THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in China Chengtong Development Group Limited ("**Company**"), you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, 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 transferee.

This circular is addressed to the shareholders of the Company in connection with an extraordinary general meeting ("**EGM**") of the Company to be held on Tuesday, 24 June 2008.

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)

VERY SUBSTANTIAL ACQUISITION:
CAPITAL INJECTION TO HUZHOU LAND COMPANY
AND
NOTICE OF EGM

A letter from the Board is set out on pages 3 to 11 of this circular.

A notice convening the EGM to be held at Concord Room 3, 8/F., Renaissance Harbour View Hotel, No. 1 Harbour Road, Wanchai, Hong Kong at 11:15 a.m. on Tuesday, 24 June 2008 is set out on pages 144 to 145 of this circular. If you are not 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 and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1806–1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

29 May 2008

CONTENT

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

"Articles"	the articles of association of the Company
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Capital Injection"	the proposed increase in the registered capital of Huzhou Land Company in the amount of RMB104,800,000 to be contributed by Great Royal
"Capital Injection Agreement"	the agreement dated 28 March 2008 and entered into among Great Royal, the JV Partners and Huzhou Land Company in relation to the Capital Injection
"Company"	China Chengtong Development Group Limited (中國誠通發展集團有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company convened to be held at Concord Room 3, 8/F., Renaissance Harbour View Hotel, No. 1 Harbour Road, Wanchai, Hong Kong at 11:15 a.m. on Tuesday, 24 June 2008 for the purposes of considering and, if thought fit, approving the Capital Injection Agreement and any adjournment thereof
"Enlarged Group"	the Group immediately following the Capital Injection becoming effective
"Great Royal"	Great Royal International Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company
"Group"	the Company and its subsidiaries from time to time
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huzhou Land Company"	湖州萬港聯合置業有限公司 (unofficial translation as Huzhou Wangang United Estate Company Limited), a sino-foreign equity joint venture established in the PRC

"Huzhou Project"	the property project known as 清河嘉園 (unofficial translation as Qing He Jia Yuan) developed by Huzhou Land Company which is located at Nos. 19, 20A of West Southern District of Huzhou City of the Zhejiang Province, the PRC (中國浙江省湖州市西南分區19號、20A號)
"independent third party"	a party who is independent of and not connected with the Company and any of its connected parties
"JV Partners"	Hong Kong Wanshan Holdings Limited and 浙江雲廈集團有限公司 (unofficial translation as Zhejiang Yunxia Group Limited), both being joint venture partners of Huzhou Land Company
"Latest Practicable Date"	23 May 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the ordinary share(s) with a par value of HK$0.10 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Share(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

Unless the context requires otherwise, translation of RMB into HK$ are made, for illustration purpose only, at the rate of RMB1=HK$1.1. No representation is made that any amounts in RMB or HK$ could have been or could be converted at the above rate or at any rate 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:
Zhang Guotong
(Chairman and Managing Director)
Wang Hongxin

Non-executive Directors:
Gu Laiyun
Xu Zhen

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

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

29 May 2008

To the Shareholders

Dear Sir or Madam

VERY SUBSTANTIAL ACQUISITION:
CAPITAL INJECTION TO HUZHOU LAND COMPANY
AND
NOTICE OF EGM

INTRODUCTION

On 28 March 2008, the Board announced that Great Royal (an indirect wholly owned subsidiary of the Company), the JV Partners and Huzhou Land Company entered into the Capital Injection Agreement pursuant to which Great Royal has agreed to contribute RMB104,800,000 (approximately HK$115,280,000) as registered capital of Huzhou Land Company.

The Capital Injection constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules which is subject to the reporting, announcement and Shareholders' approval requirements.

The purpose of this circular is to give you further information regarding, among other matters, the Capital Injection and a notice of the EGM to approve, if thought fit, the Capital Injection.

VERY SUBSTANTIAL ACQUISITION: CAPITAL INJECTION TO HUZHOU LAND COMPANY

CAPITAL INJECTION AGREEMENT

1. Date

28 March 2008

2. Parties

(1) Great Royal (an indirect wholly owned subsidiary of the Company);

(2) the JV Partners; and

(3) Huzhou Land Company.

To the best knowledge of the Directors, the JV Partners are principally engaged in investment holding, property investment and development in the PRC.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the JV Partners and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

3. Subject matter

Before the Capital Injection becoming effective, the registered capital of Huzhou Land Company is RMB202,000,000 (equivalent to approximately HK$222,200,000) and owned as to 50% by Great Royal and 50% by the JV Partners (in the proportion of 31% and 19%), and the total investment of Huzhou Land Company is RMB255,200,000 (equivalent to approximately HK$280,720,000).

Pursuant to an approval dated 28 January 2008 and issued by the Management Committee of Zhejiang Huzhou Economic and Development Zone, Huzhou Land Company was approved to increase its registered capital from RMB202,000,000 (equivalent to approximately HK$222,200,000) to RMB306,800,000 (equivalent to approximately HK$337,480,000) and the increased portion of RMB104,800,000 (equivalent to approximately HK$115,280,000) shall be contributed by Great Royal in cash in the following manner:

– RMB20,960,000 (equivalent to approximately HK$23,056,000) shall be contributed before the issue of the new business licence of Huzhou Land Company; and

– the remaining RMB83,840,000 (equivalent to approximately HK$92,224,000) shall be contributed before the end of June 2008.

In this connection, Great Royal, the JV Partners and Huzhou Land Company entered into the Capital Injection Agreement to regulate their respective rights and obligations in relation to the Capital Injection and Great Royal shall contribute the increased portion of the registered capital in accordance with the schedule set out above.

After the Capital Injection becoming effective:

– the registered capital of Huzhou Land Company will be RMB306,800,000 (equivalent to approximately HK$337,480,000) and owned as to approximately 67.08% by Great Royal and approximately 32.92% by the JV Partners (in the proportion of 20.41% and 12.51%) and the total investment of Huzhou Land Company after the Capital Injection will be RMB360,000,000 (equivalent to approximately HK$396,000,000);

– Huzhou Land Company will become a 67.08% indirectly owned subsidiary of the Company, and save for the profit sharing mechanism as referred to in the paragraph headed "Use of fund and profit sharing" below, the financial results of Huzhou Land Company will be consolidated in the accounts of the Group; and

– the composition of the board of directors of Huzhou Land Company will increase from 6 directors to 7 directors, among which 4 directors shall be appointed by Great Royal.

As at the Latest Practicable Date, Great Royal has fully paid the increased portion of the registered capital of Huzhou Land Company which was funded by the Group's internal resources.

4. Conditions of the Capital Injection

Pursuant to the Capital Injection Agreement, the Capital Injection shall become effective after (i) the obtaining of the approval of the Shareholders at the EGM and (ii) the obtaining of the approval from the Ministry of Commerce of the PRC and the Administration for Industry and Commerce of the PRC. As at the Latest Practicable Date, Huzhou Land Company had obtained the approval letter issued by the Management Committee of Zhejiang Huzhou Economic and Development Zone and the Certificate of Approval issued by the People's Government of Zhejiang Province.

In the event that the Shareholders' approval for the Capital Injection cannot be obtained, Great Royal, the JV Partners and Huzhou Land Company have agreed to take all such necessary actions to restore the registered capital of Huzhou Land Company to RMB202,000,000 and the shareholding structure of Huzhou Land Company shall be restored to its original state before the Capital Injection.

5. Use of fund and profit sharing

Pursuant to the Capital Injection Agreement, Great Royal, the JV Partners and Huzhou Land Company have agreed that:

– the capital contributed by Great Royal pursuant to the Capital Injection shall not be applied to the development and operation of Huzhou Project; and

– all profits or losses arising from Huzhou Project shall be shared between Great Royal and the JV Partners in the proportion of the shareholding before the Capital Injection (i.e. 50% to Great Royal and 50% to the JV Partners (in the proportion of 31% and 19%)).

It is the intention of the parties to the Capital Injection Agreement that the capital injected by Great Royal pursuant to the Capital Injection would be applied to the development of other new property projects in Zhejiang Province, the PRC. As at the Latest Practicable Date, Huzhou Land Company had not committed to any specific project.

After the Capital Injection becoming effective, all profits or losses arising from all future projects to be developed by Huzhou Land Company shall be shared between Great Royal and the JV Partners in the proportion of the shareholding after the Capital Injection becoming effective (i.e. approximately 67.08% to Great Royal and approximately 32.92% to the JV Partners (in the proportion of 20.41% and 12.51%)).

Save as disclosed above, there is no other major change in the terms of the existing joint venture arrangement between Great Royal, the JV Partners and Huzhou Land Company.

REASONS FOR THE CAPITAL INJECTION AGREEMENT

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.

After completion of Huzhou Project, Huzhou Land Company is looking for new potential investment and development opportunities of its next property project in the Zhejiang Province, the PRC. The Directors consider that in addition to increasing the Group's stake in Huzhou Land Company, the Capital Injection can also provide necessary funding for the development of new projects by Huzhou Land Company.

Huzhou Land Company has not recorded any revenue for the two years ended 31 December 2007 since Huzhou Project has not been delivered for sale. Therefore, Huzhou Land Company has made net losses for the two years ended 31 December 2007 which were mainly attributable to the administrative expenses incurred in its daily operation. As the main construction work of Huzhou Project has been completed and Huzhou Project is targeted to be sold within the year 2008, the Directors consider that the loss-making position of Huzhou Land Company for the two years ended 31 December 2007 should not be taken as a reference of the profitability of Huzhou Land Company.

Taking into account the above factors, the Directors (including the independent non-executive Directors) consider that the terms of the Capital Injection Agreement are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE CAPITAL INJECTION

Upon completion of the Capital Injection, Huzhou Land Company will become an indirect non-wholly owned subsidiary of the Company and thus its assets and liabilities and its financial results will be consolidated into the accounts of the Group save for the sharing of profits and losses arising from Huzhou Project as set out in the paragraph headed "Use of fund and profit sharing" above. Please refer to the unaudited pro forma consolidated balance sheet, income statement and cash flow statement of the Enlarged Group as set out in Appendix III to this circular for further information on the financial effect to the Group in connection with the Capital Injection.

There is no variation to the remuneration payable to and benefits in kind receivable by the Directors as a consequence of the Capital Injection.

FURTHER INFORMATION ON HUZHOU LAND COMPANY

Huzhou Land Company is a sino-foreign equity joint venture established in the PRC in December 2005 which is engaged in the development, construction and operation of Huzhou Project. Huzhou Project is located at Nos. 19, 20A of West Southern District of Huzhou City of the Zhejiang Province, the PRC (中國浙江省湖州市西南分區19號、20A號) with site area of approximately 214,000 square meters and gross floor area of approximately 320,000 square meters. The main construction work of Huzhou Project has been completed and Huzhou Project will be sold to Huzhou municipal government at the negotiated price, and delivered for use within the year 2008.

The audited net assets value of Huzhou Land Company as at 31 December 2007 was approximately RMB187 million and the audited net losses (both before and after taxation and extraordinary items) of Huzhou Land Company for the two years ended 31 December 2007 were as follows:

	Year ended 31 December 2006	**Year ended 31 December 2007**
	RMB'000	*RMB'000*
	audited	audited
Net losses before taxation and extraordinary items	1,623	3,065
Net losses after taxation and extraordinary items	1,623	3,065

Management discussion and analysis on Huzhou Land Company

Set out in Appendix II to this circular is the accountants' report on Huzhou Land Company for the period from 2 December 2005 (date of establishment) to 31 December 2005 and the two years ended 31 December 2007. Below is the management discussion and analysis on the performance of Huzhou Land Company during such period.

Huzhou Land Company owns the Huzhou Project, which is a residential and commodity development project with site area of approximately 214,000 square metres and gross floor area of approximately 320,000 square metres. Its main construction has already been completed in late 2007. That project will be acquired by Huzhou municipal government at the negotiated price, and delivered for use within the year of 2008. Since its construction has not yet been wholly completed and delivered as at 31 December 2007, no turnover was recorded for the period under review. Huzhou Land Company recorded losses of approximately RMB3.1 million, RMB1.6 million and RMB0.06 million for the year ended 31 December 2007, 31 December 2006 and the period from 2 December 2005 (date of establishment) to 31 December 2005 respectively. They were mainly attributable to the administrative expenses incurred in its daily operation.

Pledge of assets

Huzhou Land Company did not have any pledged asset as at 31 December 2005 and 31 December 2006 while the land use right included in its properties under development amounting to approximately RMB115 million were pledged as collateral security for its bank loans of RMB200 million at 31 December 2007.

Liquidity and capital resources

Huzhou Land Company had cash and bank balances amounting to approximately RMB51 million, RMB25 million and RMB0.3 million as at 31 December 2007, 2006 and 2005 respectively. Its net current assets were approximately RMB386 million, RMB190 million and RMB32 million as at 31 December 2007, 2006 and 2005 respectively.

As at 31 December 2007, Huzhou Land Company's secured bank loans amounted to approximately RMB200 million, which carried interest at a fixed rate of 6.93% per annum and was secured by the land use right included in its properties under development amounting to approximately RMB115 million and guarantee provided by 浙江雲廈集團有限公司 (unofficial translation as Zhejiang Yunxia Group Limited), one of the JV Partners. In addition, as at 31 December 2007 and 31 December 2006, Huzhou Land Company had an amount due to a joint venture owner of approximately HK$2.77 million and HK$2.71 million respectively. The loan was unsecured, interest-free and repayable on demand. Save as disclosed, Huzhou Land Company did not have any other bank loan or other borrowing as at 31 December 2005, 2006 and 2007 respectively.

Gearing ratio

As at 31 December 2007, Huzhou Land Company's gearing ratio calculated on the basis of total bank loans of RMB200 million and total assets of approximately RMB774 million was 0.26.

Foreign exchange risk management

The business activities and operation of Huzhou Land Company were in the PRC, with revenue and expenditure denominated in RMB. It did not have significant foreign currency exposure.

Employees and remuneration policies

Huzhou Land Company employed a total of 35, 18 and 0 employees as at 31 December 2007, 2006 and 2005 respectively. Employee's remuneration are determined in accordance with nature of their duties and remain competitive under current market trend.

The employees of Huzhou Land Company are members of a state-managed retirement benefits scheme operated by the PRC. Huzhou Land Company is required to contribute certain percentage of its payroll cost to the retirement benefits scheme to fund the benefits. The only obligation of Huzhou Land Company with respect to the retirement benefits scheme is to make the required contributions.

Capital structure

As at 31 December 2007, 2006 and 2005, the paid-in registered capital of Huzhou Land Company were RMB191.4 million, RMB191.4 million and RMB32.4 million respectively.

In May 2008, all joint venture partners of Huzhou Land Company i.e. Great Royal and the JV Partners together contributed RMB10,600,000 to the registered capital of Huzhou Land Company according to their respective shareholding percentages.

Capital commitment and contingent liabilities

As at 31 December 2006, there was capital commitment contracted for but not provided for of approximately RMB195 million. As at 31 December 2007 and 2006, there was capital commitment authorised but not contracted for of approximately RMB19 million and RMB181 million respectively. As at 31 December 2005, there was no capital commitment.

Huzhou Land Company did not have any contingent liability as at 31 December 2007, 2006 and 2005.

LISTING RULES IMPLICATIONS

The Capital Injection constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules which is subject to the Shareholders' approval in general meeting of the Company pursuant to Rule 14.49 of the Listing Rules.

To the best knowledge of the Directors, none of the JV Partners is a Shareholder and on such basis, no Shareholder is required to abstain from voting on the resolution to be proposed at the EGM.

EGM

The Company will convene the EGM at 11:15 a.m. on Tuesday, 24 June 2008 at Concord Room 3, 8/F., Renaissance Harbour View Hotel, No. 1 Harbour Road, Wanchai, Hong Kong to consider the Capital Injection Agreement. A notice of the EGM is set out on pages 144 to 145 of this circular.

A form of proxy for use at the EGM is also enclosed. If you are not able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1806–1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

POLL PROCEDURE

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 authorised 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 authorised 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 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.

RECOMMENDATION

The Directors consider that the terms of the Capital Injection Agreement are fair and reasonable to the Company and in the interests of the Shareholders as a whole. Accordingly, the Directors recommended the Shareholders to vote in favour of the relevant resolution set out in the notice of the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to (i) the accountants' report of Huzhou Land Company for the period from 2 December 2005 (date of establishment of Huzhou Land Company) to 31 December 2005 and the two financial years ended 31 December 2007 as set out in Appendix II to this circular; (ii) the pro forma financial information of the Enlarged Group as set out in Appendix III to this circular; (iii) the valuation report issued by B.I. Appraisals Limited in respect of the property interests of the Enlarged Group in Luoyang, Guangzhou and Huzhou, the PRC as set out in Appendix IV to this circular; and (iv) the valuation report issued by DTZ Debenham Tie Leung Limited in respect of the property interests of the Enlarged Group in Beijing, the PRC as set out in Appendix V to this circular. The Directors confirm that all of the property interests of the Enlarged Group have been included in the valuation reports prepared by B.I. Appraisals Limited and DTZ Debenham Tie Leung Limited respectively.

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

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

SUMMARY OF FINANCIAL RESULTS

The following is a summary of the audited results of the Group for the three years ended 31 December 2007 as extracted from the annual reports of the Group for the respective years:

	For the year ended 31 December		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Turnover			
from continuing operations	25,365	247,263	114,053
from discontinued operations	27,454	44,151	139,719
	52,819	291,414	253,772
Profit (loss) before taxation	13,877	41,916	(18,846)
Taxation	(9,109)	(17,424)	(3,359)
Profit (loss) for the year from continuing operations	4,768	24,492	(22,205)
Profit (loss) for the year from discontinued operations	32,011	(1,853)	(31,480)
Profit (loss) for the year	36,779	22,639	(53,685)
Profit (loss) attributable to shareholders of the Company	35,945	15,953	(45,997)
Minority interests	834	(6,686)	(7,688)
	36,779	22,639	(53,685)
Earnings (loss) per share			
From continuing and discontinued operations			
– Basic	HK1.39 cent	HK0.73 cent*	HK(2.26) cents*
– Diluted	HK1.37 cent	HK0.73 cent*	N/A
From continuing operations			
– Basic	HK0.15 cent	HK0.84 cent*	HK(0.71) cents*
– Diluted	HK0.14 cent	HK0.83 cent*	N/A

	As at 31 December		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	735,289	529,759	694,132
Total liabilities	(111,735)	(128,704)	(408,800)
Net assets	623,554	401,055	285,332

* Owing to the rights issue of the Company completed in April 2007, earnings (loss) per share for the years ended 31 December 2005 and 31 December 2006 have been restated to conform to the presentation for the year ended 31 December 2007.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following is extracted from the Group's 2007 annual report relating to audited financial statements for the year ended 31 December 2007:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Continuing operations			
Turnover	5	25,365	247,263
Cost of sales		(20,344)	(185,444)
Gross profit		5,021	61,819
Other income	6	21,099	9,123
Selling expenses		(800)	(6,655)
Administrative expenses		(29,159)	(19,722)
Increase (decrease) in fair value of an investment property	15	1,460	(1,782)
Gain on disposal of a subsidiary	36	19,724	–
Finance costs	7	(1,296)	(140)
Share of results of associates	17	(697)	1
Share of results of a jointly controlled entity	18	(1,475)	(728)
Profit before taxation		13,877	41,916
Taxation	8	(9,109)	(17,424)
Profit for the year from continuing operations		4,768	24,492
Discontinued operations			
Profit (loss) for the year from discontinued operations	9	32,011	(1,853)
Profit for the year	10	36,779	22,639
Attributable to:			
Shareholders of the Company		35,945	15,953
Minority interests		834	6,686
		36,779	22,639
Earnings per share	12		
From continuing and discontinued operations			
– Basic		HK1.39 cent	HK0.73 cent
– Diluted		HK1.37 cent	HK0.73 cent
From continuing operations			
– Basic		HK0.15 cent	HK0.84 cent
– Diluted		HK0.14 cent	HK0.83 cent

CONSOLIDATED BALANCE SHEET
At 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	14	3,232	1,404
Investment properties	15	83,740	45,000
Interests in associates	17	41,599	264
Amount due from an associate	17	139,874	148,605
Interest in a jointly controlled entity	18	103,881	99,740
Restricted bank balance	19	4,200	4,200
		376,526	299,213
Current assets			
Properties held for sale		32,678	50,415
Trade and other receivables	21	7,959	7,769
Bills receivable		5,035	–
Amounts due from associates	17	9,724	–
Amounts due from related companies	22	4,741	4,507
Bank balances and cash	23	298,626	117,372
		358,763	180,063
Assets classified as held for sale	9	–	50,483
		358,763	230,546
Current liabilities			
Trade and other payables	24	54,825	59,470
Deposits received on sale of properties		11,410	1,055
Amounts due to related companies	25	17,084	–
Amount due to a minority shareholder of a subsidiary	26	3,978	3,978
Tax payable		12,505	17,347
Unsecured other loans	27	7,196	7,196
		106,998	89,046
Liabilities associated with assets classified as held for sale	9	–	35,721
		106,998	124,767
Net current assets		251,765	105,779

	Notes	2007 HK$'000	2006 HK$'000
Total assets less current liabilities		628,291	404,992
Non-current liabilities			
Deferred taxation	29	4,737	3,937
Net assets		623,554	401,055
Capital and reserves			
Share capital	31	267,202	202,350
Reserves		356,352	170,462
Equity attributable to shareholders of the Company		623,554	372,812
Minority interests		–	28,243
		623,554	401,055

BALANCE SHEET
At 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	14	590	882
Interests in subsidiaries	16	1	1
Amount due from an associate	17	517	517
Amounts due from subsidiaries	30	131,440	144,873
		132,548	146,273
Current assets			
Other receivables		1,426	1,258
Amounts due from subsidiaries	30	371,167	166,912
Bank balances and cash		1,237	133
		373,830	168,303
Current liabilities			
Other payables		7,243	7,062
Amounts due to subsidiaries	30	59,591	57,317
		66,834	64,379
Net current assets		306,996	103,924
		439,544	250,197
Capital and reserves			
Share capital	31	267,202	202,350
Reserves	33	172,342	47,847
		439,544	250,197

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

	Attributable to shareholders of the Company											
	Share capital	Share premium	Capital re-demption reserve	Special capital reserve	Capital reserve	Exchange reserve	Legal surplus	Share options reserve	Accumul-ated (losses) profits	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Note 1)*	*HK$'000* *(Note 2)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006	168,710	939,273	402	–	–	1,936	565	8,711	(866,531)	253,066	32,266	285,332
Exchange realignment	–	–	–	–	–	4,813	–	–	–	4,813	1,247	6,060
Share of changes in equity in a jointly controlled entity recognised directly in equity	–	–	–	–	–	(111)	–	–	–	(111)	–	(111)
Net income recognised directly in equity	–	–	–	–	–	4,702	–	–	–	4,702	1,247	5,949
Profit for the year	–	–	–	–	–	–	–	–	15,953	15,953	6,686	22,639
Total recognised income for the year	–	–	–	–	–	4,702	–	–	15,953	20,655	7,933	28,588
Capital Reduction *(Note)*	–	(939,273)	–	965	–	–	–	–	938,308	–	–	–
Issue of new shares	33,200	66,400	–	–	–	–	–	–	–	99,600	–	99,600
Transaction costs attributable to issue of new shares	–	(694)	–	(965)	–	–	–	–	–	(1,659)	–	(1,659)
Issue of shares upon exercise of share options	440	1,439	–	–	–	–	–	(729)	–	1,150	–	1,150
Share option forfeited	–	–	–	–	–	–	–	(916)	916	–	–	–
Dividend paid to minority shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	(11,956)	(11,956)
At 31 December 2006	202,350	67,145	402	–	–	6,638	565	7,066	88,646	372,812	28,243	401,055
Exchange realignment	–	–	–	–	–	3,218	–	–	–	3,218	1,793	5,011
Share of changes in equity in a jointly controlled entity recognised directly in equity	–	–	–	–	–	5,616	–	–	–	5,616	–	5,616
Share of changes in equity in an associate recognised directly in equity	–	–	–	–	–	644	–	–	–	644	–	644
Net income recognised directly in equity	–	–	–	–	–	9,478	–	–	–	9,478	1,793	11,271
Release and transfer upon disposal of subsidiaries	–	–	–	–	–	(1,556)	(565)	–	877	(1,244)	–	(1,244)
Release upon acquisition of additional interests in a subsidiary	–	–	–	–	–	–	–	–	–	–	(28,799)	(28,799)
Deemed contribution from substantial shareholder	–	–	–	–	2,814	–	–	–	–	2,814	–	2,814
Profit for the year	–	–	–	–	–	–	–	–	35,945	35,945	834	36,779

	Attributable to shareholders of the Company											
	Share capital HK$'000	Share premium HK$'000	Capital re-demption reserve HK$'000	Special capital reserve HK$'000 (Note 1)	Capital reserve HK$'000 (Note 2)	Exchange reserve HK$'000	Legal surplus HK$'000	Share options reserve HK$'000	Accumul-ated (losses) profits HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
Total recognised income and expense for the year	–	–	–	–	2,814	7,922	(565)	–	36,822	46,993	(26,172)	20,821
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	24,420	24,420
Release upon disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	(26,491)	(26,491)
Rights issue of shares	60,706	139,622	–	–	–	–	–	–	–	200,328	–	200,328
Capitalisation of share issue expenses	–	(6,738)	–	–	–	–	–	–	–	(6,738)	–	(6,738)
Issue of shares upon exercise of share options	4,146	12,067	–	–	–	–	–	(6,054)	–	10,159	–	10,159
At 31 December 2007	267,202	212,096	402	–	2,814	14,560	–	1,012	125,468	623,554	–	623,554

Notes:

1. 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 loss 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 purpose 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. During the year ended 31 December 2006, the Special Capital Reserve is applied to set off with the transaction cost attributable to the issue of new shares.

2. Capital reserve represented the deemed contribution from a substantial shareholder of the Company arising from acquisition of a subsidiary, 洛陽城南, from a subsidiary of the substantial shareholder of the Company.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Cash flows from operating activities			
Profit before taxation		45,888	40,063
Adjustments for:			
Interest income		(5,029)	(2,889)
Interest expense		1,296	1,210
Gain on disposal of subsidiaries	36	(51,727)	–
Share of results of associates		697	(1)
Share of results of a jointly controlled entity		1,475	728
Loss on disposal of property, plant and equipment		–	4,811
Depreciation of property, plant and equipment		1,871	3,524
(Increase) decrease in fair value of an investment property		(1,460)	1,782
Allowance for property held for sale		8,283	–
Impairment loss recognised in respect of property, plant and equipment		–	7,840
Gain on waiver of secured other loan and interest		–	(14,842)
Operating cash flows before working capital changes		1,294	42,226
Increase in inventories		(1,882)	(655)
Increase in properties under development		(765)	–
Decrease in properties held for sale		7,547	179,747
(Increase) decrease in trade and other receivables		(10,630)	17,409
Increase in bills receivable		(4,035)	(856)
Increase (decrease) in trade and other payables		7,004	(37,778)
Increase (decrease) in deposits received on sale of properties		10,355	(188,380)
Cash flows from operations		8,888	11,713
Hong Kong Profits Tax refunded		–	284
PRC Enterprise Income Tax paid		(14,993)	–
Net cash (used in) from operating activities		(6,105)	11,997

	Notes	2007 HK$'000	2006 HK$'000
Cash flows from investing activities			
Acquisition of investment in a jointly controlled entity		–	(26,594)
Acquisition of subsidiaries	35	(39,725)	–
Acquisition of additional interest in a subsidiary		(17,808)	–
Capital contribution to a jointly controlled entity		–	(71,580)
Disposal of subsidiaries	36	44,090	–
Increase in restricted bank balance		–	(4,200)
Repayment from related companies		–	775
Proceeds from disposals of property, plant and equipment		–	6,097
Purchases of property, plant and equipment		(1,632)	(1,244)
Advance to associates		(9,724)	–
Purchase of an investment property		(436)	–
Repayment of amount due from an associate		8,731	12,475
Decrease (increase) in amount due from a minority shareholder of a subsidiary		1,416	(57)
Interest received		5,029	2,889
Net cash used in investing activities		(10,059)	(81,439)
Cash flows from financing activities			
Dividend paid to a minority shareholder of a subsidiary		–	(11,956)
Proceeds from right issue	31(b)	200,328	–
Issue of new shares		–	99,600
Share issue expenses paid		(6,738)	(1,659)
Issue of shares upon exercise of share options		10,159	1,150
Repayment of loan from a related company		(4,953)	(15,000)
Increase in amounts due to related companies		3,705	–
Repayment of bank loan		(9,000)	–
Interest paid		(1,296)	(140)
Net cash from financing activities		192,205	71,995
Net increase in cash and cash equivalents		176,041	2,553
Cash and cash equivalents at beginning of year		118,539	115,058
Effect of foreign exchange rate changes		4,046	928
Cash and cash equivalents at end of year, representing bank balances and cash		298,626	118,539

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007

1. GENERAL

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

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

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

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Company and its subsidiaries (collectively referred to as the "Group") have applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2007. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) - INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) - INT 8	Scope of HKFRS 2
HK(IFRIC) - INT 9	Reassessment of embedded derivatives
HK(IFRIC) - INT 10	Interim financial reporting and impairment

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

HKAS 1 (Revised)	Presentation of financial statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKFRS 8	Operating segments[1]
HK(IFRIC) - INT 11	HKFRS 2: Group and treasury share transactions[2]
HK(IFRIC) - INT 12	Service concession arrangements[3]
HK(IFRIC) - INT 13	Customer loyalty programmes[4]
HK(IFRIC) - INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction[3]

1 Effective for annual periods beginning on or after 1 January 2009.
2 Effective for annual periods beginning on or after 1 March 2007.
3 Effective for annual periods beginning on or after 1 January 2008.
4 Effective for annual periods beginning on or after 1 July 2008.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

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

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

Revenue recognition

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

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

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.

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

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

Service income is recognised when services are provided.

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

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

Investment properties

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Property, plant and equipment

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is determined as the difference between the disposal proceeds and the carrying amount of the item and is included in the consolidated 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.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on an acquisition of a business represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, 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. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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

Investment in a jointly controlled entity

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

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the 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.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entity recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. An impairment loss identified is recognised and is allocated first to goodwill.

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

Non-current assets held for sale

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Properties held for sales

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

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

Impairment of assets other than goodwill

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 any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are 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 (cash-generating unit) 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. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other 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 recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable 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 exchange 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, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. 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 are also 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, 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 (exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Operating leases

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

The Group as lessor

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

The Group as lessee

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

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 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.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including restricted bank balance, trade and other receivables, bank balances, bills receivable, amount due from an associate/related companies) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of financial assets

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

The objective evidence of impairment could include:

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

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

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of 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.

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 other financial liabilities which are subsequently carried at amortised cost. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, amount due to a minority shareholder/ related companies and other 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.

Derecognition

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

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

Retirement benefits costs

Payments to the defined contribution retirement benefits schemes are charged as expenses when employees have rendered service entitling them to the contributions.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees of the share options schemes

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

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

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

4. FINANCIAL INSTRUMENTS

Capital risk management

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

The capital structure of the Group consists of debt, which includes the borrowings, cash and cash equivalents and equity attributable to equity holders of the Company comprising issued share capital, reserves and accumulated profits.

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

Categories of financial instruments

	2007	**2006**
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	467,583	289,150
Financial liabilities		
Amortised costs	78,277	101,316

Financial risk management objectives and policies

The Group's major financial instruments include restricted bank balance, trade and other receivables, bank balances, bills receivable, amounts due from associates/related companies, trade and other payables, amounts due to a minority shareholder/related companies and other loans. 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.

Currency risk

The functional currency of the Company and its major subsidiaries in Hong Kong is HK$, the currency in which most of the transactions are denominated. The functional currency of those subsidiaries operating in PRC is RMB, the currency in which most of their transactions are denominated. The Company and its subsidiaries do not have significant assets and liabilities denominated in currencies other than their functional currencies. Accordingly, the Group does not have significant foreign currency exposure.

Interest rate risk

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

The following table details the Group's sensitivity to a reasonably possible change of 50 basis points in interest rate and the reasonably possible change taking place at the beginning of each year and held constant throughout the year while all other variables are held constant.

	Year ended 31 December	
	2007	**2006**
	HK$'000	*HK$'000*
Increase (decrease) in profit for the year		
– as a result of increase in interest rate	1,514	608
– as a result of decrease in interest rate	(1,514)	(608)

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, bills receivables and amounts due from associates/related companies. The maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has reviewed the recoverable amount of each individual trade debt, amounts due from associates and related companies at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are mainly banks with high credit-ratings or with good reputation.

The Group has no significant concentration of credit risk with exposure spread over a number of counterparties and customers except that the Group has an amount of HK$139,874,000 due from an associate. However, the management of the Group has closely monitored and reviewed the recoverability of the amount and the directors of the Company consider such risk is significantly reduced.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Liquidity table

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

	Less than 1 month	**3 months to 1 year**	**Total undiscounted cash flows**	**Carrying amount at 31.12.2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
31.12.2007				
Trade and other payables	42,387	7,632	50,019	50,019
Amounts due to related companies	17,084	–	17,084	17,084
Amount due to a minority shareholder of a subsidiary	3,978	–	3,978	3,978
Other loans	7,196	–	7,196	7,196
	70,645	7,632	78,277	78,277

	Less than 1 month	**Total undiscounted cash flows**	**Carrying amount at 31.12.2006**
	HK$'000	*HK$'000*	*HK$'000*
31.12.2006			
Trade and other payables	81,142	81,142	81,142
Amount due to a minority shareholder of a subsidiary	3,978	3,978	3,978
Other loans	16,196	16,196	16,196
	101,316	101,316	101,316

Fair value of financial instruments

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

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

5. 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 year, the Group discontinued its business of trade and manufacture of cement (see note 9). Accordingly, the businesses of trade and manufacture of cement is classified as discontinued operations. During the year ended 31 December 2006, the Group discontinued its trade of goods business. Segment information about the Group's businesses is presented as below:

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

	Continuing operations		Discontinued operations	
	Property investment	Property development	Trade and manufacture of cement	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2007				
Balance sheet				
Assets				
Segment assets	85,567	142,776	–	228,343
Interests in associates				191,197
Interest in a jointly controlled entity				103,881
Unallocated corporate assets				211,868
Consolidated total assets				735,289
Liabilities				
Segment liabilities	(7,186)	(38,700)	–	(45,886)
Unallocated corporate liabilities				(65,849)
Consolidated total liabilities				(111,735)

	Continuing operations				Discontinued operations			
	Property investment	Property development	Corporate	Total	Trade and manufacture of cement	Trade of goods	Total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2006								
Turnover								
Segment turnover	125	247,138		247,263	44,151	–	44,151	291,414
Result								
Segment result	(787)	54,539		53,752	(15,617)	(13)	(15,630)	38,122
Share of results of associates				1			–	1
Share of results of a jointly controlled entity				(728)			–	(728)
Unallocated other income				6,241			14,849	21,090
Unallocated corporate expenses				(17,210)			(2)	(17,212)
Finance costs				(140)			(1,070)	(1,210)
Profit (loss) before taxation				41,916			(1,853)	40,063
Taxation				(17,424)			–	(17,424)
Profit (loss) for the year				24,492			(1,853)	22,639
Other information								
Additions of property, plant and equipment	–	78	955	1,033	211	–	211	1,244
Impairment loss on property, plant and equipment	–	–	–	–	(7,840)	–	(7,840)	(7,840)
Depreciation of property, plant and equipment	–	(104)	(278)	(382)	(3,142)	–	(3,142)	(3,524)
Decrease in fair value of investment properties	(1,782)	–	–	(1,782)	–	–	–	(1,782)
Loss on disposal of property, plant and equipment	–	–	(766)	(766)	(4,045)	–	(4,045)	(4,811)

	Continuing operations		Discontinued operations		
	Property investment	Property development	Trade and manufacture of cement	Trade of goods	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2006					
Balance sheet					
Assets					
Segment assets	45,309	122,140	50,483	546	218,478
Interests in associates					148,869
Interest in a jointly controlled entity					99,740
Unallocated corporate assets					62,672
Consolidated total assets					529,759
Liabilities					
Segment liabilities	(7,069)	(41,171)	(26,721)	(11)	(74,972)
Unallocated corporate liabilities					(53,732)
Consolidated total liabilities					(128,704)

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 (including the discontinued operations), irrespective of the origin of the goods:

	Turnover by geographical market	
	2007	**2006**
	HK$'000	*HK$'000*
Mainland China	52,819	291,414

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:

	2007	**2006**
	HK$'000	*HK$'000*
Carrying amount of segment assets		
Mainland China	228,343	217,932
Hong Kong	–	546
	228,343	218,478
Additions to property, plant and equipment		
Mainland China	2,807	289
Hong Kong	29	955
	2,836	1,244

6. OTHER INCOME

	2007 *HK$'000*	2006 *HK$'000*
Gain on securities trading	8,197	1,486
Interest from bank deposits	4,571	2,882
Interest income from an associate	458	–
Overprovision in a legal claim in prior years	–	1,028
Exchange gain	3,684	1,874
Consultancy and service income	3,580	–
Others	609	1,853
	21,099	9,123

7. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	1,296	140	–	1,070	1,296	1,210

8. TAXATION

Hong Kong Profits Tax is provided at 17.5% (2006: 17.5%) on the estimated assessable profits for the year. PRC Enterprise Income Tax is provided at 33% (2006: 33%) on the estimated assessable profits for the year.

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The taxation charge comprises:						
Current tax:						
PRC Enterprise Income Tax	8,763	19,465	–	–	8,763	19,465
PRC land appreciation tax *(Note a)*	3,384	–	–	–	3,384	–
	12,147	19,465	–	–	12,147	19,465
Overprovision in prior years:						
Hong Kong	–	(284)	–	–	–	(284)
PRC	(3,294)	–	–	–	(3,294)	–
	(3,294)	(284)	–	–	(3,294)	(284)
	8,853	19,181	–	–	8,853	19,181
Deferred taxation *(note 29)*						
– Current year charge (credit)	327	(1,757)	–	–	327	(1,757)
– Attributable to change of PRC Enterprise income tax rate *(Note b)*	(71)	–	–	–	(71)	–
	256	(1,757)	–	–	256	(1,757)
Taxation charge for the year	9,109	17,424	–	–	9,109	17,424

Notes:

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

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

A statement of reconciliation of taxation is as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Profit before taxation		
Continuing operations	13,877	41,916
Discontinued operations	32,011	(1,853)
	45,888	40,063
Domestic tax at the PRC Enterprise Income Tax rate of 33% (2006: 33%)	15,143	13,221
Tax effect of share of loss of associates and a jointly controlled entity	(717)	–
Tax effect of expenses not deductible for tax purposes	5,329	5,585
Tax effect of income not taxable for tax purposes	(11,927)	(1,518)
Tax effect of tax losses not recognised	4,419	5,460
Tax effect of utilisation of tax losses previously not recognised	(3,157)	(5,040)
Decrease in opening deferred tax liability resulting from a decrease in applicable tax rate	(71)	–
Overprovision in prior years	(3,294)	(284)
	5,725	17,424
Land appreciation tax	3,384	–
	9,109	17,424

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

9. DISCONTINUED OPERATIONS

Discontinued trade of goods business

In 2006, the directors of the Company decided to cease the trade of goods business. The operating result was therefore classified as discontinued operations.

The impact of cash flows of the trade of goods business to the Group is insignificant for both years.

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

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

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

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

	Period ended 20.6.2007	**Year ended 31.12.2006**
	HK$'000	*HK$'000*
Turnover	27,454	44,151
Cost of sales	(24,621)	(41,913)
Other income	247	1,003
Gain on waiver of secured other loan and interests *(note 28)*	–	14,842
Selling expenses	(560)	(1,051)
Administrative expenses	(2,512)	(17,815)
Finance costs	–	(1,070)
Profit (loss) for the period/year	8	(1,853)
Gain on disposal of trade and manufacture of cement	32,003	–
	32,011	(1,853)
Attributable to:		
Shareholders of the Company	32,154	(2,390)
Minority interests	(143)	537
	32,011	(1,853)
Cash flows for the year from discontinued operations		
Net cash flows from operating activities	(1,150)	(4,670)
Net cash flows from investing activities	274	5,699
Net cash flows from financing activities	–	–
Effect of foreign exchange rate changes	35	(228)
Net cash flows	(841)	801

The assets and liabilities attributable to the trade and manufacture of cement business, which were disposed of on 20 June 2007, have been classified as assets held for sale and liabilities associated with assets classified as held for sales and are presented separately in the consolidated balance sheet as at 31 December 2006. The carrying amounts of the major classes of assets and liabilities as at 31 December 2006, which have been presented separately in the consolidated balance sheet, are as follows:

	31.12.2007	**31.12.2006**
	HK$'000	*HK$'000*
Property, plant and equipment	–	35,103
Inventories	–	5,191
Trade and other receivables	–	6,606
Bills receivable	–	1,000
Amount due from a minority shareholder	–	1,416
Bank balances and cash	–	1,167
Assets classified as held for sale	–	50,483
Trade and other payables	–	(26,721)
Secured other loan	–	(9,000)
Liabilities associated with assets classified as held for sale	–	(35,721)
Net assets classified as held for sale	–	14,762

10. PROFIT FOR THE YEAR

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit for the year is arrived at after charging:						
Auditors' remuneration						
Current year	2,400	1,530	–	–	2,400	1,530
Overprovision in prior years	–	(28)	–	–	–	(28)
	2,400	1,502	–	–	2,400	1,502
Allowance for properties held for sale (included in cost of sales)	8,283	–	–	–	8,283	–
Depreciation of property, plant and equipment	824	382	1,047	3,142	1,871	3,524
Impairment loss on property, plant and equipment (included in administrative expenses)	–	–	–	7,840	–	7,840
Loss on disposal of property, plant and equipment	–	766	–	4,045	–	4,811
Minimum lease payments in respect of rented premises	2,859	2,108	47	74	2,906	2,182
Contributions to retirement benefits schemes (including directors' emoluments)	332	250	237	777	569	1,027
Other staff costs (including directors' emoluments)	9,276	8,024	2,124	3,120	11,400	11,144
Cost of inventories recognised as an expense	19,771	185,444	24,621	41,913	44,392	227,357
and after crediting:						
Gross rental income from investment properties, net of negligible outgoings	1,868	912	106	309	1,974	1,221
Interest income	5,029	2,882	3	7	5,032	2,889
Gain on waiver of secured other loan and interest *(note 28)*	–	–	–	14,842	–	14,842

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 10 (2006: 10) directors were as follows:

2007

	Zhang Guotong *HK'000*	Wu Chun Wah, Michael (resigned on 10.2.2006) *HK$'000*	Wang Hongxin *HK$'000*	Xu Zhen *HK$'000*	Ma Zhengwu *HK$'000*	Gu Laiyun *HK$'000*	Hong Shuikun *HK$'000*	Kwong Chekeung *HK$'000*	Tsui Yiuwa *HK$'000*	Lao Youan *HK$'000*	Ba Shusong *HK$'000*	Total 2007 *HK$'000*
Fee and other emoluments	1,051	–	745	240	360	240	240	360	360	240	178	4,014
Contributions to retirement benefits schemes	41	–	25	–	–	–	–	–	–	–	–	66
Total emoluments	1,092	–	770	240	360	240	240	360	360	240	178	4,080

2006

	Zhang Guotong *HK'000*	Wu Chun Wah, Michael (resigned on 10.2.2006) *HK$'000*	Wang Hongxin *HK$'000*	Xu Zhen *HK$'000*	Ma Zhengwu *HK$'000*	Gu Laiyun *HK$'000*	Hong Shuikun *HK$'000*	Kwong Chekeung *HK$'000*	Tsui Yiuwa *HK$'000*	Lao Youan *HK$'000*	Ba Shusong *HK$'000*	Total 2007 *HK$'000*
Fee and other emoluments	940	283	630	240	360	507	240	360	360	240	–	4,160
Contributions to retirement benefits schemes	35	11	20	–	–	–	–	–	–	–	–	66
Total emoluments	975	294	650	240	360	507	240	360	360	240	–	4,226

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2006: two) were directors of the Company whose emoluments are included in (a) above. The emoluments of the remaining three (2006: three) individuals were as follows:

	2007 *HK$'000*	**2006** *HK$'000*
Salaries and other benefits	1,897	2,062
Contributions to retirement benefits schemes	95	103
	1,992	2,165

Emoluments of each of the highest paid individuals were within the following band:

	2007 Number of employees	**2006 Number of employees**
Nil to HK$1,000,000	3	3

During the years ended 31 December 2007 and 2006, no remunerations were paid by the Group to the directors or the three highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the year.

12. EARNINGS PER SHARE

From continuing and discontinued operations

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

	2007	2006
	HK$'000	*HK$'000*
Profit for the year and earnings for the purposes of basic and diluted earnings per share	35,945	15,953

	Number of shares	
	2007	2006
		(restated)
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,588,625,956	2,188,014,203
Effect of dilutive potential ordinary shares in respect of share options	31,227,828	11,574,651
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,619,853,784	2,199,588,854

The weighted average number of ordinary shares for the purpose of earnings per share calculation has been adjusted for the rights issue of the Company completed in April 2007 (note 31(b)).

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations is based on the following data:

Earnings figures are calculated as follows:

	2007	2006
	HK$'000	*HK$'000*
Profit for the year attributable to shareholders of the Company and earnings for the purposes of basic and diluted earnings per share	35,945	15,953
Less: (Profit) loss for the year attributable to shareholders of the Company from discontinued operations	(32,154)	2,390
Profit for the year attributable to shareholders of the Company and earnings for the purposes of basic and diluted earnings per share from continuing operations	3,791	18,343

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

From discontinued operations

Basic and diluted earnings per share for discontinued operations for the year are HK1.24 cent per share and HK1.23 cent per share respectively (2006: HK0.11 cent per share for basic loss per share and HK0.10 per share for diluted loss per share).

13. RETIREMENT BENEFITS SCHEMES

The Group participates in a defined contribution retirement benefits scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. All employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were required to switch to the MPF Scheme, whereas all new Hong Kong employees joining the Group after December 2000 are required to join the MPF Scheme. The Group contributes 5% of relevant payroll costs with limit of HK$12,000 for each employee to the MPF Scheme, which contribution is matched by employees.

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

During the year ended 31 December 2007, contributions totalling of HK$569,000 (2006: HK$1,027,000) were paid by the Group.

14. PROPERTY, PLANT AND EQUIPMENT

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	Buildings	Plant and machinery	Furniture and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST					
At 1 January 2006	87,379	90,190	13,400	3,581	194,550
Currency realignment	2,512	2,899	33	88	5,532
Additions	196	15	1,033	–	1,244
Disposals	(53,289)	(46,965)	(1,534)	(1,087)	(102,875)
Reclassified as held for sale	(36,798)	(46,139)	(681)	(1,314)	(84,932)
At 31 December 2006	–	–	12,251	1,268	13,519
Currency realignment	–	–	53	21	74
Acquired on acquisition of subsidiaries	–	–	1,024	180	1,204
Additions	–	–	837	720	1,557
Disposal of a subsidiary	–	–	(38)	(135)	(173)
At 31 December 2007	–	–	14,127	2,054	16,181
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2006	43,418	80,394	11,920	3,168	138,900
Currency realignment	1,014	2,533	24	76	3,647
Provided for the year	1,289	1,625	411	199	3,524
Eliminated on disposals	(44,686)	(45,458)	(742)	(1,081)	(91,967)
Impairment loss recognised in income statement	4,390	3,450	–	–	7,840
Reclassified as held for sale	(5,425)	(42,544)	(558)	(1,302)	(49,829)
At 31 December 2006	–	–	11,055	1,060	12,115
Currency realignment	–	–	13	10	23
Provided for the year	–	–	730	94	824
Eliminated on disposal of a subsidiary	–	–	(6)	(7)	(13)
At 31 December 2007	–	–	11,792	1,157	12,949
NET BOOK VALUES					
At 31 December 2007	–	–	2,335	897	3,232
At 31 December 2006	–	–	1,196	208	1,404

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

Building	1.67% to 3.6%
Plant and machinery	5% to 20%
Furniture and equipment	10% to 33%
Motor vehicles	12.5% to 33%

In 2006, plant and machinery of the Group amounting to HK$3,595,000 has been pledged as securities.

In 2006, the directors of the Company conducted a review of certain of the Group's 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 HK$4,390,000 and HK$3,450,000 respectively have been recognised in respect of buildings and plant and machinery.

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	Furniture and equipment *HK$'000*
COST	
At 1 January 2006	353
Additions	934
Disposals	(353)
At 31 December 2006	934
Additions	29
Disposals	–
At 31 December 2007	963
ACCUMULATED DEPRECIATION	
At 1 January 2006	292
Provided for the year	65
Disposals	(305)
At 31 December 2006	52
Provided for the year	321
Disposals	–
At 31 December 2007	373
NET BOOK VALUES	
At 31 December 2007	590
At 31 December 2006	882

15. INVESTMENT PROPERTIES

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
FAIR VALUE		
At beginning of year	45,000	86,400
Addition from acquisition of a subsidiary *(Note)*	32,844	–
Addition	436	–
Transfer of investment properties	–	(41,490)
Increase (decrease) in fair value	1,460	(1,782)
Currency realignment	4,000	1,872
At end of year	83,740	45,000

Note: During the year, the Group acquired investment properties whose fair value amounted to HK$32,844,000 as at 8 June 2007 through acquisition of 100% equity interest in a property holding company, 洛陽城南中儲物流有限公司 ("洛陽城南") (formerly known as 洛陽關林中儲物流中心) by Zhongshi Investment Company Limited ("Zhongshi") (see note 35).

The carrying amount of investment properties shown above comprises:

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Land outside Hong Kong held under medium-term lease	83,740	45,000

The fair value of the Group's investment properties at 31 December 2006 was 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 Surveyors, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

The fair values of the Group's investment properties at 31 December 2007 and of the investment properties acquired as at 8 June 2007 were arrived at on the basis of a valuation carried out on that date by B.I. Appraisals Limited, independent qualified professional valuers not connected with the Group. B.I. Appraisals Limited is member of the Hong Kong Institute of Surveyors, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by using depreciated replacement cost approach which is based on an estimate of the market value for the existing use of the land in the property, and the costs to reproduce or replace in new conditions the buildings and structures being valued in accordance with current construction costs for similar buildings and structures in the locality, with allowance for accrued depreciation as evidenced by observed condition or obsolescence present, whether arising from physical, functional or economic causes.

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.

16. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2007	**2006**
	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 at 31 December 2007 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
Key Asset Limited	Hong Kong	100 ordinary shares of HK$1 each	100	Investment holding
Merry World Associates Limited	British Virgin Islands ("BVI")/ PRC	1 ordinary share of US$1	100	Property investment
Indirectly held:				
Boxhill Limited	BVI/Hong Kong	1 ordinary share of US$1	100	Investment holding
China Chengtong Properties Group Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100	Investment holding
Great Royal International Limited	Hong Kong	100 ordinary shares of HK$1 each	100	Investment holding
Price Sales Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100	Investment holding
中實投資有限責任公司* Zhongshi Investment Company Limited ("Zhongshi")	PRC	RMB80,000,000	100**	Properties development
洛陽城南**	PRC	RMB26,680,000	100	Property investment

* The subsidiary was established in the PRC as a sino-foreign equity joint venture enterprise. On 27 March 2007, the Group entered into a conditional agreement with the minority shareholder of Zhongshi to acquire the remaining 30% equity interest in Zhongshi through its wholly owned subsidiary, China Chengtong Properties Group Limited, at a consideration of RMB24,000,000 (equivalent to HK$25,440,000). The transaction was completed in December 2007.

** A limited liability company established in the PRC.

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

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

17. INTERESTS IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Cost of investment in associates	61,261	12,185
Share of post acquisition losses	(12,618)	(11,921)
Share of post acquisition reserves	644	–
	49,287	264
Unrealised gain on disposal of subsidiaries to an associate *(note 36)*	(7,688)	–
	41,599	264
Non-current asset		
Amount due from an associate *(Note a)*	140,960	149,691
Less: Allowance for doubtful receivables	(1,086)	(1,086)
	139,874	148,605
Current asset		
Amounts due from associates *(Note b)*	9,724	–

Notes:

(a) The amount due from an associate is unsecured, interest-free and has no fixed terms of repayment. The directors of the Company expected the amount will be settled after more than one year from the date of balance sheet and accordingly the amount is classified as non-current.

(b) Included in HK$9,724,000 is amount due from an associate of HK$9,050,000 which carries interest at 7% per annum and is repayable by 31 March 2008. The remaining amounts are interest-free and have no fixed terms of repayment. The amounts due from associates are unsecured.

The directors of the Company closely monitor the credit quality of amounts due from associates and consider that the amounts that are neither past due nor impaired to be of a good credit quality.

As at 31 December 2007 and 31 December 2006, the Company had an amount due from an associate of the Group of HK$517,000 which was unsecured, interest-free and had no fixed terms of repayment.

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

Name of company	Place of incorporation and registration/ operation	Equity interest owned by the Group %	Principal activities
Goodwill (Overseas) Limited (“Goodwill”)	BVI/Hong Kong	32	Investment holding
Success Project Investments Ltd.	BVI/Hong Kong	35	Investment holding
CIMPOR Chengtong	Hong Kong	20	Investment holding
Sea Land	Hong Kong	20	Investment holding
Suzhou Nanda*#	PRC	14.2	Trade and manufacture of cement
山東榴園新型水泥發展有限公司# (“Shandong Liuyuan”)	PRC	19.2	Trade and manufacture of cement

* CIMPOR Chengtong holds 71.03% interest in Suzhou Nanda through Sea-Land.

\# A limited liability company established in the PRC, CIMPOR Chengtong holds 96% interest in Shandong Liuyuan.

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

	THE GROUP 2007	THE GROUP 2006
	HK$'000	*HK$'000*
Total assets	1,191,241	458,424
Total liabilities	(921,261)	(461,083)
Minority interest	(27,527)	–
	242,453	(2,659)
Group's share of associates' net assets	49,287	264
Unrealised gain on disposal of subsidiaries to an associate *(note 36)*	(7,688)	–
	41,599	264
Revenue	263,664	–
(Loss) profit for the year attributable to equity holders of the associates	(3,484)	3
Group's share of (loss) profit of associates for the year	(697)	1

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

	2007	2006
	HK$'000	*HK$'000*
Unrecognised share of losses of associate for the year	5	5
Accumulated unrecognised share of losses of associate	3,804	3,799

18. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP 2007	THE GROUP 2006
	HK$'000	*HK$'000*
Cost of investment in a jointly controlled entity	98,174	98,174
Share of post acquisition losses	(2,203)	(728)
Share of post acquisition reserves	7,910	2,294
	103,881	99,740

The principal investment in jointly controlled entity at 31 December 2007 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).

At 31 December 2007, the aggregate amount of assets, liabilities, income and expenses recognised in the consolidated financial statements in relation to interest in the jointly controlled entity which is accounted for using equity method is set out below:

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Non-current assets	519	32
Current assets	389,856	138,727
Non-current liabilities	(106,000)	–
Current liabilities	(185,388)	(43,913)
Income	279	57
Expenses	(1,754)	(785)
Group's share of result of the jointly controlled entity	(1,475)	(728)

19. RESTRICTED BANK BALANCE

Pursuant to the order of the High Court of the Hong Kong Special Administrative Region dated 20 June 2006 confirming the cancellation of the entire sum standing to the credit of the share premium account of the Company as at 31 December 2004 and set off with the accumulated loss of the Company as at 31 December 2004 (the "Capital Reduction") which became effective on 21 June 2006 (the "Effective Date"), a sum of HK$4,200,000 ("Trust Fund") was deposited on 20 June 2006 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 Creditors shall give its consent to the Capital Reduction subsequent to the Effective Date, the amount of the Trust Fund shall be reduced by the relevant Pre-Capital Reduction Claims from the said Non-consenting Creditors(s) and the Trustee shall be at liberty to transfer the amount of any such reduction(s) to the other bank accounts of the Company and the same shall become available for working capital or any other general uses of the Company; (c) the Trustee shall maintain to the credit of the Trust Account a cash balance of not less than the aggregate Pre-Capital Reduction Claims from the remaining Non-consenting Creditors outstanding at any time whilst the Trust Account remains operated; (d) the Company and the Trustee shall maintain the Trust Account for a period of six years from the Effective Date unless it is terminated earlier upon the happening of any of the following events, i.e., (aa) all the Pre-Capital Reduction Claims shall have been paid, satisfied, settled or otherwise extinguished; (bb) the remaining Non-consenting Creditors shall subsequently give their consents to the Capital Reduction; (cc) any period of limitation in respect of the remaining Pre-Capital Reduction Claims shall have expired; or (dd) such earlier date as the High Court shall direct upon application by the Company.

Restricted bank balance carries interest at market rate which ranged from 1.72% to 2.68% per annum.

20. INVENTORIES

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Raw materials	–	3,120
Finished goods	–	2,071
	–	5,191
Classified as assets held for sale *(see note 9)*	–	(5,191)
	–	–

21. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Trade receivables	3,176	3,207
Other receivables	2,207	1,378
Prepayments and deposits	2,576	3,184
Total trade and other receivables	7,959	7,769

The Group allows an average credit period of 30 days to its trade customers. The following is an aged analysis of trade receivables at the reporting date:

	2007	**2006**
	HK$'000	*HK$'000*
Within one month	90	–
One to two years	85	–
Over three years	3,001	3,207
	3,176	3,207

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$3,086,000 (2006: HK$3,207,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2007	**2006**
	HK$'000	*HK$'000*
One to two years	85	–
Over three years	3,001	3,207
	3,086	3,207

The Group has not provided fully for all receivables over 365 days as the directors are of the view that such receivables are fully recoverable.

22. AMOUNTS DUE FROM RELATED COMPANIES

	THE GROUP		
	2007	**2006**	**Maximum amount outstanding during the year**
	HK$'000	*HK$'000*	*HK$'000*
Name of related companies			
中國物資開發投資總公司	4,134	3,900	4,134
Nardu Company Limited	177	177	177
Panyu Lucky Rich Real-Estates Development Limited	430	430	430
	4,741	4,507	

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, a holding company of a substantial shareholder of the Company. Nardu Company Limited and Panyu Lucky Rich Real-Estates Development Limited are subsidiaries of China Chengtong Hong Kong Company Limited, a substantial shareholder of the Company.

23. BANK BALANCES AND CASH

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

Bank balances carry interest at market rates which range from 0.1% to 3.24% per annum.

Bank balances and cash amounting to HK$69,661,000 (2006: HK$66,370,000) were denominated in Renminbi ("RMB") which is not a freely convertible currency in the international market. The RMB exchange rate is determined by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

24. TRADE AND OTHER PAYABLES

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Trade payables	14,804	30,103
Other payables and accruals	40,021	29,367
	54,825	59,470

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

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Two to three years	7,149	22,448
Over three years	7,655	7,655
	14,804	30,103

25. AMOUNTS DUE TO RELATED COMPANIES

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

26. AMOUNT DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amount due to a minority interest is unsecured, interest-free and repayable on demand.

27. UNSECURED 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 (2006: HK$3,600,000) which carried interest at 0.05% per day on a compound basis.

28. SECURED OTHER LOAN

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Secured other loan due within one year	–	9,000
Classified as liabilities associated with assets classified as held for sale *(see note 9)*	–	(9,000)
	–	–

The secured other loan represented the loan from 中國信達資產管理公司 ("Xinda") to the Group's 71.03% owned subsidiary, Suzhou Nanda. Pursuant to the debt restructuring agreement signed between Xinda and Suzhou Nanda on 31 December 2006, Xinda agreed to irrevocably restructure the loan to RMB9,000,000 (equivalent to HK$9,000,000) (the "Restructured Amount"). The amount of HK$14,842,000, being the difference of the original principal amount of HK$17,616,000 plus the accrued loan interest of HK$6,226,000 and the Restructured Amount, is recognised in the consolidated income statement. The Restructured Amount was fully settled by the Group on 14 February 2007.

29. DEFERRED TAXATION

The Group

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

	Revaluation of properties
	HK$'000
At 1 January 2006	5,694
Credit to income for the year	(1,757)
At 31 December 2006 and 1 January 2007	3,937
Charge to expense for the year *(note 8)*	327
Effect of change of PRC Enterprise Income tax rate *(note 8)*	(71)
Exchange difference	544
At 31 December 2007	4,737

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

	THE GROUP	
	2007	**2006**
	HK$'000	
Tax losses	(114,148)	(119,605)
Impairment losses and allowance made on assets	(8,283)	(67,130)
	(122,431)	(186,735)

No deferred tax asset has been recognised due to unpredictability of future profit streams. At 31 December 2007, all tax losses may be carried forward indefinitely. At 31 December 2006, included in unrecognised tax losses are loss of approximately HK$9,283,000 which would be expired in 2010. The subsidiary with such tax losses has been disposed of during the year.

The Company

At 31 December 2007, the Company has unused tax losses of HK$80,191,000 (2006: HK$67,773,000) 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.

30. AMOUNTS DUE FROM/TO SUBSIDIARIES

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

The directors of the Company expected the amount due from subsidiaries of HK$131,440,000 (2006: HK$144,873,000) will be settled after more than one year from the balance sheet date and accordingly the amount is classified as non-current.

31. SHARE CAPITAL

	2007 Number of shares *'000*	2007 Amount *HK$'000*	2006 Number of shares *'000*	2006 Amount *HK$'000*
Ordinary shares of HK$0.10 each				
Authorised:				
At 1 January 2006, 31 December 2006 and 31 December 2007	5,000,000	500,000	5,000,000	500,000
Issued and fully paid:				
At 1 January	2,023,505	202,350	1,687,105	168,710
Issue of new shares *(Note a)*	–	–	332,000	33,200
Exercise of share options	41,464	4,146	4,400	440
Rights issue *(Note b)*	607,051	60,706	–	–
At 31 December	2,672,020	267,202	2,023,505	202,350

Notes:

(a) On 8 August 2006, the Company, a 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 then total issued share capital of the Company (the "Placing") and the Substantial Shareholder shall subscribe for 332,000,000 new shares of the Company (the "Subscription Shares") after the Placing being 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 and rank pari passu with other shares in issue in all respect. The completion of Placing and Subscription took place on 11 August 2006 and 18 August 2006, respectively.

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

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

32. SHARE OPTIONS SCHEME

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

Details of the Scheme are as follows:

(i) Purpose

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

(ii) Participants

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

(iii) Maximum number of shares

(a) 30% limit

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

(b) 10% limit

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

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

(iv) Maximum entitlement of each participant

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

(v) Price of shares

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

(vi) Amount payable upon acceptance of the option

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

(vii) Exercisable periods

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

(viii) Vesting periods

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

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

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

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

(ix) The remaining life of the Scheme

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

(x) Shares available for issue under the Scheme

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

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

	Date of grant	Exercisable period	Exercise price *HK$*	Adjusted exercise price *HK$* *(Note)*	Outstanding at 1.1.2006	Lapsed during the year	Exercised during the year	Outstanding during 1.1.2007	Adjusted during the year *(Note)*	Exercised during the year	Outstanding at 31.12.2007	Number of underlying shares
Directors	8.3.2004	9.3.2005 to 8.3.2008	0.364	0.3012	3,300,000	(600,000)	–	2,700,000	3,263,378	(2,900,780)	362,598	362,598
	8.3.2004	9.3.2006 to 8.3.2009	0.364	0.3012	3,300,000	(600,000)	–	2,700,000	3,263,378	(2,900,780)	362,598	362,598
	28.9.2004	29.9.2005 to 28.9.2008	0.245	0.2027	8,000,000	(3,000,000)	–	5,000,000	6,043,292	(3,625,975)	2,417,317	2,417,317
Other employees	8.3.2004	9.3.2005 to 8.3.2008	0.364	0.3012	6,125,000	(500,000)	(300,000)	5,325,000	6,436,107	(6,073,509)	362,598	362,598
	8.3.2004	9.3.2006 to 8.3.2009	0.364	0.3012	6,125,000	(500,000)	(300,000)	5,325,000	6,436,107	(5,948,313)	487,794	487,794
	28.9.2004	29.9.2005 to 28.9.2008	0.245	0.2027	23,050,000	–	(3,800,000)	19,250,000	23,266,680	(20,014,729)	3,251,951	3,251,951
Total					49,900,000	(5,200,000)	(4,400,000)	40,300,000	48,708,942	(41,464,086)	7,244,856	7,244,856
Weighted average exercise price per share					0.2900	0.2953	0.2612	0.2924	0.2924	0.2962	0.2709	0.2709
Adjusted weighted average exercise price per share *(Note)*					0.2399	0.2444	0.2161	0.2419	0.2419	0.2450	0.2241	0.2241

Number of share options exercisable at 31 December 2007 was 7,244,856 (2006: 40,300,000).

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

Number of options exercised			
Option 1	**Option 2**	**Exercise date**	**Share price at exercise date** *HK$*
–	2,800,000	21.5.2007	2.16
–	200,000	11.6.2007	2.60
–	500,000	12.6.2007	2.56
1,208,646	1,908,664	28.8.2007	2.18
362,598	404,329	29.8.2007	2.14
181,298	1,208,658	30.8.2007	2.25
362,598	6,449,786	3.9.2007	2.16
725,196	2,180,000	6.9.2007	1.92
2,412,988	1,625,975	17.9.2007	1.91
1,450,392	–	24.9.2007	1.58
2,779,916	–	27.9.2007	1.66
2,175,588	–	2.10.2007	1.57
1,087,794	–	8.10.2007	1.51
1,087,794	–	11.10.2007	1.54
1,450,390	2,000,000	16.10.2007	1.36
–	2,000,000	17.10.2007	1.33
725,196	917,317	18.10.2007	1.20
1,812,988	1,445,975	13.12.2007	1.74
17,823,382	23,640,704		

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

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

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

Note: Pursuant to the terms of Share Option Scheme, the exercise price and number of shares that can be subscribed for under the Scheme are adjusted upon the completion of the right issue of the Company on 12 April 2007 (note 31(b)).

33. RESERVES

Details of changes in reserves of the Group are set out in the consolidated statement of changes in equity on pages 32 and 33.

THE COMPANY

	Share premium	**Capital redemption reserve**	**Special capital reserve**	**Share options reserve**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006	939,273	402	–	8,711	(942,941)	5,445
Net loss for the year	–	–	–	–	(23,049)	(23,049)
Capital Reduction	(939,273)	–	965	–	938,308	–
Issue of new shares	66,400	–	–	–	–	66,400
Transaction costs attributable to issue of new shares	(694)	–	(965)	–	–	(1,659)
Issue of shares upon exercise of share options	1,439	–	–	(729)	–	710
Share option forfeited	–	–	–	(916)	916	–
At 31 December 2006 and 1 January 2007	67,145	402	–	7,066	(26,766)	47,847
Net loss for the year	–	–	–	–	(14,402)	(14,402)
Rights issue of shares	139,622	–	–	–	–	139,622
Capitalisation share issue expenses	(6,738)	–	–	–	–	(6,738)
Issue of shares upon exercise of share options	12,067	–	–	(6,054)	–	6,013
At 31 December 2007	212,096	402	–	1,012	(41,168)	172,342

34. COMMITMENTS

(a) Operating lease commitments as leasee

At 31 December 2007, 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	
	2007	**2006**
	HK$'000	*HK$'000*
Within one year	2,513	1,993
In the second to fourth years	1,990	3,371
	4,503	5,364

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.

(b) Operating leases commitments as lessor

At 31 December 2007, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Within one year	1,391	544
In the second to fifth years inclusive	1,653	802
More than five years	–	700
	3,044	2,046

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.

35. ACQUISITION OF SUBSIDIARIES

On 8 June 2007, the Group acquired the entire equity interest in 洛陽城南 and 52% equity interest in 西安富祥房地產開發有限公司 ("西安富祥") through its then 70% owned subsidiary, Zhongshi, from related parties (see note 37(c)) at consideration of RMB26,680,000 (equivalent to approximately HK$27,030,000) and RMB25,600,000 (equivalent to approximately HK$25,600,000) respectively. The principal asset of 洛陽城南 comprises an investment property situated in the PRC of fair value HK$32,844,000 while that of 西安富祥 comprises property under development situated in the PRC of fair value of HK$77,971,000. The fair value of property under development of 西安富祥 was arrived at on the basis of valuations carried out by independent qualified professional valuers by reference to market evidence of transaction prices for similar properties while that of the investment property of 洛陽城南 was arrived at on the basis of valuations carried out by the same valuer using the depreciated replacement cost approach which is based on an estimate of the market value for the existing use of the land in the property, and the costs to reproduce or replace in new conditions the buildings and structures being valued in accordance with current construction costs for similar buildings and structures in the locality, with allowance for accrued depreciation as evidenced by observed condition or obsolescence present, whether arising from physical, functional or economic causes. The acquisitions have been accounted for as acquisitions of assets.

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

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

36. DISPOSAL OF SUBSIDIARIES

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

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

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

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

37. RELATED PARTY TRANSACTIONS

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

Name of related parties	Nature of transactions	2007	2006
		HK$'000	*HK$000*
Associates:			
CIMPOR Chengtong	Consultancy and service income	3,580	–
Suzhou Nanda *(Note)*	Interest income	458	–
Minority shareholder of a subsidiary:			
Beijing Xinghe Dongli Investment Management Co. Limited 北京興合動力投資管理有限公司 ("Beijing Xinghe")	Interest income	–	18

Note: During the year, the Group granted two short term loans amounting to HK$9,050,000 and RMB8,000,000 (equivalent to approximately HK$8,480,000) respectively to Suzhou Nanda Cement Company Limited ("Suzhou Nanda"), an associate of the Group.

The loan of HK$9,050,000 is unsecured, bears interest at 7% per annum and is repayable by 31 March 2008. The interest is revised to 7.47% since 1 January 2008. No repayment of the principal of HK$9,050,000 and interest in the amount of HK$578,000 was noted up to year ended 31 December 2007.

The loan of RMB8,000,000 (equivalent to approximately HK$8,480,000) is unsecured, bears interest at 7% per annum and is repayable by 30 June 2007. The principal with interest in the amount of RMB307,000 (equivalent to approximately HK$316,000) has been repaid before 31 December 2007.

Suzhou Nanda is an associate of the Group since 20 June 2007 and the total interest for the period from 20 June 2007 to 31 December 2007 amounting to HK$458,000.

(b) On 27 March 2007, the Group entered into a conditional agreement with the minority shareholder of Zhongshi, Beijing Xinghe to acquire the remaining 30% equity interest in Zhongshi through its wholly owned subsidiary, China Chengtong Properties Group Limited, at a consideration RMB24,000,000. The transaction was completed on 31 December 2007 and up till 31 December 2007, a total amount of RMB7,200,000 (equivalent to approximately HK$7,632,000) is due by the Group to Beijing Xinghe.

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

(d) Balance with related parties at respective balance sheet dates are set out in the consolidated balance sheet/balance sheet and notes 17, 22 and 25 thereto.

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

	2007	2006
	HK$'000	*HK$'000*
Short-term employee benefits	4,014	4,160
Post-employment benefits	66	66
	4,080	4,226

(f) Details of the issue of shares to the Substantial Shareholder are disclosed in note 32.

38. MAJOR NON-CASH TRANSACTION

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

MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP

Management discussion and analysis for the year ended 31 December 2005

A. Financial Results

For the year ended 31 December 2005, the Group's audited consolidated loss before minority interests was HK$46 million (the corresponding period: profit of HK$100 million). Loss per share was HK$2.7 cents. The Group's turnover was HK$254 million, 20% higher than the corresponding period as sales revenue from one of the Group's major business, a Beijing residential project, was partially recognized, and gross profit also increased to HK$11 million compared to HK$1 million in the corresponding period. In the meantime, affected by the continue recession of cement industry in the PRC, our strategic investment Suzhou Nanda recorded a decrease in turnover and an HK$24 million impairment loss on plant and equipment as some of its production facilities were terminated.

During the year, the Group continued to implement strict financial and cost control measures to control total administrative and operating expense.

B. Business Review

1. Property Development

The Group acquired a 70% interest of a residential development project located in Beijing from CCHC in 2004 and has become the Group's key business driver in 2005. The project construction was completed on schedule in October 2005. Taking the opportunity of an increasing commercial residential market price and a decrease in transaction volume in Beijing, the Group sold all residential units of the project during the period and has delivered the properties to most of the buyers in first quarter of 2006 according to the terms of sales agreement. Most of the project's revenue and profit will be recognized in 2006.

2. Property Investments

Through recovering of a non-performing debt, the Group acquired its wholly-owned subsidiary, Merry World Associates Limited ("Merry World"), in 2003 which owns Property A and Property C of Level 3 of Li Wan Plaza, No. 9 Dexing Lu, Li Wan District, Guangzhou City, Guangdong, the PRC ("Property A" and "Property C" respectively). Merry World entered into property right litigations in 2004 and 2005 and amid an unfavorable litigation position, Merry World entered into two settlement agreements with Guangzhou Sui Nan Building Development Limited ("the Plaintiff") on 1 March 2006, where the Plaintiff and Merry World will each hold the title and right of receipt of Property A and Property C respectively. The entering into the settlement agreements enables the Group to retain Property C despite the dismissed appeal. Management of the Group has already made a provision of HK$33 million on this legal claim in year 2004 and a further HK$9 million provision was made this year. After entering into the settlement agreements, Property C is expected to contribute positive cash flow to the Group in 2006.

In January 2006, the Group through a wholly owned subsidiary has entered into a disposal agreement pursuant to which the Group has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire shareholding and the shareholder's loan of Price Sales Limited, a wholly owned subsidiary of the Company which owned an indirect investment interest in a Grade A office building located in Shanghai for US$24.7 million (equivalent to approximately HK$193 million). The Group's current asset will increase substantially after completion of the disposal agreement.

3. Strategic Investments

During the period, affected by an overall unfavorable cement industry in Mainland China, Suzhou Nanda has recorded a turnover of HK$46 million (the corresponding period: HK$82 million) and an operating loss of approximately HK$6 million. Suzhou Nanda also recorded a one time charge of impairment loss on property, plant and equipment due to termination of certain production facilities. The management of Suzhou Nanda has implemented a series of measures to control cost including substantial reduction of headcount and management's salary to minimize loss. Suzhou Nanda's operation has recently improved as the cement market of the PRC was stabilized.

4. Trading Business

Trading business recorded a turnover of HK$93 million. Since trading business only contributed to the Group minimal operating profit, to cope with the Group's strategic changes, general trading business was temporarily ceased starting in 2006 in order to concentrate our resources on core business.

5. Financial Position

During the year financial position of the Group continued to improve as result of a strong sales progress of the Beijing residential project, the Group's stringent financial management as well as conservative and reasonable cash management. Both net current assets and liquidity improved compare to 2004. As at 31 December 2005, the Group had net current assets of HK$149 million (31 December 2004: HK$96 million) and cash and bank balance of HK$115 million (31 December 2004: HK$86 million). The Group will continue to employ conservative and sound financial planning, ensuring a solid financial position to support future growth of the Company.

C. Prospects

During the year, the Group's property development business initiated a good start by completing its residential property development project in Beijing. The Group expected that demand for commercial and residential development and logistics property in Mainland China will continue to grow driven by a continue and rapid increase in residence income and urbanization process. This demand will bring enormous business opportunity to the Group's future development.

CCHC, the Group's ultimate controlling shareholder is the largest integrated warehousing logistics service enterprise in Mainland China, and has been selected by SASAC of the State Council as the pilot state-owned asset operating company, which will assume significant role in the restructuring of pillar state-owned enterprises. During the period SASAC has assigned a few factories from a few pillar state-owned enterprises to CCHC for manage their assets. Under this circumstance, the Group will take advantage of CCHC's asset management and warehousing logistics resources, and continue to dispose non-core business asset in order to concentrate our resource to fully expand property and land resources development business.

D. Pledge of Assets

As at 31 December 2005, the Group's plant and machinery with aggregate carrying value of approximately HK$9 million and no property under development has been pledged as securities for the Group's borrowing and banking facilities.

E. Gearing Ratio

As at 31 December 2005, the Group's gearing ratio calculated on the basis of total bank loans, loans from minority interests and other loans of approximately HK$44 million and total assets of approximately HK$694 million was 0.06.

F. Liquidity and Capital Resources

At 31 December 2005, the Group had current assets and current liabilities of HK$552 million and HK$403 million respectively (31 December 2004: HK$291 million and HK$195 million respectively). The Group had cash and bank balances amounting to HK$115 million as at 31 December 2005 (31 December 2004: HK$86 million).

At 31 December 2005, the Group had no bank borrowings secured on certain properties owned by the Group. (31 December 2004: HK$111 million) The Group had unsecure – other loans of HK$7 million (31 December 2004: HK$7 million). The bank loans together with other loans of approximately HK$4 million are carrying interest at commercial rates while the remaining other loans are unsecured and interest free. The maturity profile of bank borrowings were nil for current year (31 December 2004: HK$17 million falling within one year, HK$94 million falling between two to five years).

The Company has not issued any additional share during the year ended 31 December 2005 (the corresponding period: nil).

G. Treasury Policy

The business activities of the Group were funded by bank borrowings, secured loans and cash generated from operating activities. The Group considers that fluctuations in exchange rates and market prices do not impose a significant risk to the Group since the level of foreign currency exposure is relatively immaterial as compared with its total assets value or outstanding debts.

H. Human Resources

At 31 December 2005, the Group employed a total of 203 employees, of which 14 were based in Hong Kong and 189 in the PRC. Employee's remunerations are determined in accordance with nature of their duties and remain competitive under current market trend.

I. Dividend

The Board does not recommend any payment of final dividend for the year ended 31 December 2005 (nine months ended 31 December 2004: nil).

Management discussion and analysis for the year ended 31 December 2006

A. Financial Results

The Group recorded a turnover of approximately HK$247 million for the year ended 31 December 2006, an increase of 117% as compared to that for the year ended 31 December 2005. The increase was mainly resulted from the sale revenue of the property development project in Beijing, the PRC of Zhongshi Investment Company Limited ("Zhongshi"), its subsidiary.

The Group recorded a net profit attributable to shareholders of approximately HK$16 million for the year ended 31 December 2006 as compared to a net loss of approximately HK$46 million for the year ended 31 December 2005. It should be noted that the loss for the year ended 31 December 2005 included a provision for legal claim of approximately HK$8.7 million and impairment loss on property, plant and equipment of Suzhou Nanda Cement Company Limited 蘇洲南達水泥有限公司 ("Suzhou Nanda") of approximately HK$23.8 million.

B. Business Review

The Company achieved good progress in all business segments in 2006. For development of principal business, it made an investment in the Huzhou Project in Zhejiang Province and acquired a commodity residential development project in Xian to enhance its property development capacity in 2007. In particular, the acquisition of Luoyang Guanlin Zhongchu Logistics Centre 洛陽關林中儲物流中心 ("Luoyang PRC Company") is the Group's first attempt to participate in the land reserve development businesses of China Chengtong Holdings Group Limited ("CCHG"), its ultimate controlling shareholder. On the other hand, the Group lined up with a leading international cement enterprise with the aim of restructuring its cement assets in Suzhou Nanda. The move should be beneficial to the Group such that it can concentrate in the business of land resource development and property development while continuing to enjoy the growth of the cement industry in the PRC.

In order to strengthen its capital base, the Company had completed a private placement and undergone a capital reduction during the year. In addition, it has been proceeding with a right issue exercise since early 2007. The initiatives should help to improve the quality in the Group's capital and to raise fund for the development of its principal business.

1. *Property Development*

1) Zhongshi

Zhongshi, the Group's 70% owned subsidiary, is principally engaged in property development. Zhongshi is the developer of a residential/commercial development project known as City of Mergence located at Nos. 9 and 11, Baiwanzhuang Dajie, Xicheng District, Beijing, the PRC ("City of Mergence"). For the year ended 31 December 2006, the Group recorded a turnover and pre-tax profit from the sale of units and car-parking space of the City of Mergence amounting to approximately HK$247 million and HK$55.6 million respectively. In comparison, the Group recorded turnover and pre-tax profit of approximately HK$114 million and HK$8.20 million respectively from this project for the year ended 31 December 2005.

On 27 March 2007, the Group entered into a conditional acquisition agreement with a minority shareholder of Zhongshi regarding the acquisition of 30% interests in Zhongshi. Zhongshi will become a wholly owned subsidiary by the Group following completion of the acquisition of 30% interests in Zhongshi. The management believes that the move will enable the Group to leverage on the property investment platform of Zhongshi in order to speed up the expansion of the Group's property development business in the PRC.

2) Huzhou Land Company

In June 2006, the Group acquired 50% indirect interest in a sino-foreign equity joint venture ("Huzhou Land Company") established in the PRC which is solely engaged in the development of a property development project with site area of approximately 214,000 square metres and gross floor area of 320,000 square metres located at the Huzhou City of the Zhejiang Province of the PRC through the acquisition of Great Royal International Limited at a consideration of RMB27.5 million. Before acquisition, the capital contribution made by Great Royal International Limited towards the registered capital of Huzhou Land Company amounted to approximately RMB22.5 million. After the acquisition and up to 31 December 2006, the Group has already made the remaining capital contribution of Great Royal International Limited of approximately RMB73.2 million towards the registered capital of Huzhou Land Company. Currently, the stage of completion has reached 70% and the construction work is expected to be completed by the end of 2007.

3) Acquisitions of Xian and Luoyang PRC Companies

To further enhance the Group's property development business in the PRC the Group had through Zhongshi entered into two agreements for the acquisitions of 52% of the equity interest in the Xian Fuxiang Real Estate Development Limited 西安富祥房地產開發有限公司 ("Xian PRC Company") at a consideration of RMB25.6 million and the entire equity interest in the Luoyang PRC Company at a consideration of RMB26.7 million respectively from two subsidiaries of CCHG.

The Xian PRC Company is in the course of developing a commodity residential development project located at Xian City, Shanxi Province of the PRC with site area of approximately 79,000 square metres.

Luoyang PRC Company owns a piece of allocated land together with the buildings erected thereon with site area of 80,000 square metres located at Luoyang City, Henan Province of the PRC. The land is currently used for industrial use but it has been zoned into the new commercial development area by the local government. Application can be made to Luoyang's local government for a change of its use from industrial to commercial.

In the event that the independent shareholders' approval to the each of above acquisitions is not obtained at the forthcoming extraordinary general meeting of the Company to be held and convene approving the acquisitions, the interests in the Xian PRC Company and the Luoyang PRC Company acquired by the Group will be repurchased by the relevant vendors.

Further details on the above acquisitions could be found in the announcement made by the Company dated 22 March 2007.

2. *Property Investments*

1) Li Wan Plaza

During the year under review, the Group entered into two settlement agreements with Guangzhou Sui Nan Building Development Limited 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, Li Wan Plaza, No. 9 Dexing Lu, Li Wan District, Guangzhou City, Guangdong Province, the PRC. The entering into of the two settlements agreements enables the Group to retain retail area of 5,370 square metres in Property C. It started to contribute rental income to the Group since September 2006.

2) 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. Price Sales Limited owns 32% interest in Goodwill (Overseas) Limited. The disposal has terminated, the reason for that has already announced. Other than the non-recognition of the gain on the disposal of approximately HK$31.6 million previously expected to have had upon completion of the disposal, it is expected that the termination of the disposal will not have a material adverse financial and operational impact on the Group. Goodwill (Overseas) Limited contributed a net cash income of approximately HK$12 million to the Group in 2006.

3. Strategic Investments

Suzhou Nanda, a subsidiary that the Group held 71.03% interest and principally engaged in trading and production of cement, had turnover of approximately HK$44 million for the year ended 31 December 2006, representing a decrease of 5% from that in 2005. Loss for the year was approximately HK$1.8 million, whereas a loss of approximately HK$31.5 million was recorded in 2005.

On 12 October 2006, the Group entered into a subscription and shareholders' agreement ("Subscription Agreement") with Cimpor Inversiones SA ("Cimpor") for the establishment of a joint venture company which will act as the vehicle for the furtherance of the sale and production of cement and related ancillary business. The investment of the Group's 20% interest in the joint venture company was made by the transferring Sea-Land Mining Limited, which in turn holds 71.03% interest in the registered capital of Suzhou Nanda. In addition, the joint venture company has entered into an agreement to acquire the 60% equity interest in a company engages in clinker and cement production and related businesses in Shandong province of the PRC in October 2006. The approvals necessary for the acquisition under the agreement are in the course of obtaining the approval from the government of Shandong Province and the procedure is expected to be completed prior to 30 June 2007.

As Suzhou Nanda locates in rural area in Suzhou, it lacks the ability of producing clinker, and as cement production is not the core business of the Group, it is necessary for the Group to identify a partner to reorganize Suzhou Nanda. Cimpor - Cimentos de Portugal, SGPS, S.A. is the holding company of Cimpor, and is a renowned cement enterprise rank No. 9 in the world. Leveraging on its ability in cement investment and export business worldwide, and also its advanced cement production technology and high management standard, the joint venture will continue to identify acquisition target in cement industry in PRC. The above action can enhance the Group's profitability in the strategy investment in cement industry.

C. Rights Issue

On 9 January 2007, the Board announced that the Company proposed to raise approximately HK$200.3 million before expenses by issuing not less than 607,051,490 shares and to raise not more than approximately HK$203.3 million before expenses by issuing not more than 616,021,490 shares by way of rights at the subscription price of HK$0.33 per share on the basis of three rights shares for every ten existing shares in issue on the record date (i.e. 19 March 2007). The resolutions have been passed in the extraordinary meeting of the Company held on 19 March 2007. The commencement of dealings in fully paid shares issued pursuant to the rights issue is expected to be on 18 April 2007.

The Group intends to use the net proceeds from the rights issue as to approximately 20% for general working capital of the Group and approximately 80% for future property development in Hong Kong and the PRC. The Board believed that raising further equity by means of rights issue would allow the Company to strengthen its capital base and provide an opportunity to the shareholders to participate in the growth of the Group.

D. Outlook

The principal activities of the Group are property development, development of land resources, and strategic investment. The Group will continue to focus on these principal activities and identify new investment opportunities which are beneficial to the Group and our shareholders. The Group's property development and land development business initiated a good start in 2005 and 2006.

As growth in the PRC economy will remain robust in future, the value of Renminbi is expected to keep appreciate, and the trend of household's spending power continues to strengthen, the Group considers that it is safe to predict that the value of land resources in the PRC will keep enhancing and the growth potential in value is substantial. The Group's ultimate controlling shareholder CCHG is the largest integrated warehousing logistics service enterprise in the PRC, and is one of the two asset operating companies under the State-owned Assets Supervision and Administration Commission of the State Council. CCHG has the largest land reserve for logistic usage in PRC, and at the same time, it can keep obtaining new land resources through assuming the responsibility of assets management in State-owned enterprises. As such, besides finding suitable investment opportunity in Mainland China, the Group is now studying on integrating CCHG's assets management business, to determine whether it is feasible of including the land for industrial usage on the commercial development lot as a major investment acquisition target, so as to accelerate the growth of the land reserve and property development scale of the Group.

E. Pledge of assets

As at 31 December 2006, the Group's plant and machinery with aggregate carrying value of approximately HK$3.6 million was pledged as securities for the Group's borrowing facilities.

F. Gearing ratio

As at 31 December 2006, the Group's gearing ratio calculated on the basis of total bank loans, loans from minority interests and other loans of approximately HK$20 million and total assets of approximately HK$530 million, was 0.04 (31 December 2005: 0.06).

G. Liquidity and Capital Resources

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

At 31 December 2006, the Group had cash and bank balances amounting to HK$122 million (31 December 2005: HK$115 million), and current assets and current liabilities of HK$235 million and HK$125 million respectively (31 December 2005: HK$552 million and HK$403 million respectively). Out of the cash and bank balances of HK$122 million at 31 December 2006, a sum of HK$4.2 million was deposited in a new and segregated bank deposit account which sum is held on trust for those creditors of the Company who have not given their consents to the capital reduction of the Company as at its effective date.

At 31 December 2006 and 31 December 2005, the Group's secured borrowings amounted to approximately HK$9 million and HK$17.6 million respectively, which is repayable within one year with interest at commercial rate and were secured by the Group's plant and machinery with aggregate carrying value of approximately HK$3.6 million (31 December 2005: HK$9 million). At 31 December 2006, the secured loan together with other loan of approximately HK$4 million are carrying interest at commercial rate while all the other loans due by the Group are unsecured and interest free. The Group anticipates that it has adequate financial resources to meet its obligations for the coming year.

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

The Company had issued 336.4 million shares ranking pari passu with existing shares during the year ended 31 December 2006 (31 December 2005: nil).

H. Foreign Exchange Risk Management

The business activities and operation of the Group are mainly in Hong Kong and Mainland China, with revenue and expenditure denominated in Hong Kong dollars and Renminbi. The Group considers that fluctuations in exchange rates do not impose a significant risk to the Group since the level of foreign currency exposure is relatively immaterial as compared with its total assets value or outstanding debts.

I. Employees and Remuneration Policies

At 31 December 2006, the Group employed a total of 214 employees, of which 12 were based in Hong Kong and 202 were based in Mainland China. Employee's remunerations are determined in accordance with nature of their duties and remain competitive under current market trend.

The Company has a share option scheme under which the Company may grant options to eligible employees to subscribe for shares in the Company. Particulars of the scheme are to be set out in the note 34 to the consolidated financial statement.

Management discussion and analysis on the Group for the year ended 31 December 2007

A. Financial Results

The Group stepped into expansion of business segments and scale in 2007. Following the successful completion of reorganization and strategic transformation over the past few years, the Group capitalized on the assets strength upon the reorganization, expanded the assets and invested in the new opportunities with a view to achieving a future growth during the year under review. The Group completed a rights issue to raise fund of approximately HK$200 million for general working capital and future investment opportunities. The Group's current financial position is healthy and has a low debt-equity ratio, strong balance sheet and assets of high liquidity. The equity attributable to shareholders of the Group increased to approximately HK$620 million as at 31 December 2007 from approximately HK$370 million as at 31 December 2006.

The Group recorded a net profit attributable to shareholders of approximately HK$36 million for the year ended 31 December 2007, representing a significant increase of approximately HK$20 million or 125% as compared to that for the year ended 31 December 2006. The increase was mainly attributable to gain on disposals arising from the disposal of 100% interests in Sea-Land Mining Limited ("Sea-Land Mining") and 52% interests in 西安富祥房地產開發有限公司 (unofficial English name, Xian Fuxiang Real Estate Development Limited), ("Xian Fuxiang") held by the Group respectively, and the Group's effective use of the working capital to achieve a short-term steady financing income.

Turnover from the Group's continuing operation for the year ended 31 December 2007 was approximately HK$25 million, representing a significant decrease of approximately 90% as compared to that for the year ended 31 December 2006. The turnover of the Group for both these two years comprised mainly of the sale revenue of the property development project known as City of Mergence ("Beijing City of Mergence") in Beijing, the People's Republic of China (the "PRC").

B. Business Review

The Group achieved good progress in its primary business segments along the intended strategies in 2007. The successful completion of the acquisition of a commodity residential development project in Xian, Shaanxi province and the acquisition of a piece of industrial land in Luoyang, Henan province from China Chengtong Holdings Group Limited ("CCHG"), the ultimate controlling shareholder of the Company, started to bring profits to the Group. It became a well start for its participating in the asset and business reorganization of CCHG. The main construction of Huzhou project has already been completed in 2007 on schedule. The reorganization of cement asset has already been fully completed and resulted in an expansion of production capacity. Meanwhile, the Group is actively looking for new projects for the preparation for future growth.

To strengthen its capital base, the Group completed a rights issue to raise fund of approximately HK$200 million in order to strengthen the foundation for the continuing sound and stable development of the Company.

1. Property Development

1) Huzhou Property Development Project

In 2006, the Group acquired 50% indirect interest in a residential and commodity development project with site area of approximately 214,000 square metres and gross floor area of 320,000 square metres. Its main construction has already been completed in late 2007. That project will be acquired by Huzhou municipal government at the negotiated price, and delivered for use within the year of 2008, which is expected to contribute profit to the Group in the year of 2008 and 2009.

2) Xian

In 2007, the Group acquired 52% of the equity interest in the Xian Fuxiang at a consideration of RMB25.6 million from a subsidiary of CCHG, while Xian Fuxiang was in the course of developing a commodity property project. In the second half of 2007, while that project was still in the course of development, its market value has significantly increased. The Board believed that disposal of that project would be its best choice based on the assessment of the development prospect and profit estimation of the project. In October 2007, the disposal of such 52% interest to an independent third party at a consideration representing approximately 70% premium over its cost was completed. Such disposal contributed a profit before tax of approximately HK$19.7 million to the Group.

3) Beijing

At 31 December 2007, all of the residential units, 127 car parks and the commercial units of approximately 942 square metres of Beijing City of Mergence had been sold. In 2007, the Group acquired the remaining 30% equity interest in Zhongshi Investment Company Limited ("Zhongshi") ("Zhongshi Acquisition"), gaining the full control of the management structure of Zhongshi, and providing more flexibility for any future investment and financing arrangement of Zhongshi. The Group completed the acquisition of Xian project and Luoyang project through Zhongshi in 2007.

2. *Property Investment*

1) Guangzhou

In September 2006, the commercial unit of the Group with approximately 5,370 square meters which is situated in Zone C, Level 3, Li Wan Plaza, Li Wan District, Guangzhou City, the PRC has started to contribute profit for the Group. In May 2007, the Group entered into a new leasing agreement in respect of the renewal with the original tenant, with an increase of approximately 34% in monthly rental. In 2007, it contributed rental income of approximately RMB1.03 million to the Group.

2) Price Sales Limited

Price Sales Limited, the wholly-owned subsidiary of the Group, owns 32% interest in Goodwill (Overseas) Limited, its associated company. In 2007, Goodwill (Overseas) Limited continued to share in the rental income from East Ocean Centre Phase 2 located in Shanghai. East Ocean Centre Phase 2 continued to maintain its high occupancy rate, with an annual rental income of approximately RMB56 million for 2007.

3. *Land Resource Exploitation*

Luoyang

The Group acquired a piece of land together with the warehouse complex erected thereon with site area of approximately 80,000 square metres located at Luoyang City of the PRC from CCHG in 2007. The land has been zoned into commercial development area. The Group has an intention of making application for a change of its use from industrial to commercial in view of future market environment, resources as well as relevant laws and regulations. The land and its logistic assets as a whole are currently leased to a partner for logistic centre use.

4. *Strategic Investment*

Cement

In the first half of 2007, the Group lined up with CIMPOR-Cimentos de Portugal, SGPS, S.A., which is an international leading cement group listed on the Euronext exchange in Lisbon, to reorganize its cement business. After the reorganization, the Group transferred its entire interest in Sea-Land Mining to Cimpor Chengtong Cement Corporation Limited (the "Joint Venture"), and accordingly held 20% equity interest in the Joint Venture. At present, the Joint Venture mainly controls two domestic cement production companies in Shandong province and Suzhou province. During the year under review, the consolidated loss attributable to shareholders of the Joint Venture was approximately HK$3.49 million after deducting its consolidated financial expenses HK$20.79 million. By using the equity method of accounting, the Group shared its attributable loss to shareholders approximately

HK$700,000. In order to improve asset liability structure of the domestic companies and to reduce financial expense, the Joint Venture planned to increase capital investment in the domestic companies. During the year under review, the Joint Venture has completed an increase of capital of RMB270 million in Shandong company, and its equity interest in Shandong company increased to 96% from 60%.

In 2008, the Joint Venture will invest about RMB600 million through the Shandong company. A new NSP cement clinker production line with an output of 5,000 tons per day in Shandong, and a cement grinding plant with an annual output of 1,000,000 tons in Huaian of Jiangshu province will be newly established. Besides, the Remaining Heat Power Generation Project which consists of two cement clinker production lines with an output of 2,500 tons per day will be invested in Shandong company headquarters. Meanwhile, it plans to increase capital investment in Suzhou company, and intends to look for appropriate mergers and acquisition targets in the Yangtze River Delta economic developed region include Jiangshu, Zhejiang and other regions.

C. Outlook

1. Macro Economic Environment

In 2007, the America Subprime Crisis led global fluctuation in financial market, and increase in prices of petroleum and agricultural products gave rise to inflation all over the World. As growth in the PRC economy will remain robust in future, the GDP increased by approximately 11.4 %, whilst the CPI also rose 4.8% over the same period of last year. The real estate investment amount increased by 30.2%, and the average housing price in 70 large and medium-sized cities in PRC increased by 7.6%. Under the background of scientific development concept, to prevent inflation and economic overheating become the main objective of the nation's macro-control. The China's Central Bank has raised interest rate and increased the deposit reserve ratio for many times, and further put forward real estate and land macro-control policies in 2007. It is expected that the overall price growth in China's real estate market will slow down, RMB will continuously appreciate in a faster pace and the increase of land price will be more steady in 2008.

2. Background information of the shareholder

The Group's ultimate controlling shareholder CCHG is one of the central enterprises under the State-Owned Assets Supervision and Administration Commission of the State Council ("SASAC"). SASAC will expedite the reform and reorganization of the central enterprises in 2008, and will decrease the numbers of the central enterprises from currently 150 to 80-100 in 2010. In the past two years, as one of the operational benches of the SASAC, CCHG combined China Huandao Group Co. and China Record Corporation and took over 8 enterprises of China Potevio Group. Moreover, SASAC injected RMB1.5 billion to CCHG to support its assets operation development. CCHG acts its special function in the structure adjustment of the central enterprises.

The principal activities of the Group are property investment and development, land resource exploitation and strategy investment. We believe that the Group's property investment and development adopted a flexible cooperation developing strategy, the fluctuation of the macro-environment and the macro-control by the State may not affect the normal development of the relevant business of Group, on the contrary, it may provide the Group with certain opportunities for acquisition. In respect of land resource exploitation, the Group made the industry land which to be included in the commercial development land in the future as a major acquisition targets. As the sole company listed outside Mainland China of CCHG, the Group will try its best to seize the opportunities brought by the large scale of economies through its assets expansion. In 2007, it emphasized particularly on reviewing and demonstrating partial lands quitted from logistics development by CCHG and some industry lands which had been taken over from those centralized enterprises as potential acquisition objects. Due to the effect of the macro-factor, it completed the acquisition of Luoyang Project in 2007 and continuous progress in the land resource development is expected in 2008. Currently, the cement business is the major strategy investment business of the Group, and in 2008, the Group will jointly accelerate the cement investment and merger in the Eastern China with the cement group of Portugal. The Group believed that the reorganization of the cement business completed in 2007 was our successful strategy investment mode, it perfectly incarnated the commercial value which came from the Group's ability in both domestic resources integration and the business operation in international industrial groups. Besides, it also gave us the experience to take the advantage of the background of the CCHG, which acts as a bench of the assets operation in central enterprises, in identifying other strategic investment opportunities in the future.

The Board is confident of the Group's future development prospect.

D. Gearing Ratio

As at 31 December 2007, the Group's gearing ratio calculated on the basis of loan from minority interests and other loans of approximately HK$11 million and total assets of approximately HK$735 million, was 0.02 (31 December 2006: 0.04).

E. Liquidity and Capital Resources

The Group's financial position remained healthy during the year ended 31 December 2007.

As at 31 December 2007, the Group had cash and bank balances amounting to approximately HK$303 million (31 December 2006: HK$122 million), and current assets and current liabilities of approximately HK$359 million and HK$107 million respectively (31 December 2006: HK$231 million and HK$125 million respectively). Out of the cash and bank balances of HK$303 million 31 December 2007, a sum of HK$4.2 million was deposited in a segregated bank deposit account which sum is held on trust for those creditors of the Company who have not given their consents to the capital reduction of the Company as at the effective date of 21 June 2006.

The amount due to a minority interest of approximately HK$4 million is unsecured, interest-free and repayable on demand. The other loans from third parties of approximately HK$7 million are unsecured, repayable on demand and interest-free, except for a loan of HK$3,600,000 which carried interest at fixed interest rate. The Group anticipates that it has adequate financial resources to meet its commitments and obligations for the coming year.

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

F. Foreign Exchange Risk Management

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

G. Human Resources

As at 31 December 2007, the Group employed a total of 30 employees, of which 12 were based in Hong Kong and 18 were based in the PRC. Employee's remunerations are determined in accordance with nature of their duties and remain competitive under current market trend.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group and Huzhou Land Company are principally engaged in property development. The Directors believe that the Capital Injection would increase the Group's stake in Huzhou Land Company and facilitate the Group's exploration of new investment opportunities in Zhejiang Province, the PRC in the future.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 December 2007, being the date to which the latest published audited accounts of the Group were made up.

INDEBTEDNESS

At the close of business on 31 March 2008, being the latest practicable date prior to the printing of this circular, the Enlarged Group had an outstanding bank loan of approximately HK$220,000,000, which was secured partly by corporate guarantees issued by 浙江雲廈集團有限公司(unofficial translation as Zhejiang Yunxia Group Limited), a minority joint venture owner of Huzhou Land Company, and partly by the land use right of the Huzhou Land Company included in properties under development with a carrying value of approximately HK$126,235,000 as at 31 March 2008. As at 31 March 2008, the Enlarged Group had unsecured other loans of HK$7,510,000; amounts due to related companies of HK$1,587,000; and an amount due to a minority joint venture owner of a subsidiary of HK$3,978,000.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, at the close of business on 31 March 2008 the Enlarged Group did not have 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.

WORKING CAPITAL

The Directors are of the opinion that, taking into account the internal resources and the banking facilities presently available to the Enlarged Group and the estimated net cash outflows relating to the Capital Injection, the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this circular.

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the independent reporting accountants, Deloitte Touche Tohmatsu. A copy of the following accountants' report is available for inspection.

Deloitte.
德勤

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香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

29 May 2008

The Board of Directors
China Chengtong Development Group Limited

Dear Sirs/Madam,

We set out below our report on the financial information (the "Financial Information") relating to 湖州萬港聯合置業有限公司 ("Huzhou Land Company") for the period from 2 December 2005 (date of establishment) to 31 December 2005 and each of the two years ended 31 December 2007 (the "Relevant Periods"), for inclusion in the shareholders' circular of China Chengtong Development Group Limited (the "Company") dated 29 May 2008 (the "Circular") in connection with the proposed capital injection to Huzhou Land Company. Upon completion of the capital injection in Huzhou Land Company, the Company's equity interest in Huzhou Land Company will be increased from 50.00% to 67.08%.

Huzhou Land Company is engaged in property development and was established in the People's Republic of China (the "PRC") on 2 December 2005.

The statutory financial statements of Huzhou Land Company for the two years ended 31 December 2006 and 2007 were prepared in accordance with the applicable accounting principles and financial regulations in the PRC (the "PRC GAAP") and were audited by 湖州滙豐聯合會計師事務所 (Huifeng United CPA Firms of Huzhou). The auditor is a firm of certified public accountants registered in the PRC. No audit has been performed on the financial statements of Huzhou Land Company prepared under the PRC GAAP for the period from 2 December 2005 (date of establishment) to 31 December 2005.

For the purpose of this report, the management of Huzhou Land Company has prepared financial statements of Huzhou Land Company for the Relevant Periods (the "Underlying Financial Statements") in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). We have carried out independent audit procedures for the Underlying Financial Statements for the Relevant Periods in accordance with the Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Underlying Financial Statements of Huzhou Land Company for the Relevant Periods in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The preparation of the Underlying Financial Statements is the responsibility of the directors of Huzhou Land Company. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibilities to compile the Financial Information set out in this report from the Underlying Financial Statements of Huzhou Land Company, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of Huzhou Land Company as at 31 December 2005, 2006 and 2007, and the results and cash flows of Huzhou Land Company for the period from 2 December 2005 (date of establishment) to 31 December 2005 and the two years ended 31 December 2006 and 2007.

I. FINANCIAL INFORMATION

Income statements

		Year ended 31 December		2 December 2005 to 31 December
		2007	2006	2005
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*
Turnover		–	–	–
Cost of sales		–	–	–
Gross profit		–	–	–
Other income	*6*	403	117	–
Administrative expenses		(3,468)	(1,740)	(63)
Finance costs	*7*	–	–	–
Loss before taxation		(3,065)	(1,623)	(63)
Taxation	*8*	–	–	–
Loss for the year/period	*9*	(3,065)	(1,623)	(63)
Loss per share	*11*	N/A	N/A	N/A

Balance sheets

		As at 31 December		
		2007	**2006**	**2005**
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*12*	979	63	–
Current assets				
Properties under development	*13*	378,194	189,734	–
Prepayments of construction and other development costs		312,564	40,100	32,079
Other receivables	*14*	31,895	22,630	77
Bank balances and cash	*15*	50,783	24,990	317
		773,436	277,454	32,473
Current liabilities				
Trade and other payables	*16*	45,440	21,536	178
Receipts in advance	*17*	339,559	63,559	–
Amount due to a joint venture owner	*18*	2,767	2,708	–
		387,766	87,803	178
Net current assets		385,670	189,651	32,295
Total assets less current liabilities		386,649	189,714	32,295
Non-current liability				
Bank loan	*19*	200,000	–	–
Net assets		186,649	189,714	32,295
Capital and reserve				
Paid-in capital	*20*	191,400	191,400	32,358
Accumulated losses		(4,751)	(1,686)	(63)
Net assets		186,649	189,714	32,295

Statements of changes in equity

	Paid-in capital	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*
At 2 December 2005 (the date of establishment)	–	–	–
Capital injection	32,358	–	32,358
Loss for the period	–	(63)	(63)
At 31 December 2005 and 1 January 2006	32,358	(63)	32,295
Capital injection	159,042	–	159,042
Loss for the year	–	(1,623)	(1,623)
At 31 December 2006 and 1 January 2007	191,400	(1,686)	189,714
Loss for the year	–	(3,065)	(3,065)
At 31 December 2007	191,400	(4,751)	186,649

Cash flow statements

	Year ended 31 December 2007	2006	2 December 2005 to 31 December 2005
	RMB'000	*RMB'000*	*RMB'000*
Cash flows from operating activities			
Loss before taxation	(3,065)	(1,623)	(63)
Adjustments for:			
Interest income	(403)	(117)	–
Depreciation of property, plant and equipment	125	6	–
Operating cash flows before working capital changes	(3,343)	(1,734)	(63)
Increase in properties under development	(135,347)	(157,655)	–
Increase in other receivables	(9,265)	(22,553)	(77)
Increase in prepayments of construction and other development costs	(312,564)	(40,100)	(32,079)
Increase in trade and other payables	23,904	21,358	178
Increase in receipts in advance	276,000	63,559	–
Increase in amount due to a joint venture owner	59	2,708	–
Net cash used in operations	(160,556)	(134,417)	(32,041)
Cash flows from investing activities			
Purchases of property, plant and equipment	(1,041)	(69)	–
Interest received	403	117	–
Net cash (used in) from investing activities	(638)	48	–
Cash flows from financing activities			
Capital injection from shareholders	–	159,042	32,358
Bank loan raised	200,000	–	–
Interest paid	(13,013)	–	–
Net cash from financing activities	186,987	159,042	32,358
Net increase in cash and cash equivalents	25,793	24,673	317
Cash and cash equivalents at beginning of year/period	24,990	317	–
Cash and cash equivalents at end of year/period, representing bank balances and cash	50,783	24,990	317

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

Huzhou Land Company is a private limited liability company established under the laws of the PRC. The directors of Huzhou Land Company regard Huzhou Land Company as at 31 December 2005, 2006 and 2007 as a jointly controlled entity of Great Royal International Limited ("Great Royal") and Hong Kong Wanshan Holdings Limited, both are incorporated in Hong Kong, as well as 浙江雲廈集團有限公司, a company established in the PRC.

Huzhou Land Company is engaged in the business of property development.

The Financial Information is presented in Renminbi ("RMB") which is also the functional currency of Huzhou Land Company.

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

The Group has adopted all of the new or revised Hong Kong Accounting Standards ("HKAS"s), Hong Kong Financial Reporting Standards ("HKFRSs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA which are effective for accounting periods beginning on 1 January 2007 in the preparation of its Financial Information of the Relevant Periods.

Huzhou Land Company has not early applied the following new and revised standards, and interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of financial statements [1]
HKAS 23 (Revised)	Borrowing costs [1]
HKAS 27 (Revised)	Consolidated and separate financial statements [2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations [1]
HKFRS 3 (Revised)	Business combination [2]
HKFRS 8	Operating segments [1]
HK(IFRIC) - INT 11	HKFRS 2: Group and treasury share transactions [3]
HK(IFRIC) - INT 12	Service concession arrangements [4]
HK(IFRIC) - INT 13	Customer loyalty programmes [5]
HK(IFRIC) - INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction [4]

1 Effective for annual periods beginning on or after 1 January 2009.
2 Effective for annual periods beginning on or after 1 July 2009.
3 Effective for annual periods beginning on or after 1 March 2007.
4 Effective for annual periods beginning on or after 1 January 2008.
5 Effective for annual periods beginning on or after 1 July 2008.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of Huzhou Land Company anticipate that the application of the other new and revised standards, and interpretations will have no material impact on the results and the financial position of the Huzhou Land Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost convention and has been prepared in accordance with the significant accounting policies set out below which conform with HKFRSs, as explained below.

Revenue recognition

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 Huzhou Land Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

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

Property, plant and equipment

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

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

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

Properties under development

Properties under development is stated at the 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 ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from borrowing costs capitalised.

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

Impairment of assets

At each balance sheet date, Huzhou Land Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of an individual asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, Huzhou Land Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) 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 (cash-generating unit) 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 Relevant Periods. Taxable profit differs from profit as reported in the income statements because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Huzhou Land Company'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 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.

Operating leases

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

Huzhou Land Company as lessee

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

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheets when Huzhou Land Company 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 the income statements.

Financial assets

Huzhou Land Company's financial assets are mainly 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.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments.

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 other receivables and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of financial assets

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

The objective evidence of impairment could include:

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

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

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of 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.

Financial liabilities and equity

Financial liabilities and equity instruments issued by Huzhou Land Company 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 Huzhou Land Company after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, bank loan and amount due to a joint venture owner are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

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

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in (accumulated losses) retained profits.

Foreign currencies

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

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

Retirement benefits costs

Payments to the defined contribution retirement benefits schemes are charged as expenses when employees have rendered service entitling them to the contributions.

4. FINANCIAL INSTRUMENTS

Capital risk management

Huzhou Land Company manages its capital which will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of Huzhou Land Company consists of net debt, which includes the borrowings, net of cash and cash equivalents and equity attributable to equity holders of the Company comprising issued registered capital and accumulated losses.

Huzhou Land Company's directors review the capital structure on a regular basis. As a part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Huzhou Land Company will balance its overall capital structure through the payment of dividends, raise of new capital as well as the issue of new debt or the redemption of existing debt. Huzhou Land Company's overall strategy remains unchanged during the Relevant Periods.

Categories of financial instruments

	As at 31 December		
	2007	**2006**	**2005**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	82,678	47,620	394
Financial liabilities			
Amortised cost	210,207	24,244	178

Financial risk management objectives and policies

Huzhou Land Company's major financial instruments include other receivables, bank balances and cash, trade and other payables, bank loan and amount due to a joint venture owner. 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 of Huzhou Land Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

Huzhou Land Company's credit risk is primarily attributable to other receivables. The maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2007, 2006 and 2005 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the respective balance sheets. In order to minimise the credit risk, the management of Huzhou Land Company has reviewed the recoverable amount of each other receivable at each balance sheet date during the Relevant Periods to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of Huzhou Land Company consider that Huzhou Land Company's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

Huzhou Land Company has no significant concentration of credit risk on other receivables with exposure spread over a number of counterparties.

Market risk

Interest rate risk

Huzhou Land Company is exposed to cash flow interest rate risk in relation to its variable-rate bank loan (see note 19 for details of the bank loan) and bank balances.

Huzhou Land Company currently does not have policy on hedging of interest rate risks. However, the management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank loan and bank balances at the balance sheet date. For variable-rate bank loan and bank balances, the analysis has been prepared on the assumption the amounts of the balances outstanding at the balance sheet date were outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant:

- Huzhou Land Company's loss would be decreased/increased by nil, RMB125,000 and RMB254,000 for the period from 2 December 2005 to 31 December 2005 and each of the two years ended 31 December 2007 respectively in relation to bank balances.

- The increase/decrease in interest expense of RMB1,000,000 incurred on the bank loan for the year ended 31 December 2007 (2006 and 2005: not applicable) would be capitalised in property under development.

Huzhou Land Company's sensitivity to interest rates has increased during the current year mainly due to the increase in variable rate bank loan and bank balances.

Liquidity risk

In the management of the liquidity risk, the Huzhou Land Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Huzhou Land Company's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of banking facilities.

Huzhou Land Company relies on borrowings from China Construction Bank and the deposits received on sale of properties as the significant sources of liquidity. The management of the Company expects to provide adequate sources of funding to enable Huzhou Land Company to meet in full its financial obligations due for the foreseeable future and manage its liquidity position.

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

Liquidity and interest risk tables

	Weighted average effective interest rate	On demand	Less than 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2007								
Non-derivative financial liabilities								
Trade and other payables	–	–	–	–	7,440	–	7,440	7,440
Bank loan, secured	6.93	–	–	–	–	214,707	214,707	200,000
Amount due to a joint venture owner	–	2,767	–	–	–	–	2,767	2,767
		2,767	–	–	7,440	214,707	224,914	210,207
2006								
Non-derivative financial liabilities								
Trade and other payables	–	–	–	–	21,536	–	21,536	21,536
Amount due to a joint venture owner	–	2,708	–	–	–	–	2,708	2,708
		2,708	–	–	21,536	–	24,244	24,244
2005								
Non-derivative financial liabilities								
Trade and other payables	–	–	–	–	178	–	178	178

Fair value

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

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

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Huzhou Land Company was solely engaged in the business of property development. Analyses of Huzhou Land Company's turnover and results as well as analyses of carrying amount of segment assets and additions to property, plant and equipment by geographical market have not been presented as they are substantially generated from and situated in the PRC.

6. OTHER INCOME

	Year ended 31 December		2 December 2005 to 31 December
	2007	**2006**	**2005**
	RMB'000	*RMB'000*	*RMB'000*
Interest income	403	117	–

7. FINANCE COSTS

	Year ended 31 December 2007	2006	2 December 2005 to 31 December 2005
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank loan wholly repayable within five years	13,013	–	–
Less: Amounts capitalised in the cost of properties under development	(13,013)	–	–
	–	–	–

8. TAXATION

No provision for PRC Enterprise Income Tax has been made as Huzhou Land Company did not generate assessable profits for the Relevant Periods.

A statement of reconciliation of taxation is as follows:

	Year ended 31 December 2007	2006	2 December 2005 to 31 December 2005
	RMB'000	*RMB'000*	*RMB'000*
Loss before taxation	(3,065)	(1,623)	(63)
Tax rate of 33% applicable to Huzhou Land Company	1,011	536	21
Tax effect of tax losses not recognised	(1,011)	(536)	(21)
Taxation for the year/period	–	–	–

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

Huzhou Land Company has unused tax losses of RMB4,751,000, RMB1,686,000, and RMB63,000 as at 31 December 2007, 2006 and 2005 respectively available for offsetting against future profits. No deferred tax asset of such losses has been recognised as amount involved is insignificant. Such tax losses will gradually expire to 2012.

9. LOSS FOR THE YEAR/PERIOD

	Year ended 31 December 2007 RMB'000	2006 RMB'000	2 December 2005 to 31 December 2005 RMB'000
Loss for the year/period is arrived at after charging:			
Depreciation of property, plant and equipment	125	6	–
Exchange loss	59	138	63
Minimum lease payments in respect of rented premises	51	50	4
Contributions to retirement benefits schemes (including directors' emoluments)	9	–	–
Staff costs (including directors' emoluments) *(note)*	851	500	–
and after crediting:			
Interest income	403	117	–

Note: The amounts shown are net of expenses capitalised in properties under development as follows:

	Year ended 31 December 2007 RMB'000	2006 RMB'000	2 December 2005 to 31 December 2005 RMB'000
Staff costs (including directors' emoluments)	879	321	–

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(i) Directors' remuneration

Year ended 31 December 2007

	Fees RMB'000	Other emoluments: Salaries and other benefits RMB'000	Other emoluments: Retirement benefits scheme contribution RMB'000	Total RMB'000
Yang Liming	–	94	9	103
Lou Qingsheng	–	94	–	94
Ye Liya	–	56	–	56
Wang Hongxin	–	56	–	56
Li Yun	–	56	–	56
Gong Weimin	–	–	–	–
	–	356	9	365

	Year ended 31 December 2006			
		Other emoluments		
	Fees	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Yang Liming	–	24	–	24
Lou Qingsheng	–	24	–	24
Ye Liya	–	24	–	24
Wang Hongxin	–	24	–	24
Li Yun	–	24	–	24
Gao Xiao Dong	–	–	–	–
Dai Dan	–	–	–	–
Gong Weimin	–	–	–	–
	–	120	–	120

	For the period from 2 December 2005 to 31 December 2005			
		Other emoluments		
	Fees	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Yang Liming	–	–	–	–
Lou Qingsheng	–	–	–	–
Ye Liya	–	–	–	–
Gao Xiao Dong	–	–	–	–
Dai Dan	–	–	–	–
Gong Weimin	–	–	–	–
	–	–	–	–

(ii) Employees' remuneration

The five highest paid individuals included four (2006: four, 2005: nil) directors of Huzhou Land Company and the details of whose emoluments are included above. The details of the emoluments of the remaining one (2006: one, 2005: nil) individual are as follows:

	Year ended 31 December		2 December 2005 to 31 December
	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other allowances	102	102	–
Contributions to retirement benefits schemes	–	–	–
	102	102	–

During the Relevant Periods, no remuneration was paid by Huzhou Land Company to its directors or the five highest paid employees as an inducement to join or upon joining Huzhou Land Company or as compensation for loss of office. No directors of Huzhou Land Company have waived any remuneration during the Relevant Periods.

11. LOSS PER SHARE

Loss per share is not presented as Huzhou Land Company did not have any issued share capital during the Relevant Periods.

12. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment *RMB'000*
COST	
At date of establishment, 31 December 2005 and 1 January 2006	–
Additions	69
At 31 December 2006 and 1 January 2007	69
Additions	1,041
At 31 December 2007	1,110
ACCUMULATED DEPRECIATION	
At date of establishment, 31 December 2005 and 1 January 2006	–
Provided for the year	6
At 31 December 2006 and 1 January 2007	6
Provided for the year	125
At 31 December 2007	131
NET BOOK VALUES	
At 31 December 2005	–
At 31 December 2006	63
At 31 December 2007	979

The above items of property, plant and equipment are depreciated on a straight-line basis at 20% per annum.

13. PROPERTIES UNDER DEVELOPMENT

	RMB'000
COST	
At date of incorporation, 31 December 2005 and 1 January 2006	–
Additions	189,734
At 31 December 2006 and 1 January 2007	189,734
Additions	188,460
At 31 December 2007	378,194

The properties are situated in the PRC and are held under long leases.

At 31 December 2007, the land use right included in properties under development amounting to RMB114,759,000 have been pledged as securities for Huzhou Land Company's bank loan (see note 19).

14. OTHER RECEIVABLES

Included in the other receivables was an advance made to a third party amounted to RMB14,669,000 (2006: RMB14,669,000; 2005: nil). The advance is unsecured, interest-free and is expected to be recovered in twelve months after balance sheet date.

15. BANK BALANCES AND CASH

Cash and bank balances comprise cash held by Huzhou Land Company and short-term bank deposits with an original maturity of three months or less, which carry interest at market interest rates of 0.72% (2006: 0.72%) per annum.

Cash and bank balances were denominated in RMB which is not a freely convertible currency in the international market. The RMB exchange rate is determined by the PRC government and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

16. TRADE AND OTHER PAYABLES

	As at 31 December		
	2007	**2006**	**2005**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	1,340	6,531	–
Other payables	44,100	15,005	178
	45,440	21,536	178

The aged analysis of the trade payables at each of the balance sheet dates during the Relevant Periods is as follows:

	As at 31 December		
	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*
Current (within one month)	1,051	2,427	–
One to three months	198	3,814	–
Over three months	91	290	–
	1,340	6,531	–

17. RECEIPTS IN ADVANCE

The amount represents the sale proceeds received in advance for the sale of properties to 湖州經濟開發區管理委員會, the representative of the local government.

18. AMOUNT DUE TO A JOINT VENTURE OWNER

	As at 31 December		
	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*
Hong Kong Wanshan Holdings Limited	2,767	2,708	–

The amount is unsecured, interest-free and repayable on demand.

19. BANK LOAN

	As at 31 December		
	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*
Secured bank loan repayable after one year, but not exceeding two years	200,000	–	–

The bank loan carries interest at 6.93% per annum, which is 10% above the rate offered by The People's Bank of China per annum, and will be repriced every twelve months.

The bank loan is secured by the land use right included in properties under development of Huzhou Land Company and guarantee provided by 浙江雲廈集團有限公司, another joint venture owner of Huzhou Land Company.

20. PAID-IN CAPITAL

	Paid-in registered capital
	RMB'000
At date of establishment	–
Capital injection	32,358
At 31 December 2005 and 1 January 2006	32,358
Capital injection	159,042
At 31 December 2006 and 31 December 2007	191,400

21. OPERATING LEASE COMMITMENTS

At each of the balance sheet dates during the Relevant Periods, Huzhou Land Company had commitments for future minimum lease payments under a non-cancellable operating lease which fall due as follows:

	As at 31 December		
	2007	**2006**	**2005**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	60	46	46

Operating lease payments represent rentals payable by Huzhou Land Company for its office premises. The lease is negotiated for a term of about one year.

The lease payments are fixed and no arrangements have been entered into for contingent rental payments.

22. CAPITAL COMMITMENTS

	As at 31 December		
	2007	**2006**	**2005**
	RMB'000	*RMB'000*	*RMB'000*
Capital expenditure in respect of properties under development:			
Contracted for but not provided	–	195,166	–
Authorised but not contracted for	19,282	180,973	–
	19,282	376,139	–

III. SUBSEQUENT EVENTS

Subsequent to 31 December 2007, the following significant events took place:

(a) In May 2008, the paid-in capital of Huzhou Land Company was increased by RMB10,600,000. All joint venture partners of Huzhou Land Company contributed the additional paid-in capital to Huzhou Land Company according to their respective shareholding percentages.

(b) On 28 March 2008, Great Royal (an indirect wholly-owned subsidiary of the Company), the 50% joint venture partner of Huzhou Land Company has entered into a capital injection agreement with Huzhou Land Company. Pursuant to this agreement, Great Royal has agreed to contribute additional registered capital of RMB104,800,000 to Huzhou Land Company while other joint venture partners of Huzhou Land Company will not contribute any additional capital to Huzhou Land Company. Upon the completion of the additional capital injection to Huzhou Land Company, the equity interest in Huzhou Land Company held by Great Royal will be increased from 50.00% to 67.08%, after taking into account the effect in note (a) above. The Directors of the Company are of the view that Great Royal would gain control over the financial and operating policies of Huzhou Land Company after the completion of the capital injection and Huzhou Land Company would become a 67.08% subsidiary of the Company thereafter. Upto the date of this report, the capital injection exercise has not yet completed and pending for the approval of the Company's shareholders.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Huzhou Land Company have been prepared in respect of any period subsequent to 31 December 2007.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the independent reporting accountants, Deloitte Touche Tohmatsu. A copy of the following accountants' report is available for inspection.

Deloitte.
德勤

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香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

29 May 2008

The Board of Directors
China Chengtong Development Group Limited

Dear Sirs/Madam,

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA CHENGTONG DEVELOPMENT GROUP LIMITED

We report on the unaudited pro forma financial information of China Chengtong Development Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and 湖州萬港聯合置業有限公司 ("Huzhou Land Company") (together with the Group hereinafter collectively referred to as the "Enlarged Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed capital injection of RMB104,800,000 by the Group to Huzhou Land Company might have affected the financial information presented, for inclusion in Appendix III to the circular dated 29 May 2008 (the "Circular") issued by the Company. The basis of preparation of the unaudited pro forma financial information is set out in Appendix III to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited 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 (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited 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 unaudited 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 HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. 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 unaudited pro forma financial information has been properly compiled by the directors of the Company 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 unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Enlarged Group as at 31 December 2007 or any future date; or
- the results and cashflows of the Enlarged Group for the year ended 31 December 2007 or any future period.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company 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 unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The accompanying unaudited pro forma financial information of the Enlarged Group has been prepared to illustrate the effects of the proposed capital injection of RMB104,800,000 by the Group to Huzhou Land Company (the "Very Substantial Acquisition"). On completion of the Very Substantial Acquisition, the Company will indirectly own 67.08% interest in Huzhou Land Company. The pro forma financial information has been prepared on the assumption that the Company will be able to gain control of Huzhou Land Company after completion of the Very Substantial Acquisition.

In May 2008, the paid-in capital of Huzhou Land Company was increased by RMB10,600,000 (equivalent to HK$11,236,000) which was contributed by all the joint venture owners in proportion to their respective interests therein. No pro forma adjustments have been made to account for such capital contribution as it is not directly attributable to the Very Substantial Acquisition. The pro forma financial information of the Enlarged Group has been prepared on assumption that the Very Substantial Acquisition had been completed on 31 December 2007 in the case of the pro forma consolidated balance sheet, and on 1 January 2007 in the case of the pro forma consolidated income statement and the pro forma consolidated cash flow statement of the Enlarged Group. The directors of the Company are of the view that the Group would gain control over the financial and operating policies of Huzhou Land Company after the completion of the Very Substantial Acquisition. Pursuant to the Capital Injection Agreement, the additional capital contribution of RMB104,800,000 (equivalent to HK$111,088,000) made by the Group to Huzhou Land Company (the "Capital Injection") shall not be applied to the development and operation of Huzhou Project and all profits or losses arising from Huzhou Project shall be shared by the Group and the minority owners in the proportion of the shareholding before the Capital Injection (i.e., 50% to the Group and 50% to the minority owners). The minority interests as presented in the pro forma financial information has been calculated on this basis.

For the purpose of the unaudited pro forma financial information, RMB amounts have been translated into HK$ amounts at a closing rate of RMB1.00 = HK$1.00 and RMB1.00 = HK$1.06 for the balances as at 1 January 2007 and 31 December 2007 respectively for the unaudited pro forma consolidated balance sheet, and at an average rate of RMB1.00 = HK$1.03 for unaudited pro forma consolidated income statement and cash flow statement.

1. Unaudited pro forma consolidated balance sheet of the Enlarged Group

This unaudited pro forma consolidated balance sheet of the Enlarged Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effects of the Very Substantial Acquisition as if it had taken place on 31 December 2007.

The unaudited pro forma consolidated balance sheet of the Enlarged Group has been prepared based on the audited consolidated balance sheet of the Company as at 31 December 2007 as extracted from the Company's published annual report for the year ended 31 December 2007 and the balance sheet of Huzhou Land Company as at 31 December 2007 as extracted from the Accountants' Report on the financial information of Huzhou Land Company as set out in Appendix II of this Circular after making pro forma adjustments relating to the Very Substantial Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable. Accordingly, the unaudited consolidated balance sheet of the Enlarged Group is prepared for illustrative purposes only and because of its nature, may not give a true picture of the financial position of the Enlarged Group as at 31 December 2007 or any future date.

	The Group	Huzhou Land Company	Pro forma adjustments		Pro forma Enlarged Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Note 1)	*(Note 2)*	
Non-current assets					
Property, plant and equipment	3,232	1,038			4,270
Investment properties	83,740	–			83,740
Interests in associates	41,599	–			41,599
Amount due from an associate	139,874	–			139,874
Interest in a jointly controlled entity	103,881	–	(103,881)		–
Restricted bank balance	4,200	–			4,200
	376,526	1,038			273,683
Current assets					
Properties held for sale	32,678	–			32,678
Properties under development	–	400,886	9,914		410,800
Prepayments of construction costs and other development costs	–	331,318			331,318
Trade and other receivables	7,959	33,809			41,768
Bills receivable	5,035	–			5,035
Amounts due from associates	9,724	–			9,724
Amounts due from related companies	4,741	–			4,741
Bank balances and cash	298,626	53,830			352,456
	358,763	819,843			1,188,520

	The Group	Huzhou Land Company	Pro forma adjustments		Pro forma Enlarged Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Note 1)	*(Note 2)*	
Current liabilities					
Trade and other payables	54,825	48,167			102,992
Deposits received on sale of properties	11,410	–			11,410
Receipts in advance	–	359,933			359,933
Amounts due to related companies	17,084	–			17,084
Amount due to a joint venture owner	–	2,933		(2,933)	–
Amounts due to minority owners of subsidiaries	3,978	–		2,933	6,911
Tax payable	12,505	–			12,505
Unsecured other loans	7,196	–			7,196
	106,998	411,033			518,031
Net current assets	251,765	408,810			670,489
Total assets less current liabilities	628,291	409,848			944,172
Non-current liabilities					
Bank loan	–	212,000			212,000
Deferred taxation	4,737	–			4,737
	4,737	212,000			216,737
Net assets	623,554	197,848			727,435
Capital and reserves					
Share/paid-in capital	267,202	186,560	(186,560)		267,202
Reserves	356,352	11,288	(11,288)		356,352
Equity attributable to shareholders of the Company	623,554	197,848			623,554
Minority interests	–	–	103,881		103,881
	623,554	197,848			727,435

Notes:

1. Adjustments are made to (1) reverse the interest in Huzhou Land Company, which had been classified as a 50% jointly controlled entity and accounted for under equity method by the Group; (2) account for the net assets attributable to the 50% minority owners of Huzhou Land Company; (3) adjust the value of Huzhou Land Company's property under development by HK$9,914,000 which represents the gross up effect of the excess of the cost of acquisition of the 50% equity interest in Huzhou Land Company in 2006 over the then carrying amounts of the net assets acquired, on the basis that all the assets and liabilities of Huzhou Land Company would be consolidated on a line by line basis upon completion of the Very Substantial Acquisition; and (4) eliminate against the paid-in capital and reserves of Huzhou Land Company. The directors of the Company are of the view that the acquisition of the 50% interest in Huzhou Land Company in 2006 was in substance an acquisition of asset, being a property project under development, instead of an acquisition of business and therefore was excluded from the scope of HKFRS 3 "Business Combination" issued by the Hong Kong Institute of Certified Public Accountants and the pro forma adjustment has been made on this basis.

   Pursuant to the Capital Injection Agreement, the Capital Injection shall not be applied to the development and operation of Huzhou Project and all profits or losses arising from Huzhou Project shall be shared by the Group and the minority owners in the proportion of the shareholding before the Capital Injection (i.e., 50% to the Group and 50% to the minority owners). On this basis, there would be no change in the minority interests' share of the net assets of Huzhou Land Company on completion of the Very Substantial Acquisition as if it had taken place on 31 December 2007.

2. Adjustment is made to reclassify the amount due to a joint venture owner to amounts due to minority owners of subsidiaries.

2. Unaudited pro forma consolidated income statement of the Enlarged Group

This unaudited pro forma consolidated income statement of the Enlarged Group is prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effects of the Very Substantial Acquisition as if it had taken place on 1 January 2007, the beginning of the financial year of the Group.

The unaudited pro forma consolidated income statement of the Enlarged Group has been prepared based on the audited consolidated income statement of the Company as extracted from the Company's published annual report for the year ended 31 December 2007 and the income statement of Huzhou Land Company for the year ended 31 December 2007 as extracted from the Accountants' Report on the financial information of Huzhou Land Company as set out in Appendix II of this Circular after making pro forma adjustments relating to the Very Substantial Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable. Accordingly, the unaudited consolidated income statement of the Enlarged Group is prepared for illustrative purposes only and because of its nature, may not give a true picture of the results of the Enlarged Group for the year ended 31 December 2007 or any future period.

	The Group	Huzhou Land Company	Pro forma Adjustments		Proforma Enlarged Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Note 1)	*(Note 2)*	
Continuing operations					
Turnover	25,365	–			25,365
Cost of sales	(20,344)	–			(20,344)
Gross profit	5,021	–			5,021
Other income	21,099	416			21,515
Selling expenses	(800)	–			(800)
Administrative expenses	(29,159)	(3,572)			(32,731)
Increase in fair value of an investment property	1,460	–			1,460
Gain on disposal of subsidiary	19,724	–			19,724
Finance costs	(1,296)	–			(1,296)
Share of results of associates	(697)	–			(697)
Share of results of a jointly controlled entity	(1,475)	–	1,475		–
Profit (loss) before taxation	13,877	(3,156)			12,196
Taxation	(9,109)	–			(9,109)
Profit (loss) for the year from continuing operations	4,768	(3,156)			3,087
Discontinued operations					
Profit (loss) for the year from discontinued operations	32,011	–			32,011
Profit (loss) for the year	36,779	(3,156)			35,098
Attributable to:					
Shareholders of the Company	35,945	(3,156)	1,475	1,578	35,842
Minority interests	834	–		(1,578)	(744)
	36,779	(3,156)			35,098

Notes:

1. Adjustment is made to reverse the share of results of Huzhou Land Company for the year ended 31 December 2007 accounted for under equity method on the assumption that the Very Substantial Acquisition had been completed on 1 January 2007 and Huzhou Land Company would be consolidated.

2. Adjustment is made to recognise the results of Huzhou Land Company for the year ended 31 December 2007 attributable to the minority owners of Huzhou Land Company. Pursuant to the Capital Injection Agreement, all profits or losses arising from Huzhou Project shall be shared by the Group and the minority owners of the Huzhou Land Company in the proportion of shareholding before the Capital Injection. Accordingly, the minority interest' share of the loss would be 50% on the loss of Huzhou Land Company for the year ended 31 December 2007.

3. Unaudited pro forma consolidated cash flow statement of the Enlarged Group

This unaudited pro forma consolidated cash flow statement of the Enlarged Group is prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effects of the Very Substantial Acquisition as if it had taken place on 1 January 2007, the beginning of the financial year of the Group.

The unaudited pro forma consolidated cash flow statement of the Enlarged Group has been prepared based on the audited consolidated cash flow statement of the Company as extracted from the Company's published annual report for the year ended 31 December 2007 and the cash flow statement of Huzhou Land Company for the year ended 31 December 2007 as extracted from the Accountants' Report on the financial information of Huzhou Land Company as set out in Appendix II of this Circular after making pro forma adjustments relating to the Very Substantial Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable. Accordingly, the unaudited consolidated cash flow statement of the Enlarged Group is prepared for illustrative purposes only and because of its nature, may not give a true picture of the cashflows of the Enlarged Group for the year ended 31 December 2007 or any future period.

	The Group	Huzhou Land Company	Pro forma Adjustments		Proforma Enlarged Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Note 1)	*(Note 2)*	
Cash flows from operating activities					
Profit (loss) before taxation	45,888	(3,156)	1,475		44,207
Adjustments for:					
Interest income	(5,029)	(416)			(5,445)
Interest expenses	1,296	–			1,296
Gain on disposal of subsidiaries	(51,727)	–			(51,727)
Share of results of associates	697	–			697
Share of results of a jointly controlled entity	1,475	–	(1,475)		–
Depreciation of property, plant and equipment	1,871	129			2,000
Increase in fair value of an investment property	(1,460)	–			(1,460)
Allowance for property held for sale	8,283	–			8,283
Operating cash flows before working capital changes	1,294	(3,443)			(2,149)
Increase in inventories	(1,882)	–			(1,882)
Increase in properties under development	(765)	(143,468)			(144,233)
Decrease in properties held for sale	7,547	–			7,547
Increase in trade and other receivables	(10,630)	(9,821)			(20,451)
Prepayments of construction and other development costs	–	(331,318)			(331,318)
Increase in bills receivable	(4,035)	–			(4,035)
Increase in trade and other payables	7,004	25,338			32,342
Increase in deposit received on sale of properties	10,355	–			10,355
Increase in receipts in advance	–	292,560			292,560
Increase in amount due to a joint venture owner	–	63			63
Cash flows from (used in) operations	8,888	(170,089)			(161,201)
PRC Enterprise Income Tax paid	(14,993)	–			(14,993)
Net cash flows used in operating activities	(6,105)	(170,089)			(176,194)

	The Group	Huzhou Land Company	Pro forma Adjustments		Proforma Enlarged Group Total
	HK$'000	*HK$'000*	*HK$'000* *(Note 1)*	*HK$'000* *(Note 2)*	*HK$'000*
Cash flows from investing activities					
Acquisition of subsidiaries	(39,725)	–		24,990	(14,735)
Acquisition of additional interest in a subsidiary	(17,808)	–			(17,808)
Disposal of subsidiaries	44,090	–			44,090
Purchases of property, plant and equipment	(1,632)	(1,103)			(2,735)
Advance to associates	(9,724)	–			(9,724)
Purchase of an investment property	(436)	–			(436)
Repayment of amount due from an associate	8,731	–			8,731
Decrease in amount due from a minority shareholder of a subsidiary	1,416	–			1,416
Interest received	5,029	416			5,445
Net cash used in investing activities	(10,059)	(687)			14,244
Cash flows from financing activities					
Proceeds from right issue	200,328	–			200,328
Share issue expenses paid	(6,738)	–			(6,738)
Issue of shares upon exercise of share options	10,159	–			10,159
Repayment of loan from a related company	(4,953)	–			(4,953)
Increase in amounts due to related companies	3,705	–			3,705
Bank loan raised	–	212,000			212,000
Repayment of bank loan	(9,000)	–			(9,000)
Interest paid	(1,296)	(13,794)			(15,090)
Net cash from financing activities	192,205	198,206			390,411
Net increase in cash and cash equivalents	176,041	27,430			228,461
Cash and Cash equivalents at beginning of the year	118,539	24,990		(24,990)	118,539
Exchange difference	4,046	1,410			5,456
Cash and Cash equivalents at end of the year	298,626	53,830			352,456

Notes:

1. Adjustment is made to reverse the share of results of Huzhou Land Company accounted for on an equity basis on the assumption that the Very Substantial Acquisition had been completed on 1 January 2007 and Huzhou Land Company would be consolidated.

2. Adjustment is made to show the net cash inflow from the acquisition of Huzhou Land Company.

The following is the text of the letter and valuation certificates received from B.I. Appraisals Limited, an independent property valuer, prepared for the purpose of incorporation in this circular in connection with their valuation of the property interests held by the Enlarged Group as at 31 March 2008.

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

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29 May 2008

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), 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 March 2008 (hereinafter referred to as the "Date of Valuation").

It is our understanding that this valuation document is to be used for reference purpose in relation to the proposed capital injection to 湖州萬港聯合置業有限公司 (Huzhou Wangang United Estate Company Limited, hereinafter referred to as "Huzhou Land Company"); and for the purpose of inclusion in a circular to be issued by the Company.

This letter, forming part of our valuation report, identifies the properties being valued, explains the basis and methodology of our valuations, and lists out the assumptions and the title investigation we have made in the course of our valuations, 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 Practice Note 12 issued by The Stock Exchange of Hong Kong Limited.

VALUATION METHODOLOGY

In arriving at the market value of Property No. 1, which is a warehouse complex held for investment, 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.

In arriving at the market value of Property No. 2 which is commercial property held for investment, we have adopted the Investment Approach which takes into account the current rent passing and the reversionary income potential of the Property, and which does not involve any profit forecast factors.

In arriving at the market value of Property No. 3 which is held under development by Huzhou Land Company, we have adopted the Direct Comparison Approach assuming such property 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 and by taking into account the development proposal provided to us. In addition, we have also taken into consideration the construction costs that have already been expended and the outstanding construction costs that will be expended to complete the development to reflect the quality of the completed development. It is a normal practice to provide, apart from the market value, an opinion on "capital value when completed" for reference. The "capital value when completed" for the property represents our estimate of the value of such property assuming that it would have been completed at the date of valuation.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that each of the properties 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. 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 our valuations.

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 values.

In addition, in the course of our valuations, we have made the following assumptions:

a) Each of the properties has been constructed, occupied and used in full compliance with, and without contravention of all ordinances, except only where otherwise stated.

b) Each of the properties is finished and maintained in reasonable condition commensurate with its age and use and is in its original layout without any unauthorized alteration.

c) All consents, approvals, required licences, permits, certificates and authorizations have been obtained, except only where otherwise stated, for the use of each of the properties upon which our valuation is based.

TITLE INVESTIGATION

We have been provided by the Company with copies of title documents relating to the properties and copies of the legal opinions prepared respectively by Guangdong Guangkai Law Office, Han Kun Law Offices and 浙江銀湖律師事務所 (unofficial translation Zhejiang Yin Hu Law Office), the Company's legal advisers as to PRC law (hereinafter referred to as the "PRC Legal Advisers") regarding the title to 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 Company and the PRC Legal Advisers regarding the title to the interest in the properties.

LIMITING CONDITIONS

We have inspected the exterior 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 Company 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 future development.

We have relied to a considerable extent on the information provided by the Company 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 Company. We were also advised by the Company 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.

CURRENCY

Unless otherwise stated, all monetary amounts stated in our valuation report are in Renminbi (RMB).

REMARKS

We hereby confirm that we have neither present nor prospective interests in the Company, its subsidiaries, the properties or the values reported herein.

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

Yours faithfully,
For and on 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 March 2008 *(RMB)*
Group I – Property interests held for investment in the PRC	
1. Land and buildings of the warehouse complex of Luoyang Southern City CMST Logistics Limited at Gangchang Road, Guanlin Town, Luolong District, Luoyang City, Henan Province, the PRC	34,000,000
2. Zone C on Level 3, Li Wan Plaza, No. 9 Dexing Road, Liwan District, Guangzhou City, Guangdong Province, the PRC	45,000,000
Group II – Property interest held under development in the PRC	
3. 清河嘉園 (unofficial translation as Qing He Jia Yuan), located at Land Parcels Nos. 19 and 20A, Southwestern District, Huzhou City, Zhejiang Province, the PRC	700,000,000
Total:	**779,000,000**

Group I – Property interests held for investment in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2008
1. Land and buildings of the warehouse complex of Luoyang Southern City CMST Logistics Limited at Gangchang Road, Guanlin Town, Luolong District, Luoyang City, Henan Province, the PRC	The property comprises a warehouse complex occupying a parcel of land with a site area of approximately 74,451.90 sq.m. (801,400 sq.ft.). The warehouse complex comprises 20 blocks of 1 to 2-storey office and warehouse buildings and various structures for ancillary uses. The buildings and structures were built in the period between 1965 and 2006. The total gross floor area of the buildings is approximately 24,677.96 sq.m. (265,634 sq.ft.). The land use rights of the property have been granted for storage use for terms due to expire on 8 May 2057. However, according to the Luoyang Municipal Master Land Use Plan, the property falls within an area zoned for commercial/financial land use.	The property is tenant-occupied for storage purpose and is subject to a Contract for Asset Leasing at a monthly rent of RMB30,000 for a term of one year from 1 October 2007.	RMB34,000,000

Notes:

(1) Pursuant to three sets of Certificate of State-owned Land Use 洛市國用(2007)第05000414 - 05000416號 (Luo Shi Guo Yung (2007) Nos. 05000414 - 0500416) issued by Luoyang Municipal People's Government on 14 June 2007, the land use rights of the land in the property with a total site area of 74,451.90 sq.m. have been granted to 洛陽城南中儲物流有限公司 (Luoyang Southern City CMST Logistics Limited), an indirect wholly owned subsidiary of the Company, for storage use for terms due to expire on 8 May 2057.

(2) Pursuant to nineteen sets of Certificate of Building Ownership 洛市房權證(2008)字第X423946, X423949 – X423957, X423961 – X423969, X434399號 (Luo Shi Fang Quan Zheng (2008) Zi Nos. X423946, X423949 – X423957, X423961 – X423969) dated 8 January 2008 and one set of Certificate of Building Ownership洛市房權證(2008)字第X434399號 (Luo Shi Fang Quan Zheng (2008) Zi No. X434399) dated 8 April 2008 all issued by Luoyang Municipal Real Estate Administration Bureau, the building ownership for 20 blocks of building with a total gross floor area of 24,677.96 sq.m. is vested in Luoyang Southern City CMST Logistics Limited.

(3) Pursuant to the Contract for Asset Leasing entered into between Luoyang Southern City CMST Logistics Limited ("Party A") and 中儲發展股份有限公司洛陽分公司 (unofficial English translation as Zhongchu Development Co., Ltd. Luoyang Branch Company) ("Party B") on 10 September 2007, Party A agreed to let the assets (including land use rights, buildings (except the building stated in the Certificate of Building Ownership Luo Shi Fang Quan Zheng (2008) Zi No. X434399), machines and equipment) in the property, the ownership and use rights of which are held by Party A, to Party B for using, operation and management at a monthly rent of RMB30,000 for a term of one year from 1 October 2007.

(4) The opinion of Han Kun Law Offices is summarized as below:

(a) Luoyang Southern City CMST Logistics Limited is in possession of a proper legal title to the land use rights of the property as well as the buildings erected thereon and is entitled to transfer, sell and mortgage the property freely.

(b) Apart from the leasing contract mentioned in Note 3 above, the property is not subject to any mortgage or other encumbrances; and its ownership is not involved in any seizure, distraint, realization or other dispute or contention.

(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 Han Kun Law Offices are as follows:

Certificate of State-owned Land Use	Yes
Certificates of Building Ownership	Yes
Contract for Assets Leasing	Yes

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2008
2. Zone C on Level 3, Li Wan Plaza, No. 9 Dexing Road, Liwan District, Guangzhou City, Guangdong Province, the PRC	The property comprises a commercial space on Level 3 of the commercial/retail podium of Li Wan Plaza which is a commercial/residential complex completed in about 1997 with eight blocks of high-rise residential towers erected over a 6-storey commercial/retail podium. The registered gross floor area of the property is approximately 5,366.34 sq.m. (57,763 sq.ft.). The land use rights of the property have been granted for a term of 50 years from 30 July 1994 for commercial use.	The property is tenant-occupied and subject to a tenancy for a term from 3 June 2007 until 2 June 2010. The current monthly rent is RMB84,376.14, exclusive of management charges.	RMB45,000,000

Notes:

(1) Pursuant to the Certificate of Realty Title 穗房地證字第0837802號 (Sui Fang Di Zheng Zi No. 0837802) issued by Guangzhou Municipal People's Government on 29 April 2001, the ownership of the property with a gross floor area of 5,366.34 sq.m. is vested in Merry World Associates Limited, a wholly owned subsidiary of the Company.

(2) Pursuant to the Settlement Agreement dated 1 March 2006 regarding the ownership of the property and confirmed at the Guangzhou City Nan Fong Notary Office of Guangdong between Guangzhou Sui Nan Building Development Limited (Party A) and Merry World Associates Limited (Party B), Party A agreed and confirmed that Party B is the legal owner of the property and both parties also agreed that no further claim and or legal liability on each party shall arise.

(3) Pursuant to the Contract for Property Leasing and its Supplementary Agreement entered into Merry World Associates Limited ("Lessor") and 上海協亨通訊設備股份有限公司 (unofficial English translation as Shanghai Xieheng Communication Facilities Co., Ltd.) ("Lessee") in April/May 2007, the Lessor agreed to let and the Lessee agreed to rent the property for a term of 36 months from 3 June 2007 until 2 June 2010 at the following monthly rental:

(a) From 3 June 2007 to 2 June 2008 : RMB84,376.14

(b) From 3 June 2008 to 2 June 2009 : RMB88,594.95

(c) From 3 June 2009 to 2 June 2010 : RMB93,024.70

(4) The opinion of Guangdong Guangkai Law Office is summarized as below:

(a) The Settlement Agreement (mentioned in Note 2 above) is in compliance with the PRC law and is valid.

(b) Merry World Associates Limited is in possession of a proper legal title to the property and is entitled to transfer, sell, mortgage and lease the property freely.

(c) Merry World Associates Limited confirmed that the property is leased to the Lessee for a term from 3 June 2007 to 2 June 2010. Merry World Associates Limited enjoys the rights as Lessor stated in the Contract for Property Leasing and its Supplementary Agreement within the lease term.

(d) The property and property interests are not subject to any seizure, mortgage, sale or involved in other dispute or contention; and are not subjected to any unusual contracts, terms or conditions.

(5) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Company are as follows:

Certificate of Realty Title	Yes
Contract for Property Leasing	Yes
Supplementary Agreement of Contract for Property Leasing	Yes

Group II – Property interest held under development by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2008
3. 清河嘉園 (unofficial translation as Qing He Jia Yuan), located at Land Parcels Nos. 19 and 20A, Southwestern District, Huzhou City, Zhejiang Province, the PRC	The property comprises a site formed by three parcels of land with a total site area of approximately 214,394.14 sq.m. (2,307,739 sq.ft.). It is planned to be developed into a mixed residential/ commercial complex comprising 92 blocks of multi-storey residential building with commercial, parking and other ancillary facilities. Upon completion, the subject development will provide, apart from the commercial and ancillary facilities, a total of 2,936 residential units of sizes ranging from 50.00 sq.m. (538 sq.ft.) to 125.00 sq.m. (1,346 sq.ft.) and a total of 964 car parking spaces. The total gross floor area of the proposed development, excluding the gross floor area for the substructure of 44,557.30 sq.m. (479,615 sq.ft.) is approximately 278,153.90 sq.m. (2,994,048 sq.ft.), the details of which are as follows:	Main construction works for the development have been completed in late 2007 and the property is currently subject to some minor construction works, which are expected to be completed in or about August 2008.	RMB700,000,000

Use	Approximate Gross Floor Area	
	(sq.m.)	*(sq.ft.)*
Residential	259,318.50	2,791,304
Commercial	15,298.40	164,672
Ancillary	3,537.00	38,072
Total	278,153.90	2,994,048

The land use rights of the property have been granted for city and town mixed residential uses for terms due to expire on 23 May 2076.

Notes:

(1) Pursuant to three sets of Certificate of State-owned Land Use 湖土國用(2006)第2-9694 – 2-9696號 (Hu Tu Guo Yung (2006) Nos. 2-9694 – 2-9696) issued by Huzhou Municipal People's Government on 27 June 2006, the land use rights of the property have been granted to Huzhou Wangang United Estate Company Limited (i.e. Huzhou Land Company) for city and town mixed residential uses for terms due to expire on 23 May 2076.

(2) We have been advised that the Group owned 50% interest in Huzhou Land Company as at the Date of the Valuation.

(3) Pursuant to the Contract for Grant of Land Use Rights (Contract No. Hu Tu Rang Zi 2006 No. 81) dated 24 May 2006 entered into between Huzhou Municipal State-owned Land Resources Bureau and Huzhou Land Company, the land use rights of the property was agreed to be granted to Huzhou Land Company subject to the major conditions summarized as follows:

a)	Site Area	:	214,394.00 sq.m.;
b)	Permitted uses	:	Commercial and residential;
c)	Term	:	40 years (commercial) and 70 years (residential) from the date of signing the Land Grant Contract;
d)	Land grant premium	:	RMB111,000,000, inclusive of land requisition fees (land compensation fee, green compensation fee, labour force arrangement fee, national tax and fees), local higher education fee and land re-entry fee;
e)	Plot ratio	:	1.3 to 1.5 (inclusive of mezzanine floor);
f)	Site coverage	:	≤ 28%;
g)	Green land ratio	:	30%;
h)	Natural lighting	:	≥ 1:1.25 (for residential);

i) Upon completion, the property should be sold back to the government at a unit price of RMB2,500 per square metres (on gross floor area); and

j) Construction works should be completed on or before 1 July 2009 (except for force majeure).

(4) Pursuant to the Planning Permit for Construction Works (No. Hu Jian Kai Gui (2006)19) issued by Huzhou Municipal Planning and Construction Bureau on 1 June 2006, the planning of the construction works for the proposed development with a scale of 278,100.54 sq.m. was in compliance with the urban planning requirements and was approved for construction.

(5) Pursuant to four sets of Commencement Permit for Construction Works (Nos. 330502200608212101, 330502200608080801, 330502200608292901 and 330502200609080801) issued by Development Zone Branch Bureau of Huzhou Municipal Planning and Construction Bureau on 21 August 2006, 21 August 2006 and 8 September 2006, the construction works for the proposed development with a scale of 281,466.30 sq.m. were permitted to commence.

(6) Pursuant to the information provided, the property will be a mixed residential/commercial complex with a total gross floor area of approximately 322,711.20 sq.m. (inclusive of the substructure) comprising 259,318.50 sq.m. for residential use, 15,298.40 sq.m. for commercial use, 3,537.00 sq.m. for ancillary use plus a total 964 car parking spaces and is expected to be completed in or about August 2008.

(7) We have been advised that the proposed development will be sold to the government upon completion and the price of which is still under negotiation.

(8) We have been further advised by the Company that the property was acquired by Huzhou Land Company in May 2006 and that the total costs of acquisition and development already expended as of March 2008 amounted to approximately RMB500 million.

(9) In the course of our valuation, we have taken into account the estimated total development cost of approximately RMB600 million and the outstanding costs to be expended to complete the development of approximately RMB185 million.

(10) The capital value when completed of the property is approximately RMB803,000,000.

(11) The opinion of Zhejiang Yin Hu Law Office is summarized as below:

(a) Huzhou Land Company is in possession of a proper legal title to the land use rights of the property and is entitled to transfer, lease and mortgage the land use rights freely.

(b) The land use rights are subject to a mortgage in favour of Huzhou Branch of China Construction Bank. However, the said mortgage has not been registered. According to the relevant laws and regulations, the contract for the said mortgage will become effective from the date of its registration.

(c) The condition that the property, upon completion, should be sold back to the government (as mentioned in Note 3i above) is legally valid. According to the relevant laws and regulations, the gross floor area to be adopted for the calculation of the selling price shall be based on the actual result of measurements of the property upon its completion.

(d) Pursuant to the Commencement Permit for Construction Works, Huzhou Land Company owns the buildings which are under construction.

(e) Pursuant to the confirmation from Huzhou Land Company, the said construction works are not subject to any mortgage or restricted by other rights.

(f) There should not be any legal impediment for Huzhou Land Company to obtain the respective real estate ownership certificates for such buildings after Huzhou Land Company has obtained approval for the Planning Permit for Construction Works and Commencement Permits for Construction Works as the property upon its completion.

(g) According to the Joint Venture Agreement, the shareholders are entitled to share the profit, risk and lost based on the percentage sharing in Huzhou Land Company.

(12) Pursuant to the agreement dated 28 March 2008 and entered into between Huzhou Land Company, Great Royal International Limited, Hong Kong Wanshan Holdings Limited and 浙江雲廈集團有限公司(unofficial translation as Zhejiang Yunxia Group Limited) in relation to the increase in the registered capital of Huzhou Land Company in the amount of RMB104,800,000, all profits or loss arising from the property project known as 清河嘉園 (unofficial translation as Qing He Jia Yuan) developed by Huzhou Land Company shall be shared by the joint venture partners in the proportion of the shareholding before the capital injection (i.e. 50% to Great Royal International Limited, 31% to Hong Kong Wanshan Holdings Limited and 19% to 浙江雲廈集團有限公司); whereas after the capital injection becoming effective, all profits or loss arising from all future projects to be developed by Huzhou Land Company shall be shared by the joint venture partners in the proportion of the shareholding after the capital injection becoming effective (i.e. approximately 67.08% to Great Royal International Limited, approximately 20.41% to Hong Kong Wanshan Holdings Limited and approximately 12.51% to 浙江雲廈集團有限公司).

(13) We have relied on the information provided by the Company and the aforesaid legal opinion and prepared our valuation on the following assumptions:

(a) The property will be developed in accordance with the development proposal provided to us, i.e. a mixed residential/commercial complex with a proposed total gross floor area of approximately 322,711.20 sq.m. (inclusive of the substructure) comprising 259,318.50 sq.m. for residential use, 15,298.40 sq.m. for commercial use, 3,537.00 sq.m. for ancillary use plus a total 964 car parking spaces.

(b) The proposed development will be completed in August 2008.

(c) The design and construction of the property will be in compliance with the local planning regulations and will be approved by relevant government authorities.

(d) All consents, approvals and licences from relevant government authorities for the development of the property will be granted without any onerous conditions or undue delay that might affect its value.

(14) 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 follows:

Contract of Grant of State-owned Land Use Rights	Yes
Planning Permit for Construction Use Land	Yes
Certificates of State-owned Land Use	Yes
Planning Permit for Construction Works	Yes
Commencement Permits for Construction Works	Yes
Certificate of Building Ownership	No

The following is the text of the letter and valuation certificate received from DTZ Debenham Tie Leung Limited, an independent property valuer, prepared for the purpose of incorporation in this circular in connection with its valuation of a property interest held by the Enlarged Group as at 31 March 2008.

29 May 2008

DTZ 戴德梁行

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

Dear Sirs,

Re: Various commercial, storage and car parking units in City of Mergence, Lots 9 and 11 Bai Wan Zhuang Avenue, Xi Cheng District, Beijing, the People's Republic of China (the "Property")

Instructions, Purpose & Date of Valuation

In accordance with the instructions of China Chengtong Development Group Limited (the "Company") for us to carry out a market valuation of the Property held by the Company or its subsidiary (hereinafter referred to as the "Group") in the People's Republic of China ("China" or the "PRC"), 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 value of the Property as at 31 March 2008 for the Group's disclosure purpose.

Definition of Market Value

Our valuation of the Property represents our opinion of its Market Value which in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors is defined as 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".

Valuation Basis and Assumptions

Our valuation excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the Property in the PRC, we have assumed that transferable land use rights in respect of the Property for its respective specific terms at nominal annual land use fees have been granted and that any land grant premium payable has already been fully paid. We have relied on the information and advice given by the Group and its legal advisor, Hylands Law Firm, on PRC laws respectively, regarding the title to the Property and the interest of the Group in the Property. In valuing the Property, we have assumed that the Group has an enforceable title to the Property and has free and uninterrupted rights to use, occupy or assign the Property for the whole of the unexpired land use term as granted.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

In valuing the Property, we have complied with the requirements set out in Chapter 5 and PN12 of the Listing Rules of the Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

Method of Valuation

We have valued the Property by direct comparison approach by making reference to comparable sales transactions as available in the relevant market, or where appropriate, by the investment method by considering the net rental derived from the existing tenancies with due provisions for the reversionary income potential of the Property.

Source of Information

In respect of the Property in the PRC, we have been provided with extracts of documents in relation to the titles to the Property. However, we have not inspected the original documents to ascertain any amendments, which may not appear on the copiers handed to us.

In the course of our valuation, we have relied to a very considerable extent on the information given by the Group and advice given by its PRC legal advisor, Hylands Law Firm, on PRC laws in respect of the Property in the PRC and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, completion date of buildings, identification of property, number of car parking spaces, particulars of occupancy, site and floor areas and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificate attached are based on information contained in the documents provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which are material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided.

Title Investigation

We have been provided with extracts of documents relating to the title to the Property. However, we have not searched the original documents to verify ownership or to ascertain any amendment which may not appear on the copies handed to us.

Site Inspection

We have inspected the exterior and, where possible, the interior of the Property. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report that the Property is free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the Property and we have assumed that the areas shown on the documents handed to us are correct.

Currency

Unless otherwise stated, all money amounts indicated herein our valuation are in Renminbi (RMB) which is the lawful currency of the PRC.

The valuation certificate is attached below.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited

Andrew K. F. Chan
Registered Professional Surveyor (GP)
China Real Estate Appraiser
MSc., M.H.K.I.S., M.R.I.C.S
Director

Note: Mr. Andrew K. F. Chan is a Registered Professional Surveyor who has over 20 years of experience in the valuation of properties in the PRC.

VALUATION CERTIFICATE

Property held for sale in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2008
Various commercial, storage and car parking units in City of Mergence, Lots 9 and 11 Bai Wan Zhuang Avenue, Xi Cheng District, Beijing, the PRC	The Property comprises various commercial, storage and car parking units in City of Mergence which is a 21-storey residential building (plus 3 basement levels) completed in 2005. The Property comprises commercial units on Level 2 and Basement 1 respectively, storage units on Basements 2 and 3 respectively, car parking spaces on Basement 2. The gross floor areas of the various constituent parts of the Property are summarized as follows:–	As at the date of valuation, the Property was vacant.	RMB33,800,000

Portion	Gross floor area	
	sq m	*sq ft*
Commercial	2,500.07	26,911
Storage	701.44	7,550
Basement car park	2,193.75	23,614
Refuge	378.24	4,071
Total:	5,773.50	62,146

The land use rights of the Property have been granted for a term of 70 years for residential use expiring on 20 June 2073, 50 years for car park use expiring on 20 June 2053 and 40 years for ancillary use expiring on 20 June 2043.

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2004) 20089 dated 18 February 2004, the land use rights of the land located at Lots 9 and 11 Bai Wan Zhuang Avenue, Xi Cheng District, comprising a total site area of 7,206.33 sq m, have been granted to 中實投資有限責任公司 (Zhongshi Investment Company Limited) (wholly-owned subsidiary of the Group) for a term of 70 years for residential use expiring on 20 June 2073, 50 years for car park use expiring on 20 June 2053 and 40 years for ancillary use expiring on 20 June 2043.

(2) According to Building Ownership Certificate No. 159657 dated 24 March 2006, the title to the building of Basement 3 to level 21, Block Nos. 1 and 2, Lot 9 Bai Wan Zhuang Avenue, Xi Cheng District, comprising a total gross floor area of 44,123.97 sq m, is vested in Zhongshi Investment Company Limited.

(3) As advised by the Group, various portions of City of Mergence have already been sold to third parties and the remaining unsold units held by Zhongshi Investment Company Limited as at the date of valuation are summarized as follows:-

Use	Level	Gross floor area
Commercial	2	1,316.36 sq m
Commercial	B1	1,183.71 sq m
Storage	B2	566.98 sq m
Storage	B3	134.46 sq m
Car parking spaces	B2	2,193.75 sq m
Refuge	B3	378.24 sq m
	Total:	5,773.50 sq m

As further advised by the Group, as at the date of valuation, Zhongshi Investment Company Limited have entered into respective sale and purchase agreements with third parties to sell portions of the Property, details are summarized as follows:-

Use	Level	Unit No(s).	Gross floor area	Consideration
Commercial	2	202	341.65 sq m	RMB4,270,625
Commercial	2	203	467.14 sq m	RMB6,446,532
Commercial	B1	01	664.29 sq m	RMB2,125,728

In the course of our valuation of these units that are subject to various sale and purchase agreements, we have adopted the contractual considerations pursuant to the said sale and purchase agreements and assumed that the sale and purchase agreements would be duly executed in due course.

(4) According to Business Licence No. 110000410210630, Zhongshi Investment Company Limited has been incorporated with a registered capital of RMB100,000,000 and an operation period from 11 April 1997 to 10 April 2034.

(5) As instructed by the Group, we have carried out a market valuation of the Property as of the date of 31 December 2007, and the concluded capital value was RMB33,300,000.

(6) We have been provided with a legal opinion on the Property prepared by the Group's legal advisors, Hylands Law Firm, which contains, inter alia, the following information:-

(i) Zhongshi Investment Company Limited is a legal foreign joint-venture enterprise for an operation period from 16 April 1997 to 15 August 2034.

(ii) As Zhongshi Investment Company Limited is in possession of both Certificate for the Use of State-owned Land and Building Ownership Certificate in respect of City of Mergence, and the Property is part of City of Mergence, Zhongshi Investment Company Limited legally owns the Property and is entitled to freely transfer, sell, mortgage and lease the Property.

(iii) No. 202 on the 2/F was entered into a "Beijing Completed Commodity House Sale and Purchase Agreement (《北京市商品房現房買賣合同》) between Zhongshi Investment Company Limited and Zhang Zi-rong (張子榮) and Chen Huang-xian (陳黃仙) on 18 January 2008.

(iv) No. 203 on the 2/F was entered into a "Beijing Commodity House Sale and Purchase Agreement" between Zhongshi Investment Company Limited and Wen Jia (聞佳) on 20 March 2008.

(v) 664.29 sq m floor area on the B1 floor was entered into a "Beijing Commodity House Sale and Purchase Agreement" between Zhongshi Investment Company Limited and Shi Jia-hao (施家豪) on 3 March 2008.

(vi) The Property is not currently leased to or subject to any mortgages with any third parties. In addition, except for the contents disclosed in the legal opinion, Zhongshi Investment Company Limited has not signed any interests transfer agreements with any third parties in respect of the Property.

(vii) Except for the contents disclosed in the legal opinion, the Property is not subject to any seizures, distrainment, or any other disputes or controversies.

(7) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are summarized as follows:-

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually 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 and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' INTERESTS

(a) As at the Latest Practicable Date, the interests and short positions of each Director in the shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, 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 were as follows:

Interests in the Shares

Name of Director	Number of Shares subject to outstanding options	Approximate percentage of shareholding
Gu Laiyun	3,867,707	0.145%
Xu Zhen	725,196	0.027%

(b) Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, 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.

(c) As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which have since 31 December 2007, being the date to which the latest published audited financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Enlarged Group or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

(d) As at the Latest Practicable Date, none of the Directors were materially interested in any contract or arrangement entered into by any member of the Enlarged Group since 31 December 2007, being the date to which the latest published audited financial statements of the Group were made up, and which was significant in relation to the business of the Enlarged Group.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

(a) As at the Latest Practicable Date, so far as is known to the Directors, the following persons, other than a Director or chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or 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 the Company:

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage of interest
World Gain Holdings Limited	beneficial owner *(Note 2)*	791,814,913(L)	29.58%
China Chengtong Hong Kong Company Limited	controlled corporation *(Note 2)*	791,814,913(L)	29.58%
China Chengtong Holdings Group Limited	controlled corporation *(Note 2)*	791,814,913(L)	29.58%

Notes:

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

(b) As at the Latest Practicable Date, so far as is known to the Directors, the following entities were 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 other members of the Enlarged Group:

Name of subsidiary	Name of shareholder	Number of shares	Approximate percentage of interest
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%
Huzhou Land Company	Hong Kong Wanshan Holdings Limited	RMB62,620,000	20.41%
	浙江雲廈集團有限公司 (unofficial translation as Zhejiang Yunxia Group Limited)	RMB38,380,000	12.51%

(c) Save as disclosed in this circular, so far as is known to the Directors, there is no other person who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, had a direct or indirect interests amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Enlarged Group.

4. DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with any of the members of the Enlarged Group which is not determinable by such member of the Enlarged Group within one year without payment of compensation other than statutory compensation.

5. OTHER INTERESTS OF THE DIRECTORS AND THE EXPERTS

As at the Latest Practicable Date:

(i) none of the Directors had any direct or indirect interest in any assets which have, since 31 December 2007, being the date of the latest published audited accounts of the Group, been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group;

(ii) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Enlarged Group which contract or arrangement is subsisting as at the Latest Practicable Date and which is significant in relation to the business of the Enlarged Group taken as a whole;

(iii) none of Deloitte Touche Tohmatsu, B.I. Appraisals Limited and DTZ Debenham Tie Leung Limited had any direct or indirect interest in any assets which have, since 31 December 2007, being the date of the latest published audited accounts of the Group, been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group; and

(iv) none of Deloitte Touche Tohmatsu, B.I. Appraisals Limited and DTZ Debenham Tie Leung Limited were materially interested in any contract or arrangement entered into by any member of the Enlarged Group which contract or arrangement is subsisting as at the Latest Practicable Date and which is significant in relation to the business of the Enlarged Group taken as a whole.

6. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Company) have been entered into by members of the Enlarged Group within two years immediately preceding the date of this circular which are or may be material:

(a) an agreement for sale and purchase 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 and the shareholder's loan advanced by or on behalf of the said vendor to Great Royal;

(b) the placing and subscription agreement dated 8 August 2006 entered into between World Gain Holdings Limited ("**World Gain**"), Oriental Patron Asia Limited as placing agent and the Company in relation to, among other matters, the subscription by World Gain for a total of 332,000,000 new Shares at HK$0.30 per Share, details of which were set out in the Company's announcement dated 8 August 2006;

(c) a subscription and shareholders agreement ("**Shareholders Agreement**") dated 12 October 2006 entered into between China Chengtong Cement Group Limited ("**CCCG**"), the Company's wholly owned subsidiary, CIMPOR Inversiones SA ("**CIMPOR**"), CIMPOR Chengtong Cement Corporation Limited and China Chengtong Development Group Limited in respect of the establishment and operation of CIMPOR Chengtong Cement Corporation Limited ("**JV Company**"), which was 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 would subscribe for a total of 207,480,000 new shares in the JV Company, of which 20% would be subscribed for by CCCG and the remaining 80% would be subscribed for by CIMPOR;

(d) a conditional sale and purchase agreement ("**Sea-Land Group Sale Agreement**") dated 12 October 2006 entered into between 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;

(e) an extension 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;

(f) an extension 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 Sale Agreement from 31 December 2006 to 30 June 2007;

(g) the underwriting agreement dated 27 December 2006 entered into between the Company, World Gain and Oriental Patron Asia Limited in relation to a 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);

(h) a letter of intent (股權轉讓意向書) dated 27 December 2006 entered into between China Chengtong Properties Group Limited ("**CCPGL**"), 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.) ("**Zhongshi Vendor**") for the proposed acquisition by the CCPGL 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 (股權轉讓補充意向書) dated 17 January 2007 extending the date of signing of the formal agreement in respect of the said proposed acquisition to 31 March 2007;

(i) a letter agreement dated 9 January 2007 ("**Service Agreement**") signed by 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 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) in return for which, the Company is to allot and issue not more than 161,880,397 Shares (represents 8% of the total issued Shares as at 31 December 2006) on and subject to the terms and conditions contained in the Service Agreement;

(j) a letter of undertaking dated 11 January 2007 entered into by Xian Vendor, Zhongshi and 陝西銀信西部投資開發有限公司 (unofficial English name, Shaanxi Yinxin Western Investment Development Limited) ("**Shaanxi Yinxin**"), the then owner of 48% equity interest in the Xian PRC Company relating to the Xian Acquisition;

(k) an equity transfer agreement dated 15 January 2007 entered into between 嘉成企業發展有限公司 (unofficial English name, Jiacheng Enterprise Development Company Limited) ("**Xian Vendor**") and Zhongshi relating to the acquisition ("**Xian Acquisition**") of 52% of the registered capital of 西安富祥房地產開發有限公司 (unofficial English name, Xian Fuxiang Real Estate Development Limited) ("**Xian PRC Company**") at a consideration of RMB25,600,000;

(l) an equity transfer agreement dated 29 January 2007 entered into between the 中國新元資產管理公司 (unofficial English name, China Xinyuan Asset Management Company) ("**Luoyang Vendor**") and Zhongshi relating to the acquisition ("**Luoyang Acquisition**") of the 100% registered capital of 洛陽關林中儲物流中心 (unofficial English name, Luoyang Guanlin Zhongchu Logistics Centre) ("**Luoyang PRC Company**") at a consideration of RMB26,680,000 payable by Zhongshi;

(m) a supplemental agreement dated 29 January 2007 entered into by Luoyang Vendor and Zhongshi relating to the Luoyang Acquisition pursuant to which, among other matters, in case the Shareholders' approval of the Luoyang Acquisition could not be obtained, the Luoyang Vendor shall (a) repurchase from Zhongshi the 100% registered capital of the Luoyang PRC Company; and (b) refund the amount of the principal amount of RMB2,994,779.1 owed by the Luoyang PRC Company to the Luoyang Vendor (to the extent repaid) to Zhongshi;

(n) a second supplemental agreement dated 15 March 2007 entered into between Luoyang Vendor and Zhongshi relating to the Luoyang Acquisition for clarifying the rights of Zhongshi in the event of the Luoyang Vendor failing to effect payment of the relevant land premium payable and to obtain the State-owned land use right certificate in favour of the Luoyang PRC Company;

(o) a supplemental agreement dated 16 March 2007 entered into among Xian Vendor, Zhongshi and 北京草埔園林綠化工程有限公司 (unofficial English name, Beijing Caopu Garden Landscaping Engineering Limited) ("**Beijing Caopu**"), the owner of a 48% interest in the Xian PRC Company who acquired such interest from Shaanxi Yinxin for clarifying payment terms of the principal amount of RMB26,000,000 owed by the Xian PRC Company to the Xian Vendor as at 31 December 2006 and the rights and obligations of Beijing Caopu;

(p) the conditional agreement dated 27 March 2007 made between the Zhongshi Vendor and CCPGL for the acquisition of 30% of the registered capital of Zhongshi at a consideration of RMB24,000,000 payable by CCPGL;

(q) the equity transfer agreement dated 27 September 2007 and entered into between Zhongshi (as vendor) and 北京銀信興業房地產開發有限公司 (unofficial English translation as Beijing Yinxin Xingye Property Development Co., Ltd.) (as purchaser) in relation the disposal of 52% of the registered capital of 西安富祥房地產開發有限公司(unofficial English name, Xian Fuxiang Real Estate Development Limited) at a consideration of RMB43,360,000; and

(r) the Capital Injection Agreement.

8. QUALIFICATIONS OF EXPERTS

The following are the qualifications of the experts who has given opinion or, advice contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants
B.I. Appraisals Limited	Registered Professional Surveyors
DTZ Debenham Tie Leung Limited	Registered Professional Surveyors

As at the Latest Practicable Date, none of Deloitte Touche Tohmatsu, B.I. Appraisals Limited and DTZ Debenham Tie Leung Limited was beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

9. CONSENTS

Deloitte Touche Tohmatsu, B.I. Appraisals Limited and DTZ Debenham Tie Leung Limited have given and have not withdrawn their written consents as to the issue of this circular with the inclusion herein of their respective opinions or letters and/or reference to their names, opinions or letters in the form and context in which they respectively appear.

10. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors nor his associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of the Company in Hong Kong at Suite 6406, 64th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong during normal business hours from 29 May 2008 up to and including 12 June 2008 and at the EGM:

(1) the memorandum of association of the Company and the Articles;

(2) the annual reports of the Group for the two financial years ended 31 December 2007;

(3) the accountants' report of Huzhou Land Company prepared by Deloitte Touche Tohmatsu for the period from 2 December 2005 (date of establishment) to 31 December 2005 and the two financial years ended 31 December 2007 as set out in Appendix II to this circular;

(4) the report issued by Deloitte Touche Tohmatsu in connection with the pro forma balance sheet, pro forma income statement and the pro forma cashflow statement of the Enlarged Group as set out in Appendix III to this circular;

(5) the property valuation report issued by B.I. Appraisals Limited as set out in Appendix IV to this circular;

(6) the property valuation report issued by DTZ Debenham Tie Leung Limited as set out in Appendix V to this circular;

(7) the copies of material contracts referred to in the paragraph headed "Material contracts" in this appendix;

(8) the written consents of Deloitte Touche Tohmatsu, B.I. Appraisals Limited and DTZ Debenham Tie Leung Limited referred to in the paragraph headed "Consents" in this appendix; and

(9) this circular.

12. MISCELLANEOUS

(1) The registered and head office of the Company is located at Suite 6406, 64th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

(2) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(3) The company secretary and the qualified accountant of the Company is Ms. Chan Yuet Kwai, *FCPA FCCA*.

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 Tuesday, 24 June 2008 at Concord Room 3, 8/F., Renaissance Harbour View Hotel, No. 1 Harbour Road, Wanchai, Hong Kong at 11:15 a.m., for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an Ordinary Resolution of the Company:

ORDINARY RESOLUTION

"**THAT** the form and substance of the capital injection agreement ("**Capital Injection Agreement**") dated 28 March 2008 entered into between Great Royal International Limited ("**Great Royal**"), Hong Kong Wanshan Holdings Limited and 浙江雲廈集團有限公司 (unofficial translation as Zhejiang Yunxia Group Limited) and 湖州萬港聯合置業有限公司 (unofficial translation as Huzhou Wangang United Estate Company Limited) ("**Huzhou Land Company**") in relation to, among other matters, the capital injection of RMB104,800,000 by Great Royal as registered capital of Huzhou Land Company, (a copy of the Capital Injection Agreement marked "A" and initialled by the chairman of the Meeting for identification purpose has been tabled at the Meeting) be and are hereby approved; and the directors of the Company ("**Directors**") or a duly authorised committee of the board of Directors be and are hereby authorised to do all such acts and things (including, without limitation, signing, executing (under hand or under seal), perfecting and delivery of all agreements, documents and instruments,) which are in their opinion necessary, appropriate, desirable or expedient to implement or to give effect to the terms of the Capital Injection Agreement and all transactions contemplated thereunder and all other matters incidental thereto or in connection therewith and to agree to and make such variation, amendment and waiver of any of the matters relating thereto or in connection therewith that are, in the opinion of the Directors, not material to the terms of the Capital Injection Agreement and all transactions contemplated thereunder and are in the interests of the Company".

By order of the Board
China Chengtong Development Group Limited
Zhang Guotong
Chairman

Hong Kong, 29 May 2008

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 Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1806–1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, 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. Gu Laiyun and Ms. Xu Zhen; and the independent non-executive Directors are Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec, Mr. Lao Youan and Mr. Ba Shusong.