificate of Building Ownership 錫房權證崇安第10051534, 10051540, 10051541, 10051542號 (Xi Fang Quan Zheng Chang'an Nos. 10051534, 10051540, 10051541, 10051542) all issued by Wuxi Municipal Housing Administration Bureau on 26 April 2004, the building ownership of the property is vested in Suzhou Nanda Cement Company Limited.

(3) Suzhou Nanda Cement Company Limited is a 71.03%-owned subsidiary of the Company.

(4) The opinion of the PRC Legal Adviser is summarized as below:

(a) Suzhou Nanda Cement Company Limited is in possession of the proper legal title to the land use rights as well as the ownership to the property.

(b) The land use of the property is permitted for commercial use.

(c) The property is subject to a mortgage in favour of 北京蓬勃興業有限公司 (Beijing Peng Bo Xing Ye Supervision Corporation) for a consideration of RMB1,650,000 for a term expired on 31 May 2006.

(d) It is confirmed by Suzhou Nanda Cement Company Limited that the term of the mortgage has been extended.

(e) The transfer, sale, mortgage or letting of the property will be affected by the existing mortgage.

(f) Save for the mortgage mentioned in Note (4)(c) above, the property is free from encumbrances.

(5) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Company and the opinion of the PRC Legal Adviser are as fo1lows:

Certificate of State-owned Land Use	Yes
Certificate of Building Ownership	Yes

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2006
2. Unit 301, Lane 25 of Gongshang Road, Wangting Town, Suzhou City, Jiangsu Province, the PRC	The property comprises a residential unit on Level 3 of a 4-storey residential building completed in about 1993. The gross floor area of the property is approximately 78.12 sq.m. (841 sq.ft.).	The property is currently occupied by the Group for residential use.	No commercial value *(See Note 3 below)*

Notes:

(1) We have been advised by the Company that the property is held by Suzhou Nanda Cement Company Limited, a 71.03%-owned subsidiary of the Company. However, we have not been provided with any documents regarding the title to the property and are not able to report on the ownership.

(2) The opinion of the PRC Legal Adviser is summarized as below:

(a) Suzhou Nanda Cement Company Limited has not obtained the Certificate of State-owned Land Use and the Certificate of Building Ownership for the property.

(b) The registration of the land use right and the building ownership cannot be found in the registration authority.

(c) The property cannot be transferred, sold, mortgaged or let to third party.

(3) We have relied on the aforesaid legal opinion and ascribed no commercial value to the property. However, for reference purpose, we are of the opinion that the market value of the property as at the Date of Valuation would be RMB110,000 with the value attributable to the Group of RMB78,133 assuming Suzhou Nanda Cement Company Limited was in possession of the proper legal title to the property with all relevant title documents having been obtained and the property could be transferred freely to third party.

(4) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Group and the opinion of the PRC Legal Adviser are as fo1lows:

Certificate of State-owned Land Use	No
Certificate of Building Ownership	No

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2006
3. Land and buildings of the industrial complex of Suzhou Nanda Cement Company Limited, No. 1 Wen Du Road, Wangting Town, Suzhou City, Jiangsu Province, the PRC	The property comprises an industrial complex occupying two adjoining parcels of land with a total site area of approximately 147,800.74 sq.m. (1,590,927 sq.ft.). The industrial complex comprises various blocks of 1 to 4-storey building for workshop, warehouse and office uses with a number of ancillary structures for storage and other ancillary uses. The buildings and structures were built in the period between 1993 and 2006. The total gross floor area of the property (excluding the structures) is approximately 16,293.17 sq.m. (175,380 sq.ft.).	The property is occupied by the Group for production purpose.	No commercial value *(See Note 3 below)*

Notes:

(1) We have been advised by the Company that the property is held by Suzhou Nanda Cement Company Limited, a 71.03%-owned subsidiary of the Company. However, we have not been provided with any documents regarding the title to the property and are not able to report on the ownership.

(2) The opinion of the PRC Legal Adviser is summarized as below:

(a) Suzhou Nanda Cement Company Limited has not obtained the Certificate of State-owned Land Use and the Certificate of Building Ownership for the property.

(b) The registration of the land use right and the building ownership cannot be found in the registration authority.

(c) The property cannot be transferred, sold, mortgaged or let to third party.

(3) We have relied on the aforesaid legal opinion and ascribed no commercial value to the property. However, for reference purpose, we are of the opinion that the market value of the property as at the Date of Valuation would be RMB75,000,000 with the value attributable to the Group of RMB53,272,500 assuming Suzhou Nanda Cement Company Limited was in possession of a proper legal title to the property with all relevant title documents having been obtained and the property could be transferred freely to third party.

(4) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Group and the opinion of the PRC Legal Adviser are as fo1lows:

Certificate of State-owned Land Use	No
Certificate of Building Ownership	No

This Appendix serves as an explanatory statement, as required by the Listing Rules, to provide the requisite information to enable the Shareholders to make an informed decision on whether to vote for or against the ordinary resolution to approve the grant of the New Share Repurchase Mandate and constitutes the memorandum required under Section 49BA(3)(b) of the Companies Ordinance.

1. LISTING RULES RELATING TO THE REPURCHASE OF SHARES

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their shares on the Stock Exchange and any other stock exchange on which the securities of the company are listed and such exchange is recognised by the Securities and Futures Commission of Hong Kong subject to certain restrictions. Among such restrictions, the Listing Rules provide that the shares of such company must be fully paid up and all repurchase of shares by such company must be approved in advance by an ordinary resolution of shareholders, either by way of a general repurchase mandate or by specific approval of a particular transaction.

2. SHARE CAPITAL

As at the Latest Practicable Date, there were a total of 2,023,504,968 Shares in issue.

Subject to the passing of the proposed resolution granting the New Share Repurchase Mandate and on the basis that no further Shares are issued or repurchased for the period from the Latest Practicable Date up to and including the date of the EGM, the Company will be allowed under the New Share Repurchase Mandate to repurchase a maximum of 202,350,496 Shares, representing 10% of the aggregate nominal value of the issued share capital of the Company as at the Latest Practicable Date.

3. REASONS FOR THE REPURCHASE

The Directors believe that it is in the best interests of the Company and the Shareholders as a whole to seek a general authority from the Shareholders to enable the Company to repurchase the Shares on the Stock Exchange or any other stock exchange on which the Shares are listed. Share repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made when the Directors believe that such repurchase will benefit the Company and its Shareholders.

4. FUNDING OF REPURCHASES

Repurchases would be funded out of funds which are legally available for such purpose in accordance with the memorandum and articles of association of the Company and the laws of Hong Kong. The Companies Ordinance provides that the amount of capital repaid in connection with a share repurchase may only be paid from the distributable profits and/or proceeds of a new issue of shares made for the purpose of the repurchase.

Taking into account the current working capital position of the Company, the Directors consider that, if the New Share Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Company as compared with the position as at 31 December 2005, being the date of its latest audited consolidated financial statements. However, the Directors do not intend to make any repurchases to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing position of the Company which in the opinion of the Directors are from time to time appropriate for the Company.

5. SHARE PRICES

The highest and lowest prices at which the Shares have been traded on the Stock Exchange in each of the 12 calendar months immediately preceding the Latest Practicable Date are as follows:

	Highest	**Lowest**
	HK$	*HK$*
2006		
February	0.290	0.195
March	0.340	0.245
April	0.325	0.275
May	0.365	0.280
June	0.330	0.290
July	0.340	0.295
August	0.450	0.310
September	0.550	0.405
October	0.560	0.440
November	0.550	0.460
December	0.640	0.470
2007		
January	0.760	0.480
Latest Practicable Date	1.25	1.12

6. THE TAKEOVERS CODE AND MINIMUM PUBLIC HOLDING

If a Shareholder's proportionate interest in the voting rights of the Company increases on the Company exercising its powers to repurchase Shares pursuant to the New Share Repurchase Mandate, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. As a result, a Shareholder or group of Shareholders acting in concert (as defined in the Takeovers Code) could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date, World Gain and parties acting in concert with it were beneficially interested in a total of 608,201,500 Shares, representing approximately 30.06% of the issued share capital of the Company. As referred to in the section headed "Whitewash Waiver" in the letter from the Board of this circular, *inter alia*:

(1) World Gain has the intention to apply for and take up in aggregate 211,470,000 excess Rights Shares and pay for such number of excess Rights Shares that may be allocated to it under the allocation of the excess Rights Shares to the Qualifying Shareholders who have applied for excess Rights Shares and will make an application for the said excess Rights Shares by way of application for excess Rights Shares as soon as practicable after the grant of the Whitewash Waiver and approval by the relevant Independent Shareholders of, *inter alia*, the Whitewash Waiver.

(2) If no Qualifying Shareholder (other than World Gain and parties acting in concert with it) takes up any Rights Shares under the Rights Issue, a maximum of 211,470,000 excess Rights Shares will be allocated to World Gain, if World Gain implements its intention to take up all these excess Rights Shares. In such event, World Gain will hold 1,002,131,950 Shares (assuming that no Outstanding Options are exercised on or before the Record Date) and 1,002,131,950 Shares (assuming all Outstanding Options (other than the 6,600,000 Outstanding Options held by parties acting in concert with World Gain and the 3,800,000 Outstanding Options held by Mr. Gu Laiyun and Ms. Xu Zhen (both are non-executive Directors)) are exercised in full on or before the Record Date).

(3) Parties acting in concert with World Gain hold Outstanding Options to subscribe for 6,600,000 Shares and Mr. Gu Laiyun and Ms. Xu Zhen (both are non-executive Directors) hold Outstanding Options to subscribe for 3,800,000 Shares, have indicated that they will not exercise their Outstanding Options on or before completion of the Rights Issue.

(4) The taking up of the maximum 211,470,000 excess Right Shares by way of application for excess Rights Shares by World Gain would result in the aggregate shareholdings in the Company of World Gain and parties acting in concert with it being increased from approximately 30.06% to approximately 38.1% (assuming no Outstanding Options are exercised on or before the Record Date), or to approximately 37.54% (assuming all the Outstanding Options (other than the 6,600,000 Outstanding Options held by parties acting in concert with World Gain and the 3,800,000 Outstanding Options held by Mr. Gu Laiyun and Ms. Xu Zhen (both are non-executive Directors)) are exercised in full on or before the Record Date) and will trigger an obligation for World Gain and parties acting in concert with it to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares and securities issued by the Company not already held by World Gain and parties acting in concert with it.

(5) A formal application has been made by World Gain to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders to the Rights Issue at the EGM by way of poll.

Assuming the full exercise of the power under the New Share Repurchase Mandate after completion of the Rights Issue and the taking up of a maximum of 211,470,000 excess Rights Shares by World Gain, the interest of World Gain and parties acting in concert with it in the issued share capital of the Company will be increased to approximately 41.27% (assuming no Outstanding Options are exercised on or before the Record Date and that the total number of issued shares of the Company are increased to 2,630,556,458 Shares immediately after completion of the Rights Issue), or to approximately 40.62% (assuming all the Outstanding Options (other than the 6,600,000 Outstanding Options held by parties acting in concert with World Gain and the 3,800,000 Outstanding Options held by Mr. Gu Laiyun and Ms. Xu Zhen (both are non-executive Directors)) are exercised in full on or before the Record Date and that the total number of issued shares of the Company are increased to 2,669,426,458 Shares immediately after completion of the Rights Issue). World Gain and parties acting in concert with it may be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares and securities issued by the Company not already held by World Gain and parties acting in concert with it, if, as a result of the exercise in full of the New Share Repurchase Mandate, their interest in the Company over 12-month period is increased by more than 2%. However, the Directors have no intention to exercise the New Share Repurchase Mandate to such an extent as would give rise to such obligation. In the event that the New Share Repurchase Mandate is exercised in full, the number of Shares held by the public will not fall below the prescribed minimum percentage of 25%.

Save as mentioned above, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases made under the New Share Repurchase Mandate.

7. SHARE REPURCHASE MADE BY THE COMPANY

The Company had not purchased any of the Shares (whether on the Stock Exchange or otherwise) in the six months immediately preceding the Latest Practicable Date.

8. GENERAL

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates, have any present intention to sell any Shares to the Company if the New Share Repurchase Mandate is approved by the Independent Shareholders to the Transaction(s).

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will only exercise the power of the Company to make repurchase pursuant to the New Share Repurchase Mandate in accordance with the Listing Rules and the applicable laws of Hong Kong.

No connected person of the Company (as defined in the Listing Rules) has notified the Company that he/she has an intention to sell any Shares to the Company nor has any such connected person undertaken not to sell any Shares held by him to the Company in the event that the New Share Repurchase Mandate is granted.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to the Company. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL AND OPTIONS

(a) Share capital

The authorised and issued share capital of the Company as at the Latest Practicable Date were, and immediately following completion of the Rights Issue (assuming all Outstanding Options (other than the 6,600,000 Outstanding Options held by parties acting in concert with World Gain and the 3,800,000 Outstanding Options held by Mr. Gu Laiyun and Ms. Xu Zhen) are exercised on or before the Record Date) will be, as follows:

Authorised share capital:		*HK$*
5,000,000,000	Shares as at the Latest Practicable Date	500,000,000.00
Issued and fully paid share capital		
2,023,504,968	Shares in issue as at the Latest Practicable Date	202,350,496.80
29,900,000	Shares to be issued upon exercise of all Outstanding Options (other than the 6,600,000 Outstanding Options held by parties acting in concert with World Gain and the 3,800,000 Outstanding Options held by Mr. Gu Laiyun and Ms. Xu Zhen) on or before the Record Date	2,990,000.00
616,021,490	Rights Shares to be issued upon completion of the Rights Issue (assuming all Outstanding Options (other than the 6,600,000 Outstanding Options held by parties acting in concert with World Gain and the 3,800,000 Outstanding Options held by Mr. Gu Laiyun and Ms. Xu Zhen) are exercised on or before the Record Date)	61,602,419.00
2,669,426,458	Shares	266,942,645.80

All the issued Shares rank *pari passu* with each other in all respects including the rights as to voting, dividends and return of capital. The Rights Shares to be allotted and issued will, when issued and fully paid, rank *pari passu* in all respects with the existing Shares in issue on the date of allotment of the Rights Shares in fully-paid form.

The Company had no outstanding convertible debt securities in issue as at the Latest Practicable Date.

There has been no alternation to the authorised and issued share capital of the Company since the end of the last financial year of the Company, being 31 December 2005, up to the Latest Practicable Date, other than:

(i) 332,000,000 new Shares were issued fully paid at HK$0.30 per Shares pursuant to the Top-Up Subscription on 18 August 2006, details of which were set out in the announcement of the Company dated 8 August 2006; and

(ii) 4,400,000 new Shares were issued fully paid as to 3,800,000 new Shares at HK$0.245 and the remaining 600,000 new Shares at HK$0.364 respectively to participants of the Share Option Scheme.

(b) Share options

Details of the Outstanding Options as at the Latest Practicable Date were as follows:

Name of grantee	Date of grant	Exercisable period	Exercise Price *(HK$)*	Number of underlying Shares subject to Outstanding Options
Directors				
Ma Zhengwu	8.3.2004	9.3.2005 to 8.3.2008	0.364	600,000
	8.3.2004	9.3.2006 to 8.3.2009	0.364	600,000
Zhang Guotong	8.3.2004	9.3.2005 to 8.3.2008	0.364	600,000
	28.9.2004	29.9.2005 to 28.9.2008	0.245	3,000,000
	8.3.2004	9.3.2006 to 8.3.2009	0.364	600,000
Hong Shuikun	8.3.2004	9.3.2005 to 8.3.2008	0.364	600,000
	8.3.2004	9.3.2006 to 8.3.2009	0.364	600,000
Gu Laiyun	8.3.2004	9.3.2005 to 8.3.2008	0.364	600,000
	28.9.2004	29.9.2005 to 28.9.2008	0.245	2,000,000
	8.3.2004	9.3.2006 to 8.3.2009	0.364	600,000
Xu Zhen	8.3.2004	9.3.2005 to 8.3.2008	0.364	300,000
	8.3.2004	9.3.2006 to 8.3.2009	0.364	300,000
Other employees	8.3.2004	9.3.2005 to 8.3.2008	0.364	5,325,000
	28.9.2004	29.9.2005 to 28.9.2008	0.245	19,250,000
	8.3.2004	9.3.2006 to 8.3.2009	0.364	5,325,000

Upon the Rights Issue becoming unconditional, the exercise price of and/or the number of Shares comprised in the Outstanding Options may be subject to adjustments.

Save as disclosed in this paragraph 2(b), the Company did not have any other options, warrants or other convertible securities or rights affecting the Shares and no capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

There is no arrangement under which future dividends are waived or agreed to be waived.

3. DISCLOSURE OF INTERESTS BY DIRECTORS

Directors' interests in the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange; or (iv) to be disclosed in this circular pursuant to the requirements of the Takeovers Code, were as follows:

Interests in share options of the Company

Name of Director	Date of grant	Exercisable period	Exercise Price *(HK$)*	Number of underlying Shares subject to Outstanding Options	Approximate percentage of shareholding *(note)*
Directors					
Ma Zhengwu	8.3.2004	9.3.2005 to 8.3.2008	0.364	600,000	0.030%
	8.3.2004	9.3.2006 to 8.3.2009	0.364	600,000	0.030%
Zhang Guotong	8.3.2004	9.3.2005 to 8.3.2008	0.364	600,000	0.030%
	28.9.2004	29.9.2005 to 28.9.2008	0.245	3,000,000	0.148%
	8.3.2004	9.3.2006 to 8.3.2009	0.364	600,000	0.030%
Hong Shuikun	8.3.2004	9.3.2005 to 8.3.2008	0.364	600,000	0.030%
	8.3.2004	9.3.2006 to 8.3.2009	0.364	600,000	0.030%
Gu Laiyun	8.3.2004	9.3.2005 to 8.3.2008	0.364	600,000	0.030%
	28.9.2004	29.9.2005 to 28.9.2008	0.245	2,000,000	0.099%
	8.3.2004	9.3.2006 to 8.3.2009	0.364	600,000	0.030%
Xu Zhen	8.3.2004	9.3.2005 to 8.3.2008	0.364	300,000	0.015%
	8.3.2004	9.3.2006 to 8.3.2009	0.364	300,000	0.015%
				10,400,000	0.517%

Note: The percentage of shareholding is calculated on the basis of 2,023,504,968 Shares in issue as at the Latest Practicable Date

Save as disclosed in this paragraph 3, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange; or (iv) to be disclosed in this circular pursuant to the requirements of the Takeovers Code.

4. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS

(1) Interests in the Company

As at the Latest Practicable Date, so far as was known to any Directors or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage of interest
World Gain Holdings Limited	beneficial owner *(Note 2)*	608,201,500 (L)	30.06%
China Chengtong Hong Kong Company Limited	controlled corporation *(Note 2)*	608,201,500 (L)	30.06%
China Chengtong Holdings Group Limited	controlled corporation *(Note 2)*	608,201,500 (L)	30.06%
Oriental Patron Asia Limited	beneficial owner *(Note 3)*	436,681,040 (L) *(Note 4)*	21.58% *(Note 4)*
Oriental Patron Financial Services Group Limited	Controlled corporation *(Note 3)*	436,681,040 (L) *(Note 4)*	21.58% *(Note 4)*
Oriental Patron Holdings Limited	Controlled corporation *(Note 3)*	436,681,040 (L) *(Note 4)*	21.58% *(Note 4)*
Best Future International Limited	Controlled corporation *(Note 3)*	436,681,040 (L) *(Note 4)*	21.58% *(Note 4)*
Million West Limited	Controlled corporation *(Note 3)*	436,681,040 (L) *(Note 4)*	21.58% *(Note 4)*
Zhang Zhiping	Controlled corporation *(Note 3)*	436,681,040 (L) *(Note 4)*	21.58% *(Note 4)*
Zhang Gaobo	Controlled corporation *(Note 3)*	436,681,040 (L) *(Note 4)*	21.58% *(Note 4)*

Notes:

1. The letter "L" denotes the person's long position in the Shares.

2. The entire issued share capital of World Gain Holdings Limited is beneficially owned by China Chengtong Hong Kong Company Limited, the entire issued share capital of which is beneficially owned by China Chengtong Holdings Group Limited. Both of China Chengtong Hong Kong Company Limited and China Chengtong Holdings Group Limited are deemed to be interested in all the Shares held by World Gain Holdings Limited under the SFO.

3. Based on the individual shareholder notices filed by Zhang Zhiping and Zhang Gaobo, Oriental Patron Asia Limited is 100% beneficially owned by Oriental Patron Financial Services Group Limited, which in turn is 95% beneficially owned by Oriental Patron Holdings Limited, which in turn is beneficially owned as to 50% by Best Future International Limited and as to the remaining 50% by Million West Limited. Best Future International Limited is 89% beneficially owned by Zhang Zhiping and Million West Limited is 90% beneficially owned by Zhang Gaobo.

4. The extent of interest is based on the maximum number of Rights Shares which Oriental Patron has underwritten in respect of the Rights Issue and is based on the relevant substantial shareholder notice filed on 2 January 2007. As a result of the letter dated 9 January 2007 amending the terms of the Underwriting Agreement dated 27 December 2007 subsequent to the filing date of the aforesaid substantial shareholder notice, the extent of interest is decreased by 0.15% from 436,681,040 Shares (21.58%) to 433,561,040 Shares (21.43%).

5. The percentage of shareholding is calculated on the basis of 2,023,504,968 Shares in issue as at the Latest Practicable Date.

Save as disclosed in this paragraph 4(1), there is no person (not being a Director or chief executive of the Company) known to the Directors or chief executive of the Company, who, as at the Latest Practicable Date, had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(2) Interests in subsidiaries of the Company

As at the Latest Practicable Date, so far as was known to any Directors or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of a subsidiary of the Company:

Name of subsidiary	Name of shareholder	Number of shares	Approximate percentage of interest
Caesar Assets Limited	Skywalk Group Limited	30 shares of US$1 each	30%
Chengtong Hua Da Trading Limited	Hong Kong Hua Da Chemical Industry Company Limited	49 ordinary shares of HK$1 each	49%
China-eDN.com Limited	Diagonal Trading Limited	2,000,000 shares of HK$1 each	20%
Galaxy Gain Limited	Ever Lasting Value Securities Limited	17 shares of US$1 each	17%
Suzhou Nanda Cement Co. Ltd.	蘇州市望亭水泥廠 (unofficial English name, Suzhou Wangting Cement Plant) formerly known as 蘇州市吳縣望亭水泥廠 (unofficial English name, Suzhou Wu Xian Wangting Cement Plant)	Registered capital of US$5,069,600	28.97%
Zhongshi Investment Company Limited	北京興合動力投資管理有限公司 (unofficial English name, Beijing Xinghe Dongli Investment Management Co., Ltd.)	Registered capital of RMB24,000,000	30%

Save as disclosed in this paragraph 4(2), there is no person (not being a Director or chief executive of the Company) known to the Directors or chief executive of the Company, who, as at the Latest Practicable Date, were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of a subsidiary of the Company.

5. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

Save as the Underwriting Agreement (Mr. Ma Zhengwu being the sole director of World Gain), none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date which was significant in relation to the businesses of the Group.

None of the Directors has any direct or indirect interests in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2005, being the date to which the latest published audited consolidated accounts of the Group were made up.

None of the Directors was or will be given any compensation for loss of office or otherwise in connection with the Underwriting Agreement and/or the Whitewash Waiver.

As at the Latest Practicable Date, none of the Directors had a material personal interest in any material contract entered into by World Gain.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any of their respective associates have any interests in any business which may compete with the business of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling Shareholder).

7. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business of the Group, were entered into by the Company or its subsidiaries during the period commencing two years preceding the date of the Announcement dated 9 January 2007 and up to the Latest Practicable Date and are or may be material:

(a) two settlement agreements both dated 1 March 2006 entered into between Merry World Associates Limited ("**Merry World**"), the Company's wholly owned subsidiary, and Guangzhou Sui Nan Building Development Limited ("**Guangzhou Sui Nan**") for, among other matters, the transfer of Zone A of Level 3 of Li Wan Plaza, No. 9 Dexing Lu, Li Wan District, the PRC by Merry World to Guangzhou Sui Nan and the discontinuance and withdrawal by Guangzhou Sui Nan of all its claims made and legal proceedings instituted against Merry World in relation to Zone C of Level 3 of Li Wan Plaza, No. 9 Dexing Lu, Li Wan District, the PRC and confirmation of title of Merry World in Zone C of Level 3 of Li Wan Plaza, No. 9 Dexing Lu, Li Wan District, the PRC;

(b) a conditional agreement dated 11 January 2006 entered into between Shine Ocean Limited, the Company's wholly owned subsidiary, as vendor and Strong Grace Limited as purchaser relating to the sale by the said vendor to the said purchaser of the entire issued share capital in Price Sales Limited and the shareholder's loan advanced by or on behalf of the said vendor to Price Sales Limited at a consideration of US$24,701,754 (equivalent to approximately HK$192,673,681);

(c) an agreement dated 15 June 2006 entered into between Time Add International Limited as vendor and Talent Dragon Limited, the Company's wholly owned subsidiary, as purchaser relating to the acquisition by the said purchaser of the entire issued share capital of Great Royal International Limited and the shareholder's loan advanced by or on behalf of the said vendor to Great Royal International Limited;

(d) the Top-Up Subscription Agreement dated 8 August 2006;

(e) a shareholders agreement ("**Shareholders Agreement**") dated 12 October 2006 entered into between China Chengtong Cement Group Limited ("**CCCG**"), the Company's wholly owned subsidiary, and CIMPOR Inversiones SA ("**CIMPOR**") in respect of the establishment of CIMPOR Chengtong Cement Corporation Limited ("**JV Company**"), which is and to be owned as to 20% by CCCG and the remaining 80% by CIMPOR. Subject to fulfillment of the conditions to the Shareholders Agreement, CCCG and CIMPOR will subscribe for a total of 207,480,000 new shares in the JV Company, of which 20% will be subscribed for by CCCG and the remaining 80% will be subscribed for by CIMPOR;

(f) a conditional agreement ("**Sea-Land Group Sale Agreement**") dated 12 October 2006 entered into, inter alia, by CCCG and World Asia Properties Limited ("**World Asia**") , the Company's wholly owned subsidiary, as vendors and the JV Company as purchaser for the transfer of the entire issued share capital of Sea-Land Mining Limited, which in turn is holding a 71.03% interest in the registered capital of Suzhou Nanda Cement Company Limited, by CCCG and World Asia to the JV Company in satisfaction of the subscription price payable by CCCG for the 20% new shares in the JV Company to be subscribed by CCCG under the terms of the Shareholders Agreement;

(g) an agreement dated 20 December 2006 entered into by the same parties to the Shareholders Agreement extending the date for fulfillment of the conditions to completion of subscription of shares in the JV Company from 31 December 2006 to 30 June 2007;

(h) an agreement dated 20 December 2006 entered into by the same parties to the Sea-Land Group Sale Agreement extending the date for fulfillment of the conditions to completion of the Sea-Land Group Agreement from 31 December 2006 to 30 June 2007;

(i) the Underwriting Agreement;

(j) the Service Agreement dated 9 January 2007 mentioned in the paragraph headed "Proposed grant of Specific Mandate to issue Shares" in the letter from the Board of this circular; and

(k) a letter of intent dated 27 December 2006 entered into between China Chengtong Properties Group Limited (中國誠通地產集團有限公司) (the "**Zhongshi Purchaser**"), the Company's wholly owned subsidiary, and 北京興合動力投資管理有限公司 (unofficial English name, Beijing Xinghe Dongli Investment Management Co., Ltd.) (the "**Zhongshi Vendor**") for the proposed acquisition by the Zhongshi Purchaser of the Zhongshi Vendor's interest in 30% of the registered capital in 中實投資有限責任公司 (unofficial English name, Zhongshi Investment Company Limited) ("**Zhongshi**"), which is a 70% indirectly owned subsidiary of the Company, at a consideration of RMB24,000,000 as supplemented by a supplemental agreement dated 17 January 2007 extending the date of signing of the formal agreement in respect of the said proposed acquisition to 31 March 2007.

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group or to which the Company or any of its subsidiaries was, or might become, a party.

9. EXPERTS AND CONSENTS

The following are the qualifications of the experts whose statements have been included in this circular:

CIMB-GK	a licensed corporation carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu ("**DTT**")	Certified public accountants
S.H. Ng & Co., Ltd. ("**SH Ng**")	Chartered Surveyors
B.I. Appraisals Limited ("**BI Appraisals**")	Property valuer

CIMB-GK, DTT, SH Ng and BI Appraisals have given and have not withdrawn their written consents to the issue of this circular with the inclusion herein of their letters or reports or references to their names in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of CIMB-GK, DTT, SH Ng and BI Appraisals had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

None of CIMB-GK, DTT, SH Ng and BI Appraisals have any direct or indirect interests in any assets which have been, since 31 December 2005 (being the date to which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of CIMB-GK, DTT, SH Ng and BI Appraisals were materially interested, directly or indirectly, in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

10. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed term contracts) have been entered into or amended within 6 months before the date of the Announcement dated 9 January 2007; (ii) are continuous contracts with a notice period of 12 months or more; (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period; or (iv) are not determinable by the Group within one year without payment of compensation (other than statutory compensation).

11. SECRETARY AND QUALIFIED ACCOUNTANT OF THE COMPANY

The secretary of the Company is Mr. Lai Ka Fai, Albert, who is a solicitor of the High Court of Hong Kong. The qualified accountant of the Company is Ms. Chan Yuet Kwai, who is a member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants.

12. SHAREHOLDINGS AND DEALINGS

(a) As at the Latest Practicable Date, the Company did not own or had any interest in any shares or other securities of World Gain nor had the Company dealt for value in any shares or other securities of World Gain during the period beginning six months prior to 9 January 2007 (being the date of the Announcement dated 9 January 2007) and ending on the Latest Practicable Date.

(b) Save for the Outstanding Options attaching thereto subscription rights to subscribe for an aggregate of 10,400,000 Shares held by the Directors as disclosed in the section headed "3. Disclosure of interests by Directors" in this appendix, none of the Directors owned or had any interest in any shares or other securities of the Company and/or World Gain as at the Latest Practicable Date nor had any of the Directors dealt for value in any shares or other securities of the Company and/or World Gain during the period beginning six months prior to 9 January 2007 (being the date of the Announcement dated 9 January 2007) and ending on the Latest Practicable Date.

(c) None of the advisers to the Company as specified in class (2) of the definition of associate (excluding exempt principal traders) in the Takeovers Code owned or had any interest in any Shares or other securities of the Company as at the Latest Practicable Date nor had any of them dealt for value in any Shares or other securities of the Company during the period beginning six months prior to 9 January 2007 (being the date of the Announcement dated 9 January 2007) and ending on the Latest Practicable Date.

(d) None of the subsidiaries of the Company and pension funds of the Company or of a subsidiary of the Company owned or controlled any Shares or other securities of the Company as at the Latest Practicable Date nor had any of them dealt for value in any Shares or other securities of the Company during the period beginning six months prior to 9 January 2007 (being the date of the Announcement dated 9 January 2007) and ending on the Latest Practicable Date.

(e) No fund managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company had any interest in any Shares or other securities of the Company as at the Latest Practicable Date nor had any of them dealt for value in any Shares or other securities of the Company during the period beginning six months prior to 9 January 2007 (being the date of the Announcement dated 9 January 2007) and ending on the Latest Practicable Date.

(f) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with (aa) the Company; or (bb) any person who is associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate in the Takeovers Code; or (cc) World Gain or any person acting in concert with it.

(g) World Gain and parties acting in concert with it will abstain from voting on the ordinary resolution approving the Rights Issue and the Whitewash Waiver. Save as aforesaid, as at the Latest Practicable Date, none of the Directors had indicated their intention, in respect of their own beneficial shareholdings, if any, to vote for or against the Rights Issue and/or the Whitewash Waiver.

(h) Save for the 608,201,500 Shares held by World Gain and parties acting in concert with it as disclosed in the section headed "Changes in shareholding structure" in the letter from the Board of this circular and the Outstanding Options attaching thereto subscription rights to subscribe for 6,600,000 Shares held by each of Mr. Ma Zhengwu, Mr. Zhang Guotong and Mr. Hong Shuikun as disclosed in the section headed "3. Disclosure of interests by Directors" in this appendix, none of World Gain and parties acting in concert with it (including, the director of World Gain and any directors of any parties acting in concert with World Gain which are entities) were interested in or owned or controlled any Shares or other securities of the Company as at the Latest Practicable Date. Save as disclosed in the section headed "Dealings of Shares by World Gain and its concert parties and other miscellaneous matters" in the letter from the Board of this circular, none of World Gain and parties acting in concert with it (including the director of World Gain and any directors of any parties acting in concert with World Gain which are entities) had dealt for value in any Shares or other securities of the Company during the period beginning six months prior to 9 January 2007 (being the date of the Announcement dated 9 January 2007) and ending on the Latest Practicable Date.

(i) As at the Latest Practicable Date, as far as the Directors are aware, none of the Shareholders had irrevocably committed themselves to vote for or against the Rights Issue and/or the Whitewash Waiver.

(j) As at the Latest Practicable Date, save for the Underwriting Agreement, no agreement, arrangement or understanding (including any compensation arrangement) existed between World Gain or any person acting in concert with it and any of the directors, recent directors, shareholders or recent shareholders of the Company having any connection with or dependence upon the Underwriting Agreement or the Whitewash Waiver.

(k) As at the Latest Practicable Date, there was no agreement or arrangement between any Directors and any other person which is conditional on or dependent upon the Underwriting Agreement or the Whitewash Waiver or otherwise connected with the Underwriting Agreement or the Whitewash Waiver.

(l) As at the Latest Practicable Date, any Rights Shares acquired by World Gain and parties acting in concert with it in pursuance of the Rights Issue and the Underwriting Agreement were not intended to be transferred, charged or pledged to any other persons.

13. PROCEDURES TO DEMAND A POLL AT GENERAL MEETING

Pursuant to article 76 of the Articles, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

(a) by the Chairman of the meeting; or

(b) by at least three members present in person (or in case of a member being a corporation, by its duly authorized representative) or by proxy for the time being entitled to vote at the meeting; or

(c) by any member or members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(d) by a member or members present in person (or in the case of a member being a corporation, by its duly authorized representative) or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Unless a poll be so demanded and not withdrawn, a declaration by the Chairman that a resolution has been on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.

14. MARKET PRICES

The table below shows the closing price on the Stock Exchange of the Shares (i) at the end of each of the six calendar months immediately preceding the date of the Announcement dated 9 January 2007; (ii) 27 December 2006, being the Last Trading Date; (iii) at the end of each of the calendar months following the date of the Announcement dated 9 January 2007; and (iv) the Latest Practicable Date.

Date	**Closing price** *(HK$)*
30 June 2006	0.3050
31 July 2006	0.3200
31 August 2006	0.4050
29 September 2006	0.4850
31 October 2006	0.5000
30 November 2006	0.4750
27 December 2006 (Last Trading Date)	0.5700
31 January 2007	0.7500
Latest Practicable Date	1.2100

The highest and lowest closing prices of the Shares as recorded on the Stock Exchange during the period commencing six months preceding the date of the Announcement dated 9 January 2007 and ending on the Latest Practicable Date were HK$1.21 on 26 February 2007 and HK$0.295 on 10 July 2006 respectively.

15. CORPORATE INFORMATION

Registered office	Suite 6406 64th Floor Central Plaza 18 Harbour Road Wanchai Hong Kong
Company secretary	Mr. Lai Ka Fai, Albert, solicitor
Qualified accountant	Ms. Chan Yuet Kwai, *FCPA, FCCA*
Authorised representative	Mr. Zhang Guotong Building 17, Section 6, No.188 Western Road of South 4th Ring Road Fengtai District Beijing 100070, China
	Mr. Lai Ka Fai, Albert Suite 6406 Central Plaza 18 Harbour Road Wanchai Hong Kong

Independent financial adviser to the Independent Board Committees	CIMB-GK Securities (HK) Limited 25th Floor, Central Tower, 28 Queen's Road Central, Hong Kong
Legal advisers to the Company	*As to Hong Kong law* Chiu & Partners 41st Floor Jardine House 1 Connaught Place Hong Kong
Auditors	Deloitte Touche Tohmatsu 35th Floor, One Pacific Place 88 Queensway Hong Kong Certified Public Accountants
Share registrar	Computershare Hong Kong Investor Services Limited 46th Floor Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Principal bankers	Bank of China (Hong Kong) Limited The Hongkong and Shanghai Banking Corporation Limited

16. EXPENSES

The expenses in connection with the Rights Issue, including financial, legal and other professional advisory fees, underwriting commission, printing and translation expenses are estimated to be approximately HK$6 million and will be payable by the Company.

17. PARTICULARS OF THE DIRECTORS

(a) Name and address

Name	**Address**
Executive Directors	
Mr. Zhang Guotong	Building 17, Section 6, No. 188 Western Road of South 4th Ring Road Fengtai District Beijing 100070, China

Mr. Wang Hongxin	Flat C, 26/F., Tower 3 The Greenwood (Phase 1) Laguna Verde No. 8 Laguna Verde Avenue Kowloon, Hong Kong

Non-executive Directors

Mr. Ma Zhengwu	Building 17, Section 6, No. 188 Western Road of South 4th Ring Road Fengtai District Beijing 100070, China
Mr. Hong Shuikun	Building 17, Section 6, No. 188 Western Road of South 4th Ring Road Fengtai District Beijing 100070, China
Ms. Xu Zhen	Room 222, Building No. 1 4 Zizhuyuan Road, Haidian District Beijing, China
Mr. Gu Laiyun	Building 17, Section 6, No. 188 Western Road of South 4th Ring Road Fengtai District Beijing 100070, China

Independent non-executive Directors

Mr. Kwong Che Keung, Gordon	House 2, Palm Cove Villas 28 Ng Fai Tin Hang Hau Wing Lung Road Clearwater Bay Kowloon, Hong Kong
Mr. Tsui Yiu Wa, Alec	Unit B, 11/F., Block AB Pearl Gardens 7 Conduit Road, Hong Kong
Mr. Lao Youan	Room 604, Shi You Bei Street Lane 2, No. 3 Shi You Xin Road Guangzhou, China

(b) Qualification and positions held

Executive Directors

Mr. Zhang Guotong (Vice Chairman and Managing Director), aged 43, is the vice chairman and the managing director of the Group. 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 has held senior position in various large companies in the People's Republic of China ("**PRC**"), including directorship of listed companies, chief executive of China Logistics Company in Mainland China and general manager of China National Materials Development & Investment Corporation. Mr. Zhang has extensive experience in investment, property development, assets management and corporate management. He is currently the director of China Chengtong Holdings Group Limited (formerly known as China Chengtong Holdings Company), the ultimate holding company of the controlling shareholder of the Company.

Mr. Wang Hongxin, aged 42, is an executive director of the Group. Mr. Wang joined the Group in March 2005. Mr. Wang graduated from Jilin Normal University in the PRC with a bachelor degree of arts and an executive master of business administration degree from the Guanghua School of Management of Beijing University in the PRC. He was a director and a deputy general manager for Maoming Yougye (Group) Co. Ltd., whose shares are listed on the Shenzhen Stock Exchange and previously worked as assistant to general manager for China Materials Investment Corporation in the PRC.

Non-executive Directors

Mr. Ma Zhengwu (Chairman), aged 44, is the chairman and a non-executive director of the Group. Mr. Ma joined the Group in February 2003. Mr. Ma graduated from Beijing Chemical Technology College in 1985 and holds a bachelor degree in science, and also holds a master degree in business administration from Hunan University in 1999. Mr. Ma is well experienced in corporate management and has held senior management positions in various large enterprises. He serves as an independent director of a listed company in Mainland China and vice chairman of China Logistics and Purchasing Federation. He is also the chairman of China Chengtong Holdings Group Limited (formerly known as China Chengtong Holdings Company), the ultimate holding company of the controlling shareholder of the Company.

Mr. Hong Shuikun, aged 51, is a non-executive director of the Group. Mr. Hong joined the Group in February 2003. Mr. Hong graduated from Shanghai Fudan University in journalism in 1978. He also obtained post-graduate qualifications from Central Party School of China in economics in 2002. Mr. Hong is a reputable expert in the logistics industry of Mainland China and he has many years of experience in management of large logistics enterprises. Mr. Hong was a general manager of China National Storage and Transportation Corporation and the chairman of Zhongchu Development Stock Company Limited, which is a company listed on the Shanghai Stock Exchange in the PRC. Mr. Hong is currently the President of China Chengtong Holdings Group Limited (formerly known as China Chengtong Holdings Company), the ultimate holding company of the controlling shareholder of the Company.

Ms. Xu Zhen, aged 42, is a non-executive director of the Group. 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 is currently the chief accountant of China Chengtong Holdings Group Limited (formerly known as China Chengtong Holdings Company), the ultimate holding company of the controlling shareholder of the Company. Ms. Xu is currently also a director of Create Technology & Science Company Limited whose shares are listed on the Shenzhen Stock Exchange.

Mr. Gu Laiyun, aged 43, is a non-executive director of the Group. 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 science degree from Jilin University. Mr. Gu has extensive experience in corporate management and he is the assistant to president of China Chengtong Holdings Group Limited (formerly known as China Chengtong Holdings Company), the ultimate holding company of the controlling shareholder of the Company.

Independent non-executive Directors

Mr. Kwong Che Keung, Gordon, aged 57, has been an independent non-executive Director of the Company since March 2003. Mr. Kwong has also been serving as a member of the remuneration committee of the Company and the chairman of the audit committee of the Company since March 2003. Until his resignation on 1 January 2006, Mr. Kwong was a non-executive director of COSCO Pacific Limited. He was also an independent non-executive director of Henderson China Holdings Limited which was privatized in July 2005. 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, Concepta Investments Limited, Global Digital Creations Holdings Limited, Ping An Insurance (Group) Company of China, Limited, Quam Limited, Tom Online Inc., China Power International Development Limited, New World Mobile Holdings Limited, Henderson Land Development Company Limited, Henderson Investment Limited and Agile Property 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.

Mr. Tsui Yiu Wa, Alec, aged 57, is an independent non-executive director of the Group. 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, including Industrial and Commercial Bank of China (Asia) Limited, Vertex Communications & Technology Group Limited, China Power International Development Limited, COSCO International Holdings Limited, Synergies Holdings Limited, China BlueChemical Limited, Greentown China Holdings Limited and Melco PBL Entertainment (Macau) Limited. He is also a director of Hong Kong Securities Institute, Hong Kong Professional Consultants Association Limited and AIG Huatai Fund Management Company 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 as well as human resources management.

Mr. Lao Youan, aged 42, is an independent non-executive director of the Group. 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 investment, trading and financial field 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 experienced in corporate management, project investment management and financial management.

18. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays and public holidays) at Suite 6406, 64th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong from the date of this circular up to and including 4 April 2007, the last day for payment and acceptance of the Rights Shares and also be available at the EGM and the same will be uploaded at the Company's website (www.hk217.com) and website of The Securities and Futures Commission of Hong Kong (www.sfc.hk) until (and including) the date of the EGM:

i. this circular;

ii. the memorandum and articles of association of the Company and World Gain;

iii. the letter from the Independent Board Committees, the texts of which are set out on pages 40 to 42 of this circular;

iv. the letter from CIMB-GK to the Independent Board Committees and the Independent Shareholders, the texts of which are set out on pages 43 to 69 of this circular;

v. the letter signed by Deloitte Touche Tohmatsu setting out their opinion on the unaudited *pro forma statement of adjusted* consolidated net tangible assets of the Group, the text of which is set out on pages 141 to 142 of this circular;

vi. the property valuation report from S.H. Ng & Co. Ltd., the text of which is set out on pages 143 to 152 of this circular;

vii. the property valuation report from B.I. Appraisals Limited, the text of which is set out on pages 153 to 160 of this circular;

viii. the written consents referred to in the section headed "Experts and consents" in this appendix;

ix. the material contracts referred to in the section headed "Material contracts" in this appendix;

x. the annual reports of the Company for each of the two financial years ended 31 December 2005;

xi. the interim report of the Company for the six months ended 30 June 2006;

xii. the circular of the Company dated 20 April 2006;

xiii. the circular of the Company dated 9 May 2006;

xiv. the circular of the Company dated 3 July 2006; and

xv. the circular of the Company dated 8 November 2006.

CHINA CHENGTONG DEVELOPMENT GROUP LIMITED
中國誠通發展集團有限公司

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

NOTICE IS HEREBY GIVEN that an extraordinary general meeting ("**Meeting**") of China Chengtong Development Group Limited ("**Company**") will be held on Monday, 19 March 2007 at Lavender Room, 27th Floor, The Park Lane Hong Kong, 310 Gloucester Road, Hong Kong at 10:30 a.m., for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as Ordinary Resolutions of the Company:

1. "**THAT** subject to and conditional upon: (i) the passing of ordinary resolution numbered 2 as set out in the notice convening the Meeting; (ii) the Executive (as defined in the circular (the "**Circular**") of the Company dated 1 March 2007) granting to World Gain (as defined in the Circular) and parties acting in concert with it the Whitewash Waiver (as defined in the Circular) and the satisfaction of any condition attached to the Whitewash Waiver (as defined in the Circular) imposed by the Executive; (iii) the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Rights Shares (as defined below) (in both nil-paid and fully-paid forms); (iv) the filing and registration of all documents relating to the Rights Issue (as defined below), which are required by law to be filed or registered with the Registrar of Companies in Hong Kong in accordance with the Companies Ordinance (Chapter 32 of the Laws of Hong Kong); and (v) the obligation of the Underwriter (as defined in the Circular) under the Underwriting Agreement (as defined in the Circular) becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreement:

   (a) the issue by way of rights ("**Rights Issue**") of not less than 607,051,490 new shares and not more than 616,021,490 new shares of HK$0.10 each in the share capital of the Company ("**Rights Shares**") to the shareholders ("**Shareholders**") of the Company whose names appear on the register of members of the Company on Monday, 19 March 2007 in the proportion of three (3) Rights Shares for every ten (10) shares of the company then held at the subscription price of HK$0.33 per Rights Share and otherwise on the terms and conditions set out in the Circular, a copy of which has been produced to the Meeting marked "A" and initialled by the chairman of the Meeting for the purpose of identification be and is hereby approved;

(b) the directors ("**Directors**") of the Company be and are hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue provided that in the case of Shareholders whose addresses as shown on the register of members of the Company on Monday, 19 March 2007 are in any place outside Hong Kong and the Directors, based on the enquiry made by the Company, consider it necessary or expedient not to offer the Rights Shares to such Shareholders ("**Excluded Shareholders**") on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, the Rights Shares shall not be issued to the Excluded Shareholders but shall be aggregated and issued to a nominee to be named by the Company and such Rights Shares shall be sold in the market as soon as practicable after dealings in Rights Shares in their nil-paid form commence and the proceeds of such sale (after deduction of expenses) of HK$100 or more will be paid pro rata to the Excluded Shareholders and the Company shall retain any individual amount of less than HK$100;

(c) the Directors be and are hereby authorised to make such other exclusions or other arrangements in relation to the Excluded Shareholders as they may deem necessary or expedient and generally to do such things or make such arrangements as they may think fit to effect the Rights Issue; and

(d) the Directors be and are hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as the Directors may in their absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Rights Issue and the Underwriting Agreement or any of the transactions contemplated thereunder".

2. "**THAT** subject to the Executive (as defined in the Circular) granting to World Gain (as defined in the Circular) and parties acting in concert with it the Whitewash Waiver (as defined in the Circular) and the satisfaction of any condition attached to the Whitewash Waiver imposed by the Executive, the waiver pursuant to Note 1 on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers ("**Takeovers Code**") waiving any obligation on the part of World Gain and parties acting in concert with it to make a mandatory general offer to the shareholders of the Company to acquire shares in the Company other than those already owned by World Gain and parties acting in concert with it which would otherwise arise under Rule 26.1 of the Takeovers Code as a result of any issue and allotment pursuant to application(s) made by World Gain and parties acting in concert with it under the Rights Issue, terms of which are set out in the Circular, a copy of which has been produced to the Meeting marked "A" and initialled by the chairman of the Meeting for the purpose of identification be and is hereby approved."

3. "**THAT**:

(a) the general mandate granted to the directors ("**Directors**") of the Company to exercise the power of the Company to allot, issue and deal with shares of the Company pursuant to ordinary resolution numbered 4 passed by the shareholders of the Company at its annual general meeting held on 23 June 2006 ("**Current Share Issue Mandate**"), to the extent not already exercised by the Directors, be and is hereby revoked provided that any exercise of powers of the Company to allot and issue shares in the capital of the Company under the Current Share Issue Mandate prior to the passing of this resolution shall not in any way be affected or prejudiced;

(b) subject to paragraph (d) below of this resolution, pursuant to Section 57B of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) ("Companies Ordinance") and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the exercise by the Directors during the Relevant Period (as defined in paragraph (e) below of this resolution) of all the powers of the Company to allot, issue or otherwise deal with the unissued Shares (as defined in paragraph (e) below of this resolution) of the Company, and to make or grant offers, agreements and options (including warrants, bonds, debentures and other securities which carry rights to subscribe for or are convertible into Shares) which would or might require the exercise of such powers be and is hereby generally and unconditionally approved;

(c) the approval in paragraph (b) above of this resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds, notes, debentures and other securities which carry rights to subscribe for or are convertible into Shares) which would or might require the exercise of such powers after the end of the Relevant Period;

(d) the aggregate nominal amount of share capital of the Company allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraphs (b) and (c) above of this resolution, otherwise than pursuant to

(i) a Rights Issue (as defined in paragraph (e) below of this resolution);

(ii) the exercise of any options granted under the share option schemes or similar arrangement for the time being adopted by the Company; or

(iii) any scrip dividend scheme or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company ("Articles") in force from time to time; or

(iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares;

shall not exceed the aggregate of:

(aa) 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution; and

(bb) (if the Directors are so authorised by a separate ordinary resolution of the shareholders of the Company) the aggregate nominal amount of any share capital of the Company purchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10% of the aggregate amount of the share capital of the Company in issue on the date of the passing of this resolution),

and the said approval in paragraphs (b) and (c) above of this resolution shall be limited accordingly; and

(e) for the purpose of this resolution:

"**Shares**" means shares of HK$0.10 each in the share capital of the Company or, if there has been a sub-division, consolidation, re-classification or re-construction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company of such nominal amount as shall result from any such sub-division, consolidation, re-classification or re-construction;

"**Relevant Period**" means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company following the passing of this resolution;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Artilces, the Companies Ordinance or any applicable law of Hong Kong to be held; or

(iii) the date on which such mandate granted under this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.

"**Rights Issue**" means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to the holders of Shares or any class of Shares whose names appear on the registers of members of the Company on a fixed record date in proportion to their then holdings of such Shares as at that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong)."

4. "**THAT**:

(a) the general mandate granted to the directors ("**Directors**") of the Company to exercise the power of the Company to repurchase shares of the Company pursuant to ordinary resolution numbered 5 passed by the shareholders of the Company at its annual general meeting held on 23 June 2006 ("**Current Share Repurchase Mandate**"), to the extent not already exercised by the Directors, be and is hereby revoked provided that any exercise of powers of the Company to repurchase shares in the capital of the Company under the Current Share Repurchase Mandate prior to the passing of this resolution shall not in any way be affected or prejudiced;

(b) subject to paragraph (c) below of this resolution, the exercise by the Directors during the Relevant Period (as defined in paragraph (d) below of this resolution) of all the powers of the Company to repurchase the Shares (as defined in paragraph (d) below of this resolution) on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") or any other stock exchange on which the Shares may be listed and recognised by the Securities and Futures Commission of Hong Kong ("**SFC**") and the Stock Exchange for such purpose, and subject to and in accordance with the rules and regulations of the SFC, the Stock Exchange, the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) ("**Companies Ordinance**") and all other applicable laws as amended from time to time in this regard, be and is hereby generally and unconditionally approved;

(c) the aggregate nominal amount of Shares which may be repurchased or agreed to be repurchased by the Company pursuant to the approval in paragraph (b) above of this resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution, and the said approval in paragraph (b) of this resolution shall be limited accordingly; and

(d) for the purpose of this resolution:

"**Shares**" means shares of HK$0.10 each in the share capital of the Company or, if there has been a sub-division, consolidation, re-classification or re-construction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company of such nominal amount as shall result from any such sub-division, consolidation, re-classification or re-construction;

"**Relevant Period**" means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company following the passing of this resolution;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company, the Companies Ordinance or any applicable law of Hong Kong to be held; or

(iii) the date on which such mandate granted under this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting."

5. "**THAT** conditional upon resolutions numbered 3 and 4 above being passed, (a) the ordinary resolution numbered 6 passed by the shareholders of the Company at its annual general meeting held on 23 June 2006 be and is hereby revoked; and (b) the unconditional general mandate granted to the directors of the Company to allot, issue and deal with additional shares of the Company pursuant to resolution numbered 3 above be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to resolution numbered 4 above, provided that such amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of this resolution."

6. "**THAT** subject to the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Consideration Shares (as defined below) either unconditionally or subject to such condition as may be reasonably acceptable to the Company, the directors of the Company ("**Directors**") be and are hereby authorised to allot and issue up to a maximum of not more than 161,880,397 shares ("**Consideration Shares**") of par value of HK$0.1 each in the share capital of the Company, representing 8% of the entire issued share of the Company as at 31 December 2006, to Oriental Patron Asia Limited in accordance with the terms and conditions of an agreement dated 9 January 2007 ("**Service Agreement**") made between Oriental Patron

Asia Limited and the Company for the provision by Oriental Patron Asia Limited to the Company of services in relation to proposed fund raising by the Company, a copy of the agreement has been produced to the Meeting marked "B" and initialled by the chairman of the Meeting for the purpose of identification, and all transactions contemplated thereunder as described in the circular of the Company dated 1 March 2007 ("**Circular**"), a copy of which has been produced to the Meeting marked "A" and initialled by the chairman of the Meeting for the purpose of identification be and are hereby approved and the Directors be and are hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as the Directors may in their absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the allotment and issue of the Consideration Shares, the Service Agreement and/or any of the transactions contemplated thereunder."

By order of the Board
China Chengtong Development Group Limited
Zhang Guotong
Managing Director

Hong Kong, 1 March 2007

Registered office:
Suite 6406, 64th Floor
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is appointed. A proxy need not be a member of the Company. A form of proxy for use at the Meeting is enclosed herewith. In case of a joint holding, the form of proxy may be signed by any joint holder, but if more than one joint holder is present at the Meeting, whether in person or by proxy, that one of the joint holders whose name stands first on the register of members in respect of the relevant joint holding shall alone be entitled to vote in respect thereof.

2. To be valid, the form of proxy together with any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the share registrar of the Company, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

3. Completion and return of the accompanying form of proxy will not preclude members of the Company from attending and voting in person at the Meeting or any adjournment thereof should they so wish.

As at the date of this notice, the executive Directors are Mr. Zhang Guotong and Mr. Wang Hongxin; the non-executive Directors are Mr. Ma Zhengwu, Mr. Hong Shuikun, Mr. Gu Laiyun and Ms. Xu Zhen; and the independent non-executive Directors are Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec and Mr. Lao Youan.