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 appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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CHINA CHENGTONG DEVELOPMENT GROUP LIMITED
中 國 誠 通 發 展 集 團 有 限 公 司

(incorporated in Hong Kong with limited liability)

(Stock code: 217)

(1) MAJOR ACQUISITION AND CONNECTED TRANSACTION;
(2) WHITEWASH WAIVER;
(3) PROPOSED INCREASE OF AUTHORISED SHARE CAPITAL; AND
(4) NOTICE OF EGM

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

CIMB

CIMB-GK Securities (HK) Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" of the circular.

A letter from the Board is set out on pages 6 to 43 of this circular. A letter from the Independent Board Committee is set out on page 44 of this circular. A letter from CIMB-GK containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 45 to 75 of this circular.

A notice convening the EGM to be held at Plaza Room 1-3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong at 10:30 a.m. on Tuesday, 16 December 2008 is set out on pages N-1 to N-3 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, Computershare Hong Kong Investor Services Limited at Rooms 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 November 2008

CONTENT

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

"Acquisition"	the transactions contemplated under the First SP Agreement and the Second SP Agreement
"Announcement"	the announcement dated 30 October 2008 issued by the Company in relation to the Acquisition and the Whitewash Waiver
"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
"BVI-1"	a company to be incorporated in the British Virgin Islands prior to the completion of the First SP Agreement and to act as the holding company of HK-1
"BVI-2"	a company to be incorporated in the British Virgin Islands prior to the completion of the First SP Agreement and to act as the holding company of HK-2
"BVI-3"	a company to be incorporated in the British Virgin Islands prior to the completion of the Second SP Agreement and to act as the holding company of HK-3
"CCHG"	China Chengtong Holdings Group Limited, the holding company of CCHK, is a state-owned enterprise established in the PRC and directly supervised and owned by the State-owned Assets Supervision and Administration Commission of the State Council on behalf of the Central People's Government of the PRC
"CCHK"	China Chengtong Hong Kong Company Limited, the holding company of World Gain, a substantial Shareholder (as defined in the Listing Rules) of the Company
"CIMB-GK" or "Independent Financial Adviser"	CIMB-GK Securities (HK) Limited, a corporation licensed to carry on type 1 (dealings in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition and the Whitewash Waiver
"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

"Concert Group"	CCHK, CCHG and parties acting in concert with any one of them
"Connected Person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration Shares"	the Shares to be allotted and issued, credited as fully paid, to CCHK upon completion of (i) the First SP Agreement, (ii) the Second SP Agreement or (iii) the First SP Agreement and the Second SP Agreement
"CT Industrial"	誠通實業投資有限公司 (unofficial translation as Chengtong Industrial Investment Limited), a company established in the PRC on 15 June 2007 and is wholly owned by CCHG as at the Latest Practicable Date
"DFG"	collectively, DFG Company and DFG Construction Company
"DFG Company"	誠通大豐海港開發有限公司 (unofficial translation as Chengtong Dafeng Harbour Development Limited), a company established in the PRC on 29 December 2005 and is owned as to approximately 66.67% by CCHG as at the Latest Practicable Date
"DFG Construction Company"	誠通大豐海港工程建設有限公司 (unofficial translation as Chengtong Dafeng Harbour Construction Limited), a company established in the PRC on 28 March 2006 and is wholly owned by DFG Company as at the Latest Practicable Date
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company convened to be held at Plaza Room 1-3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong at 10:30 a.m. on Tuesday, 16 December 2008 for the purposes of considering and, if thought fit, approving the Acquisition, the Whitewash Waiver and the proposed increase of authorised share capital of the Company and any adjournment thereof
"Enlarged Group"	the Group following completion of the Acquisition
"First Supplemental Agreement to the First SP Agreement"	the supplemental agreement dated 27 October 2008 and entered into between the Company, CCHK and CCHG to amend the consideration adjustment mechanism as contained in the Original First SP Agreement
"First Supplemental Agreement to the Second SP Agreement"	the supplemental agreement dated 27 October 2008 and entered into between the Company, CCHK and CCHG to amend the consideration adjustment mechanism as contained in the Original Second SP Agreement

"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegates
"First SP Agreement"	the Original First SP Agreement, as supplemented by the First Supplemental Agreement to the First SP Agreement
"First Target Assets"	the assets (including railway, various lands and buildings) to be injected into CT Industrial at or prior to completion of the First SP Agreement
"Group"	the Company and its subsidiaries from time to time
"HK-1"	a company to be incorporated in Hong Kong prior to the completion of the First SP Agreement and to act as the holding company of CT Industrial
"HK-2"	a company to be incorporated in Hong Kong prior to the completion of the First SP Agreement and to act as the holding company of DFG Company
"HK-3"	a company to be incorporated in Hong Kong prior to the completion of the Second SP Agreement and to act as the holding company of LYG Company
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Company formed by the Company to advise the Independent Shareholders as to whether the terms of the Acquisition and the Whitewash Waiver are fair and reasonable and whether the Acquisition and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole
"Independent Shareholders"	Shareholders who are not involved or interested in the Acquisition and the Whitewash Waiver, being Shareholders other than the Concert Group
"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
"independent third party"	a party who is independent of and not connected with the Company and its Connected Persons
"Last Trading Day"	14 October 2008, being the last full trading day before the release of the Announcement
"Latest Practicable Date"	26 November 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
"LYG Company"	連雲港中儲物流有限公司 (unofficial translation as Lianyungang CMST Logistics Limited) (proposed name), a company to be established in the PRC to act as the holding company of the Second Target Assets
"Original First SP Agreement"	the sale and purchase agreement dated 15 October 2008 and entered into between the Company, CCHK and CCHG in relation to the acquisition by the Company of the entire issued share capital of BVI-1 and BVI-2
"Original Second SP Agreement"	the sale and purchase agreement dated 15 October 2008 and entered into between the Company, CCHK and CCHG in relation to the acquisition by the Company of the entire issued share capital of BVI-3
"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
"Relevant Period"	the period commencing on 30 April 2008 (being the date falling six months immediately prior to the date of the Announcement) and ending on the Latest Practicable Date
"Second SP Agreement"	the Original Second SP Agreement, as supplemented by the First Supplemental Agreement to the Second SP Agreement
"Second Target Assets"	the assets (including railway and various lands and buildings) to be injected into LYG Company at or prior to completion of the Second SP Agreement
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the ordinary shares which have a par value of HK$0.10 each in the capital of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers

"Whitewash Waiver"	a waiver, from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, in respect of the obligations of the Concert Group to make a mandatory general offer for all the securities of the Company not already owned by the Concert Group which would otherwise arise as a result of the issue of the Consideration Shares to CCHK upon completion of (i) the First SP Agreement; (ii) the Second SP Agreement or (iii) the First SP Agreement and the Second SP Agreement
"World Gain"	World Gain Holdings Limited, the substantial Shareholder (as defined in the Listing Rules) of the Company
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

Unless the context requires otherwise, translation of RMB into HK$ are made, for illustration purpose only, at the rate of RMB1=HK$1.13. No representation is made that any amounts in RMB or HK$ 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)*
Wang Hongxin *(Managing Director)*

Non-executive Directors:
Gu Laiyun
Xu Zhen

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

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

To the Shareholder

29 November 2008

Dear Sir or Madam

(1) MAJOR ACQUISITION AND CONNECTED TRANSACTION; (2) WHITEWASH WAIVER; AND (3) PROPOSED INCREASE OF AUTHORISED SHARE CAPITAL

INTRODUCTION

On 30 October 2008, the Board announced that on 15 October 2008, the Company entered into the Original First SP Agreement and the Original Second SP Agreement with CCHK and CCHG, which were supplemented by the First Supplemental Agreement to the First SP Agreement and the First Supplemental Agreement to the Second SP Agreement entered into by the same parties on 27 October 2008.

The transactions contemplated under the First SP Agreement and the Second SP Agreement (when aggregate) constitutes a major acquisition for the Company under Chapter 14 of the Listing Rules and a connected transaction under Chapter 14A of the Listing Rules which is subject to reporting, announcement and independent shareholders' approval requirements. The Acquisition will be subject to the approval of the Independent Shareholders taken on a poll at the EGM.

The purpose of this circular is to give you (a) further information regarding, among others, the Acquisition and the Whitewash Waiver, (b) the advice of the Independent Board Committee to the Independent Shareholders, (c) the advice from CIMB-GK to the Independent Board Committee and the Independent Shareholders; (d) information regarding the proposed increase of authorised share capital of the Company; and (e) notice of the EGM.

THE ACQUISITION

On 15 October 2008, the Company entered into the Original First SP Agreement and the Original Second SP Agreement with CCHK and CCHG. On 27 October 2008, the Company, CCHK and CCHG also entered into the First Supplemental Agreement to the First SP Agreement and the First Supplemental Agreement to the Second SP Agreement. Details of the First SP Agreement and the Second SP Agreement are set out below.

The First SP Agreement

Date

15 October 2008 (date of the Original First SP Agreement)

Parties

(1) The Company, as purchaser;

(2) CCHK, as vendor; and

(3) CCHG, as warrantor.

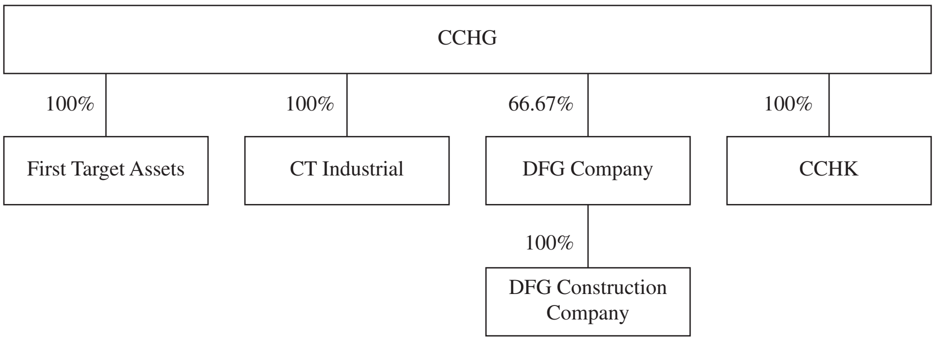
CCHK is an investment holding company and is the holding company of World Gain, the substantial Shareholder (as defined in the Listing Rules) of the Company, and is therefore a connected person of the Company. CCHG beneficially owns the entire issued share capital of CCHK, and is therefore a connected person of the Company. CCHG is principally engaged in the operation of state-owned assets and investment holding.

Assets to be acquired

The Company has agreed to purchase, and CCHK has agreed to sell, the entire issued share capital of BVI-1 and BVI-2.

CCHK and CCHG have agreed to undertake a series of reorganisation involving BVI-1 and BVI-2 (particulars of which are set out below) prior to completion of the First SP Agreement. The following corporate charts set out the simplified corporate structure of the assets to be acquired under the First SP Agreement (i) as at the date of the Original First SP Agreement; and (ii) after completion of the reorganisation but prior to completion of the First SP Agreement.

Chart A — corporate structure as at the date of the Original First SP Agreement



Particulars of the reorganisation to be undertaken by CCHK and CCHG are as follows:

— BVI-1 and BVI-2 will be incorporated in the British Virgin Islands by CCHK to act as the holding company of HK-1 and HK-2 respectively;

— HK-1 will be incorporated in Hong Kong as a wholly owned subsidiary of BVI-1 to act as the holding company of CT Industrial;

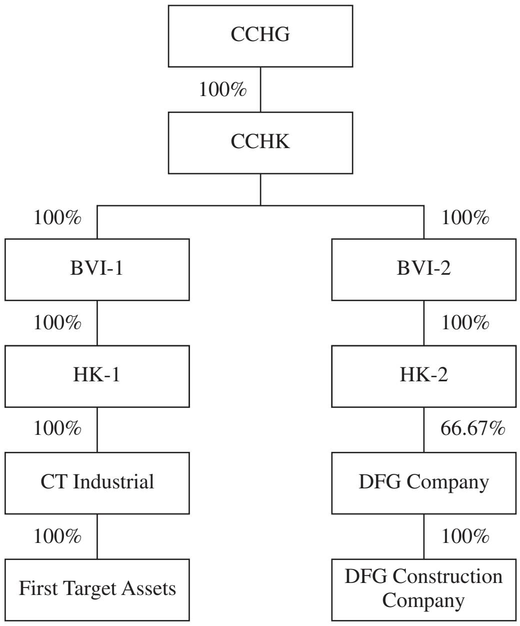
— CCHG will transfer the First Target Assets to CT Industrial;

— CCHG will transfer its entire interest in CT Industrial (which will then hold the First Target Assets) to HK-1;

— HK-2 will be incorporated in Hong Kong as a wholly owned subsidiary of BVI-2 to act as the holding company of DFG Company; and

— CCHG will transfer its entire interest in DFG Company (66.67%) to HK-2.

Chart B — corporate structure after completion of the reorganisation but prior to completion of the First SP Agreement



The above reorganisation are subject to PRC governmental approvals, which are expected to be obtained by the end of April 2009. The above reorganisation will be completed before completion of the First SP Agreement.

The original acquisition costs of BVI-1 (including all assets and companies to be transferred to BVI-1 pursuant to the reorganisation) and BVI-2 (including all assets and companies to be transferred to BVI-2 pursuant to the reorganisation) to CCHK are approximately RMB268,000,000 and approximately RMB201,000,000 respectively.

Further details of the assets to be acquired pursuant to the First SP Agreement are set out in the paragraph headed "Further details of the assets to be acquired under the First SP Agreement" below.

Consideration

For the purpose of this paragraph, the following expressions shall have the following meanings:

"**Filed and Confirmed Price (A)**" shall mean the value of 100% of the equity attributable to shareholder of CT Industrial and approximately 66.67% of the equity attributable to shareholders of DFG Company based on the PRC Valuation (A) and filed with and confirmed by the State-owned Assets Supervision and Administration Commission of the State Council. It is expected that Filed and Confirmed Price (A) could be obtained on or around 31 January 2009.

"**International Valuation (A)**" shall mean the valuation report on the Land and Buildings (A) (as at the same date of valuation of the PRC Valuation (A) which will be a date after CCHG has transferred the First Target Assets to CT Industrial pursuant to the reorganisation) prepared by a qualified valuer, who is to be appointed (if required) by CCHK and proposed to be DTZ Debenham Tie Leung Limited, in accordance with international valuation standards.

"**Land and Buildings (A)**" shall mean the land and buildings to be injected to CT Industrial pursuant to the reorganisation and those currently held by DFG but excluding railway to be injected into CT Industrial.

"**P(A)**" shall mean the consideration to be payable by the Company pursuant to the First SP Agreement (subject to adjustment).

"**PRC Valuation (A)**" shall mean the valuation report on 100% interests of CT Industrial and approximately 66.67% interest of DFG Company after completion of the reorganisation prepared in accordance with the requirements of the State-owned Assets Supervision and Administration Commission of the State Council (as at a date after CCHG has transferred the First Target Assets to CT Industrial pursuant to the reorganisation) by a PRC qualified valuer to be appointed by CCHG. It is proposed that the valuer shall be 北京同仁和資產評估有限責任公司 (unofficial translation as Beijing Tong Ren He Assets Appraisal Limited). PRC Valuation (A) will adopt the depreciated replacement cost method in the valuation of 100% interests of CT Industrial and approximately 66.67% interest of DFG Company. Depreciated replacement cost method is one type of cost approach which is defined as the current cost of replacement (reproduction) of the subject asset less deduction for physical deterioration and all relevant forms of obsolescence and optimisation.

"**Price Determination Valuation (A)**" shall mean the valuation as at 31 August 2008 of the Land and Buildings (A) and railway to be injected to CT Industrial pursuant to the reorganisation (which together form all of the First Target Assets) and 66.67% of the equity attributable to shareholder (including all the assets and liabilities) of DFG as shown in the report prepared by 北京同仁和資產評估有限責任公司 (unofficial translation as Beijing Tong Ren He Assets Appraisal Limited), a PRC qualified valuer which amounted to approximately RMB384,881,400. The depreciated replacement cost method (which is the same method to be used in PRC Valuation (A) as described above) was adopted for the valuations under the Price Determination Valuation (A). To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, 北京同仁和資產評估有限責任公司 (unofficial translation being Beijing Tong Ren He Assets Appraisal Limited) is a third party independent from the Company and its Connected Persons.

Since the reorganisation of the First Target Assets has not been completed as at 31 August 2008, the scope of valuation of Price Determination Valuation (A) includes only the First Target Assets but not 100% of the equity attributable to shareholder of CT Industrial. At the time when the PRC Valuation (A) is issued, the reorganisation in respect of the First Target Assets shall have been completed and CT Industrial should have held the First Target Assets. Therefore, the scope of PRC Valuation (A) will include 100% of the equity attributable to shareholder of CT Industrial.

The scope of International Valuation (A) covers only Land and Buildings (A) but does not cover (i) 100% interests of CT Industrial, (ii) approximately 66.67% interest of DFG Company after completion of the reorganisation as those included in the PRC Valuation (A) and (iii) the railway to be injected to CT Industrial as included in the Price Determination Valuation (A). Given that the major assets to be injected to BVI-1 and BVI-2 after completion of the reorganisation are Land and Buildings (A), the Directors consider that it would be sufficient that the scope of the International Valuation (A) covers Land and Buildings (A) only.

The following table sets out the difference between Price Determination Valuation (A), PRC Valuation (A), International Valuation (A) and valuation on property interests to be acquired by the Group as at 31 October 2008 (as set out in Appendix VII to this circular):

	Price Determination Valuation (A)	**PRC Valuation (A)**	**International Valuation (A)**	**Valuation on property interests to be acquired by the Group**
Date of valuation	31 August 2008	As a date after CCHG has transferred the First Target Assets to CT Industrial pursuant to the reorganisation	On the same date of the PRC Valuation (A)	31 October 2008
Identity of valuer	北京同仁和資產評估有限責任公司 (unofficial translation being Beijing Tong Ren He Assets Appraisal Limited)	To be appointed. It is proposed that the valuer shall be 北京同仁和資產評估有限責任公司 (unofficial translation being Beijing Tong Ren He Assets Appraisal Limited)	To be appointed. It is proposed that the valuer shall be DTZ Debenham Tie Leung Limited	DTZ Debenham Tie Leung Limited
Scope of valuation	Land and Buildings (A) and railway to be injected to CT Industrial (which together form all of the First Target Assets) and 66.67% of equity attributable to shareholder (including all assets and liabilities of DFG) of DFG	100% interests of CT Industrial after CCHG has transferred the First Target Assets to CT Industrial pursuant to the reorganisation and approximately 66.67% interest of DFG Company	Land and Buildings (A) (which excludes railway to be injected to CT Industrial)	(i) Land and Buildings (A) to be injected to CT Industrial (which excludes railway to be injected to CT Industrial) (ii) Property interests held by DFG Company (iii) Land and Buildings (B) (which excludes railway to be injected to LYG Company)

Subject to the adjustment mechanism as stated below, the consideration to be payable by the Company pursuant to the First SP Agreement shall be P(A) which is determined with reference to (i) the Price Determination Valuation (A), (ii) the net assets value of CT Industrial as at 31 August 2008 (approximately RMB4,600,000) and (iii) the amount of cash to be injected to CT Industrial by CCHG pursuant to the reorganisation (approximately RMB79,200,000).

P(A) shall be RMB469,000,000 (equivalent to HK$533,215,094). If any of the assets cannot be transferred to CT Industrial pursuant to the reorganisation ("**Asset Adjustment Event (A)**"), P(A) shall be adjusted downward by deducting an equivalent amount of the value of such assets based on the Price Determination Valuation (A) and the consideration payable by the Company pursuant to the First SP Agreement shall be reduced accordingly.

P(A) shall be further subject to the following adjustment mechanism:

(1) if the Filed and Confirmed Price (A) is less than P(A), the consideration payable by the Company pursuant to the First SP Agreement shall be adjusted downward to the Filed and Confirmed Price (A);

(2) if the Filed and Confirmed Price (A) shall be an amount equal to P(A) or more and up to (and inclusive of) P(A) x 110% (i.e. RMB515,900,000 (if P(A) is not adjusted downward by reason of the Asset Adjustment Event(A))), the consideration payable by the Company pursuant to the First SP Agreement shall not be adjusted and shall be equal to P(A);

(3) if the Filed and Confirmed Price (A) shall be an amount higher than P(A) x 110% (i.e. RMB515,900,000 (if P(A) is not adjusted downward by reason of the Asset Adjustment Event (A))) and up to (and inclusive of) P(A) x 120% (i.e. RMB562,800,000 (if P(A) is not adjusted downward by reason of the Asset Adjustment Event(A))), CCHK shall procure the International Valuation (A) to be commissioned, and

(i) if the valuation of Land and Buildings (A) in the International Valuation (A) equals to or is higher than that in the PRC Valuation (A) and the valuation of Land and Buildings (A) in the International Valuation (A) together with the value of other assets (i.e. the railway and other assets held by CT Industrial and DFG Company after completion of the reorganisation) in the PRC Valuation (A) is not higher than P(A) x 120% (i.e. RMB562,800,000 (if P(A) is not adjusted downward by reason of the Asset Adjustment Event (A))), the consideration payable by the Company pursuant to the First SP Agreement shall be adjusted upward to the Filed and Confirmed Price (A); or

(ii) if the valuation of Land and Buildings (A) in the International Valuation (A) shall be lower than that in the PRC Valuation (A) by 10% or less than 10%, the consideration payable by the Company pursuant to the First SP Agreement shall be adjusted to an amount equals the Filed and Confirmed Price (A) minus the difference between the valuation of Land and Buildings (A) in International Valuation (A) and that in the PRC Valuation (A).

The Company, CCHK and CCHG agreed that they will negotiate on the revised consideration to be payable by the Company pursuant to the First SP Agreement upon the occurrence of any of the following events ("**Relevant Events (A)**"):

(1) (i) the Filed and Confirmed Price (A) shall be an amount higher than P(A) x 110% (i.e. RMB515,900,000 (if P(A) is not adjusted downward by reason of the Asset Adjustment Event (A))) and up to (and inclusive of) P(A) x 120% (i.e. RMB562,800,000 (if P(A) is not adjusted downward by reason of the Asset Adjustment Event (A))) and (ii) the valuation of Land and Buildings (A) in the International Valuation (A) shall be lower than that in the PRC Valuation (A) by more than 10%; or

(2) the Filed and Confirmed Price (A) is an amount higher than P(A) x 110% (i.e. RMB515,900,000 (if P(A) is not adjusted downward by reason of the Asset Adjustment Event (A))) and up to (and inclusive of) P(A) x 120% (i.e. RMB562,800,000 (if P(A) is not adjusted downward by reason of the Asset Adjustment Event (A))); and

(i) the valuation of Land and Buildings (A) in the International Valuation (A) is higher than that in the PRC Valuation (A); and

(ii) the valuation of Land and Buildings (A) in the International Valuation (A) together with the value of other assets (i.e. the railway and other assets held by CT Industrial and DFG Company after completion of the reorganisation) in the PRC Valuation (A) is higher than P(A) x 120% (i.e. RMB562,800,000 (if P(A) is not adjusted downward by reason of the Asset Adjustment Event (A))), or

(3) the Filed and Confirmed Price (A) shall be higher than P(A) x 120% (i.e. RMB562,800,000 (if P(A) is not adjusted downward by reason of the Asset Adjustment Event (A))).

The negotiation on the revised consideration to be payable by the Company, if required, will be based on fresh negotiation among the parties taking into account the valuation of the assets at that time. Shareholders should note that the parties may or may not be able to reach an agreement on the revised consideration. If the revised consideration is not agreed by the parties, the First SP Agreement will lapse. If the revised consideration is agreed by the parties, the parties will enter into another supplemental agreement in respect of the revised consideration which shall be subject to Independent Shareholders' approval at another general meeting to be convened by the Company (if the EGM has been held at that time). If approval from the Independent Shareholders on such supplemental agreement on the revised consideration cannot be obtained on or before 30 April 2009 (or such other date as agreed by the parties), the First SP Agreement will lapse immediately.

Further announcement will be made by the Company on whether a supplemental agreement on the revised consideration is signed by the parties after occurrence of the Relevant Events (A).

The Directors confirm that the consideration payable by the Company pursuant to the First SP Agreement was arrived at after arm's length negotiations between the Company, CCHK and CCHG and was determined with reference to (i) the Price Determination Valuation (A), (ii) the net assets value of CT Industrial as at 31 August 2008 (approximately RMB4,600,000) and (iii) the amount of cash to be injected to CT Industrial by CCHG pursuant to the reorganisation (approximately RMB79,200,000). The adjustment mechanism to the consideration is incorporated to the First SP Agreement because it is a requirement under the PRC laws that the price for the transfer of interest in CT Industrial and DFG shall be filed and confirmed by the State-owned Assets Supervision and Administration Commission of the State Council. As at the Latest Practicable Date, CCHK and CCHG are in the course of preparation of the application to the State-owned Assets Supervision and Administration Commission of the State Council.

Consideration Shares

The consideration payable by the Company pursuant to the First SP Agreement shall be settled by the issue of the Consideration Shares to CCHK at an issue price of HK$0.35 per Consideration Share. There is no restriction on the subsequent disposal of the Consideration Shares by CCHK.

The issue price of HK$0.35 represents:

— a discount of approximately 2.78% to the closing price of HK$0.36 per Share as quoted on the Stock Exchange on the Last Trading Day;

— a premium of approximately 0.86% over the average closing price of approximately HK$0.347 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;

— a premium of approximately 0.07% over the average closing price of approximately HK$0.34975 per Share as quoted on the Stock Exchange for the last 20 trading days up to and including the Last Trading Day;

— a premium of approximately 45.83% to the latest published consolidated equity attributable to Shareholder of HK$0.24 per Share (based on the latest published financial statements of the Company); and

— a discount of approximately 39.66% to the closing price of HK$0.580 per share as quoted on the Stock Exchange as at the Latest Practicable Date.

The Consideration Shares will be issued under a specific mandate to be sought at the EGM.

The Consideration Shares shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue including the right to all dividends, distributions and other payments made or to be made the record date for which shall fall on or after the date of such allotment and issue.

The issue of the Consideration Shares to CCHK under the First SP Agreement and the Second SP Agreement will result in the Concert Group holding more than 30% of the issued Shares. For further details of the change in shareholding of the Company, please refer to the paragraph headed "Changes in Shareholding Structure" set out from page 37 to page 38 of this circular.

The Directors are of the view that the issue of the Consideration Shares would enable the Company to enlarge its capital base and improve its overall financial position and is the appropriate method to satisfy the consideration of the Acquisition.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Conditions precedent

Completion of the First SP Agreement is conditional on the satisfaction (or, where applicable, waiver by the Company) of the following conditions:

(1) the Independent Shareholders have passed an ordinary resolution to approve the transactions contemplated by the First SP Agreement and the issue of the Consideration Shares to be issued under the First SP Agreement at the EGM;

(2) if a supplemental agreement to the First SP Agreement in relation to the consideration is entered into by the parties, such supplemental agreement has been approved by the Independent Shareholders at a general meeting to be convened by the Company;

(3) the Stock Exchange have granted the listing of and permission to deal in the Consideration Shares to be issued under the First SP Agreement on the Stock Exchange;

(4) the Independent Shareholders have passed an ordinary resolution to approve the Whitewash Waiver at the EGM;

(5) the Executive have granted the Whitewash Waiver and the satisfaction of any condition attached to such Whitewash Waiver;

(6) each of BVI-1 and BVI-2 have been incorporated in accordance with the laws of the British Virgin Islands;

(7) the pre-completion reorganisation in relation to BVI-1 and BVI-2 has been completed; and

(8) the issue of legal opinions by a firm of PRC lawyers approved by the Company, confirming, among other matters, the pre-completion reorganisation has been completed in accordance with the PRC laws and regulations and other matters which the Company considers necessary, contents of which must be accepted by the Company.

None of the above conditions (other than conditions (6), (7) and (8)) can be waived by the parties. The Company may at its absolute discretion waive conditions (6), (7) and (8) above at any time on or before 30 April 2009 (or such other date as agreed by the parties). The Company does not intend to waive any of the above conditions.

However, if any of the assets cannot be transferred to CT Industrial pursuant to the reorganisation, the Company may consider to waive condition precedent (7) above in respect of such part of the assets that cannot be transferred to CT Industrial and in such event, the consideration (i.e. P(A)) payable by the Company pursuant to the First SP Agreement shall be adjusted downward by deducting an equivalent amount of the value of such assets based on the Price Determination Valuation (A). If the land use rights of a certain piece of land of the First Target Assets are not obtained, the Company intends to waive condition precedent (7) above in respect of such land the land use rights of which cannot be obtained to the intent that such land would not be acquired by the Company and in such event, the consideration (i.e. P(A)) payable by the Company pursuant to the First SP Agreement shall be adjusted downward in the manner as stated above.

If the conditions precedents set out above have not been satisfied (or, where applicable, waived by the Company) on or before 30 April 2009 (or such other date as agreed by the parties), the First SP Agreement shall cease and terminate and none of the parties shall have any obligations and liabilities under the First SP Agreement, save for any prior breaches of the terms of the First SP Agreement.

As at the Latest Practicable Date, none of the above conditions has been fulfilled.

Completion of the First SP Agreement

Completion of the First SP Agreement shall take place on the fifth business day after the fulfillment or waiver (as the case may be) of all conditions referred to above (or such other date as agreed by the parties).

After completion of the First SP Agreement, each of BVI-1 and BVI-2 will become wholly owned subsidiaries of the Company.

Completion of the First SP Agreement and completion of the Second SP Agreement is not conditional upon each other.

Undertakings by CCHG

Pursuant to the First SP Agreement, CCHG has undertaken to indemnify the Company for any loss and costs incurred in connection with any breaches or non-compliance of any terms of the First SP Agreement (save and except those relating to the matters described in the paragraph headed "Arrangement for the period between the date of valuation to completion of the First SP Agreement" below) by CCHK.

Arrangement for the period between the date of valuation to completion of the First SP Agreement

CT Industrial and DFG are inactive companies. CCHK and the Company agreed that any loss incurred by CT Industrial (inclusive of the First Target Assets) and DFG during the period from the date of valuation (as at a date after CCHG has transferred the First Target Assets to CT Industrial pursuant to the reorganisation) as shown in the PRC Valuation (A) and the date of completion of the First SP Agreement (the "**Pre-completion Period (A)**") shall be borne by CCHK and CCHK shall reimburse the Company for such loss (if any) in cash on a dollar-to-dollar basis. If CT Industrial (inclusive of the First Target Assets) and DFG record any profits during the Pre-completion Period (A), the Company shall reimburse CCHK for such profits (if any) in cash on a dollar-to-dollar basis.

For the above purposes, CCHK and the Company agreed to prepare income statements for CT Industrial (inclusive of the First Target Assets) and DFG for the Pre-completion Period (A) and balance sheets for CT Industrial (inclusive of the First Target Assets) and DFG as at the date of completion of the First SP Agreement. CCHK and the Company agreed that no depreciation on the value of the land and buildings will be taken into account in the income statements. Such income statements and balance sheets will be audited by an independent auditor and shall be issued within 90 days from the date of completion of the First SP Agreement.

Further details of the assets to be acquired under the First SP Agreement

As at the date of First SP Agreement and the Latest Practicable Date, each of BVI-1, BVI-2, HK-1 and HK-2 has not been incorporated.

Further information on CT Industrial

CT Industrial is a limited liability company established in the PRC on 15 June 2007 with a registered capital of RMB5,000,000 (all of which has been paid up) as at the Latest Practicable Date. The approved business scope of CT Industrial include investment and management of assets. CT Industrial has not carried on any business since its establishment and it did not record any turnover since its establishment.

Based on the financial information of CT Industrial prepared in accordance with accounting principles generally accepted in the PRC, the audited net losses (both before and after taxation and extraordinary items) of CT Industrial for the period from 15 June 2007 (date of establishment) to 31 August 2008 were as follows:

	From 15 June 2007 (date of establishment) to 31 August 2008
	RMB'000
Net losses *before* taxation and extraordinary items	(402)
Net losses *after* taxation and extraordinary items	(402)

The net losses of CT Industrial for the period from 15 June 2007 (date of establishment) to 31 August 2008 represented mainly the administrative expenses incurred by CT Industrial during such period.

The audited net assets value and total assets value of CT Industrial as at 31 August 2008 (prepared in accordance with accounting principles generally accepted in the PRC) were approximately RMB4,599,000 and RMB63,759,000 respectively. The total assets of RMB63,759,000 mainly consisted of cash of approximately RMB33.3 million and other accounts receivables of approximately RMB30.5 million. The other accounts receivable were advances made to related parties of CT Industrial and CCHG. Based on the audited financial statements of CT Industrial as at 31 August 2008 (prepared in accordance with accounting principles generally accepted in the PRC), other accounts payable of CT Industrial amounted to approximately RMB59.2 million which represented the advances from CCHG.

Management discussion and analysis on CT Industrial

Set out in Appendix IV to this circular is the accountants' report on CT Industrial for the period from 15 June 2007 (date of establishment) to 31 December 2007 and the eight months ended 31 August 2008. Below is the management discussion and analysis on the performance of CT Industrial during such periods.

CT Industrial had not carried out any business and did not record any turnover since its establishment. CT Industrial recorded loss of approximately RMB253,000 and RMB148,000 for the eight months ended 31 August 2008 and the period from 15 June 2007 (date of establishment) to 31 December 2007 respectively. They were mainly attributable to the administrative expenses incurred in its daily operation.

Pledge of assets

CT Industrial did not have any pledged asset as at 31 August 2008 and 31 December 2007.

Liquidity and capital resources

CT Industrial had cash and bank balances amounting to approximately RMB33,274,000 and RMB352,000 as at 31 August 2008 and 31 December 2007 respectively.

As at 31 August 2008, the amount due to an equity owner of approximately RMB59,160,000 was unsecured, interest free and repayable on demand. Save as disclosed, CT Industrial did not have any other bank loan or other borrowings as at 31 August 2008 and 31 December 2007 respectively.

Gearing ratio

As at 31 August 2008, CT Industrial's gearing ratio calculated on the basis of amount due to an equity owner of approximately RMB59,160,000 (being advances from CCHG) and total assets of approximately RMB63,759,000 was 0.93.

Foreign exchange risk management

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

Employees and remuneration policy

CT Industrial did not employ any employee since its establishment.

Capital structure

The paid in capital of CT Industrial was RMB5 million as at 31 August 2008 and 31 December 2007.

There was no acquisition or disposal of subsidiary and associated company during the period from 15 June 2007 (date of establishment) to 31 August 2008.

Capital commitment and contingent liabilities

CT Industrial did not have any capital commitment and contingent liability as at 31 August 2008 and 31 December 2007.

Save for the acquisition of the First Target Assets pursuant to the reorganisation, there is no plan for material investment in the coming year.

Further information on the First Target Assets

The First Target Assets mainly comprise various railway, land and buildings, particulars of which are set out below:

Location	Approximate site area	Buildings erected thereon	Approximate total gross floor area	Current usage	Approximate value based on the Price Determination Valuation (A)	Approximate value based on valuation on property interests to be acquired by the Group as at 31 October 2008 (as set out in Appendix VII to this circular)
	(sq.m.)		*(sq.m.)*			
West of railway in Hushitai Town, Shenbeixinqu, Shenyang City, Liaoning Province, The PRC 中國遼寧省瀋陽市瀋北新區虎石台鎮鐵道西 *(Note 1)*	247,759	Several storage and ancillary buildings	29,017	The storage portions are currently occupied for industrial and storage uses.	RMB87,204,000 *(Note 2)*	No commercial value as the land use rights of the properties are of state allocated type which are not freely transferable in the open market. Had the Group obtained the land use rights certificates for the Use of State-owned Land of granted type of the relevant property interests, the capital value of lands would be approximately RMB83,000,000. No commercial value was ascribed to the buildings erected on the land because the land use rights of the property are of state allocated type. For reference purpose, had the Group obtained the valid Certificate for the Use of State-owned Land and the property can be freely transferred in the open market, the capital value of these buildings in their existing state would be RMB6,700,000.

Location	Approximate site area (sq.m.)	Buildings erected thereon	Approximate total gross floor area (sq.m.)	Current usage	Approximate value based on the Price Determination Valuation (A)	Approximate value based on valuation on property interests to be acquired by the Group as at 31 October 2008 (as set out in Appendix VII to this circular)
No. 77 Qinglong West Road, Changzhou City, Jiangsu Province, The PRC 中國江蘇省常州市青龍西路77號 *(Note 3)*	89,614	Several storage, office and ancillary buildings	25,309	Currently occupied for warehouse and office uses	RMB59,488,000	No commercial value as the land use rights of the properties are of state allocated type which are not freely transferable in the open market. Had the Group obtained the land use rights certificates for the Use of State-owned Land of granted type of the relevant property interests, the capital value of lands would be approximately RMB46,000,000. No commercial value was ascribed to the buildings erected on the land because the land use rights of the property are of state allocated type. For reference purpose, had the Group obtained the valid Certificate for the Use of State-owned Land and the property can be freely transferred in the open market, the capital value of these buildings in their existing state would be RMB11,000,000.
No. 10, Kaifeng Road, Xiangshan District, Guilin City, Guangxi ZAR, The PRC 中國廣西壯族自治區桂林市象山區凱風路10號 *(Note 4)*	55,412	Industrial buildings	22,283	Partially occupied for ancillary office and industrial uses, and the rest is vacant	RMB37,116,000	No commercial value as the land use rights of the properties are of state allocated type which are not freely transferable in the open market. Had the Group obtained the land use rights certificates for the Use of State-owned Land of granted type of the relevant property interests, the capital value of lands would be approximately RMB24,000,000.

Location	Approximate site area (sq.m.)	Buildings erected thereon	Approximate total gross floor area (sq.m.)	Current usage	Approximate value based on the Price Determination Valuation (A)	Approximate value based on valuation on property interests to be acquired by the Group as at 31 October 2008 (as set out in Appendix VII to this circular)
						No commercial value was ascribed to the buildings erected on the land because the land use rights of the property are of state allocated type. For reference purpose, had the Group obtained the valid Certificate for the Use of State-owned Land and the property can be freely transferred in the open market, the capital value of these buildings in their existing state would be RMB15,000,000.
Total:	392,785		76,609		RMB183,808,000	

Notes:

1. This refers to property no. 6 as referred to in Appendix VII to this circular.

2. Inclusive of the value of the railway constructed on the land which amounted to approximately RMB2,867,200.

3. This refers to property no. 4 as referred to in Appendix VII to this circular.

4. This refers to property no. 5 as referred to in Appendix VII to this circular.

The value of the First Target Assets as at 31 August 2008 based on the Price Determination Valuation (A) is approximately RMB183,808,000. No financial information on the profits or losses of the First Target Assets (both before and after taxation and extraordinary items) are available as no revenue could be generated solely by the First Target Assets and no separate books and records were kept for the First Target Assets solely. The First Target Assets mainly comprise various land and buildings which were originally designed for logistic business. The First Target Assets, which are standalone, could not generate revenue for logistic business without other ancillary equipment and facility.

Completion of the First SP Agreement is conditional upon completion of the reorganisation, which includes, among other matters, the transfer of the First Target Assets to CT Industrial. For the purpose of transferring the First Target Assets to CT Industrial, CCHG shall obtain the the land use right certificates and building ownership certificates for the First Target Assets. The Company is therefore not obligated to proceed with completion of the First SP Agreement should the parties fail to obtain the relevant titles of the First Target Assets. However, if any of the assets cannot be transferred to CT Industrial pursuant to the reorganisation, the Company may consider to waive condition precedent (7) above in respect of such part of the assets that cannot be transferred to CT

Industrial and in such event, the consideration (i.e. P(A)) payable by the Company pursuant to the First SP Agreement shall be adjusted downward by deducting an equivalent amount of the value of such assets based on the Price Determination Valuation (A). If the land use rights of a certain piece of land of the First Target Assets are not obtained, the Company intends to waive condition precedent (7) above in respect of such land the land use rights of which cannot be obtained to the intent that such land would not be acquired by the Company and in such event, the consideration (i.e. P(A)) payable by the Company pursuant to the First SP Agreement shall be adjusted downward in the manner as stated above. CCHG is in the course of applying for land use right certificates and building ownership certificates for the above land, and it is responsible for the outstanding land premium for obtaining the land use right certificates of the above land. Such process will be completed before the completion of the reorganisation.

Further information on DFG Company

DFG Company is a limited liability company established in the PRC on 29 December 2005. Its current registered capital is RMB150,000,001, all of which have been fully paid up. In 2006, DFG Company was engaged in the provision of construction work. In 2007, DFG Company has recorded consolidated other income of RMB4,783,000 for the one-off provision of construction management services and interest income. Other than that, DFG Company has not carried on any business throughout 2007.

The audited consolidated net assets value and total assets value of the DFG Company as at 31 December 2007 (prepared in accordance with accounting principles generally accepted in the PRC) were approximately RMB154,422,000 and RMB180,760,000. As at 31 August 2008, DFG had account receivable of RMB26,338,000 from the minority shareholder of DFG Company.

Based on the financial information of DFG Company prepared in accordance with accounting principles generally accepted in the PRC, the audited consolidated net profits (both before and after taxation and extraordinary items) of DFG Company for the two financial years immediately preceding the date of the First SP Agreement were as follows:

	Year ended 31 December 2006	**Year ended 31 December 2007**
	RMB'000	*RMB'000*
Net profits *before* taxation and extraordinary items	3,021	3,624
Net profits *after* taxation and extraordinary items	2,765	2,284

Further information on DFG Construction Company

DFG Construction Company is a limited liability company established in the PRC on 28 March 2006. Its current registered capital is RMB2,040,000, all of which have been fully paid up. In 2006, DFG Construction Company was engaged in the provision of construction work. DFG Construction Company has not carried on any business throughout 2007.

The audited net assets value and total assets value of DFG Construction Company as at 31 December 2007 (prepared in accordance with accounting principles generally accepted in the PRC) were approximately RMB2,365,000 and RMB7,031,000.

Based on financial information of DFG Construction Company prepared in accordance with accounting principles generally accepted in the PRC, the audited net profits (both before and after taxation and extraordinary items) of DFG Construction Company for the two financial years immediately preceding the date of the First SP Agreement were as follows:

	Year ended 31 December 2006	**Year ended 31 December 2007**
	RMB'000	*RMB'000*
Net profits/(losses) *before* taxation and extraordinary items	2,599	(887)
Net profits /(losses) *after* taxation and extraordinary items	2,492	(887)

The net losses of DFG Construction Company for the year ended 31 December 2007 represented mainly the administrative expenses incurred by DFG Construction Company during the year.

Management discussion and analysis on DFG (DFG Company & its subsidiary DFG Construction Company)

Set out in Appendix V to this circular is the accountants' report on the consolidated financial information of DFG for the period from 29 December 2005 (date of establishment of DFG Company) to 31 December 2005, each of the two years ended 31 December 2006 and 2007 and the eight months ended 31 August 2008. Below is the management discussion and analysis on the consolidated performance of DFG during such period.

DFG Company was established in the PRC on 29 December 2005. DFG Company's subsidiary, DFG Construction Company, was established in the PRC on 28 March 2006. The attributable equity interest of DFG Company in DFG Construction Company was 51%, 100% and 100% as at 31 December 2006, 31 December 2007 and 31 August 2008 respectively. Both companies were engaged in the provision of construction work in 2006 and had not carried on any business throughout 2007 and eight months ended 31 August 2008.

In 2005, DFG Company was newly established and no profit or loss was recorded. In 2006, DFG recorded consolidated turnover of approximately RMB15.4 million. It contributed a consolidated pre-tax profit of approximately RMB2.5 million for the year ended 31 December 2006. In 2007, DFG recorded consolidated other income of approximately RMB4.8 million for the one-off provision of construction management services and interest income. Other than that, DFG had not carried on any business and recorded consolidated loss before taxation of approximately RMB2.8 million, RMB1.3 million and RMB2.4 million for the year ended 31 December 2007, eight months ended 31 August 2007 and eight months ended 31 August 2008 respectively. They were mainly attributable to the administrative expenses incurred in its daily operation.

Pledge of assets

DFG did not have any pledged asset as at 31 December 2005 and 31 December 2006 while one parcel of land included in its properties under development amounting to approximately RMB16.5 million was pledged as security for its bank loan of RMB20 million at 31 December 2007 and 31 August 2008.

Liquidity and capital resources

DFG had consolidated cash and bank balances amounting to approximately RMB31.4 million, RMB47.2 million, RMB17.7 million and RMB25 million as at 31 August 2008, 31 December 2007, 2006 and 2005 respectively.

As at 31 August 2008 and 31 December 2007, DFG's secured consolidated bank borrowings amounted to RMB20 million, which carried interest at a fixed rate of 7.84% per annum and was secured by one parcel of land included in its properties under development amounting to approximately RMB16.5 million. Save as disclosed, DFG did not have any other bank loan or other borrowings as at 31 August 2008, 31 December 2007, 2006 and 2005 respectively.

Gearing ratio

As at 31 August 2008 and 31 December 2007, DFG's gearing ratio calculated on the basis of consolidated bank loan of RMB20 million and consolidated total assets of approximately RMB171.2 million and RMB177.8 million respectively was 0.12 and 0.11 respectively.

Foreign exchange risk management

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

Employees and remuneration policy

DFG employed a total of 23, 26, 23 and 8 employees as at 31 August 2008, 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 demand.

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

Capital structure

As at 31 August 2008, 31 December 2007, 2006 and 2005, the paid in capital of DFG Company were RMB150 million, RMB150 million, RMB100 million and RMB100 million respectively.

Other than those disclosed, there was no acquisition or disposal of subsidiary and associated company since DFG Company's establishment and up to 31 August 2008.

Capital commitment and contingent liabilities

As at 31 August 2008, DFG had capital commitment contracted but not provided for of approximately RMB2.2 million. DFG will fund the commitment through internal resources of DFG. As at 31 December 2007, DFG had capital commitment contracted but not provided for of approximately RMB3.3 million. As at 31 December 2006 and 2005, DFG did not have any capital commitment.

DFG did not have any contingent liability as at 31 August 2008, 31 December 2007, 2006 and 2005.

Other than those disclosed above, there is no current plan for material investment for DFG in the coming year.

Further information on principal assets of DFG

The principal assets of DFG comprise various land, details of which are set out below:

Location	**Approximate site area** *(sq.m.)*	**Current usage**	**Approximate value based on the Price Determination Valuation (A)**	**Approximate value based on valuation on property interests to be acquired by the Group as at 31 October 2008 (as set out in Appendix VII to this circular)**
A piece of land situated at south of Shugang Highway, Dafeng City, Jiangsu Province, The PRC 中國江蘇省大豐市疏港公路南側的地塊	549,600	Site to be developed	RMB86,287,000	RMB87,000,000
Four pieces of land situated at Port Serviced Area, Dafeng Ocean Economic Development Area, Dafeng City, Jiangsu Province, The PRC 中國江蘇省大豐市海洋經濟開發區口岸服務區的四幅土地	476,826	Site to be developed	RMB170,267,000	RMB180,000,000
Total:	1,026,426		RMB256,554,000	RMB267,000,000

The Second SP Agreement

Date

15 October 2008 (date of the Original Second SP Agreement)

Parties

(1) The Company, as purchaser;

(2) CCHK, as vendor; and

(3) CCHG, as warrantor.

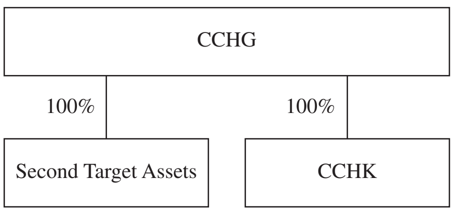
CCHK is an investment holding company and is the holding company of World Gain, the substantial Shareholder (as defined in the Listing Rules) of the Company, and is therefore a connected person of the Company. CCHG beneficially owns the entire issued share capital of CCHK, and is therefore a connected person of the Company. CCHG is principally engaged in the operation of state-owned assets and investment holding.

Assets to be acquired

The Company has agreed to purchase, and CCHK has agreed to sell, the entire issued share capital of BVI-3.

CCHK and CCHG have agreed to undertake a series of reorganisation involving BVI-3 (particulars of which are set out below) prior to completion of the Second SP Agreement. The following corporate charts set out the simplified corporate structure of the assets to be acquired under the Second SP Agreement (i) as at the date of the Original Second SP Agreement; and (ii) after completion of the reorganisation but prior to completion of the Second SP Agreement.

Chart A — corporate structure as at the date of the Original Second SP Agreement



Particulars of the reorganisation to be undertaken by CCHK and CCHG are as follows:

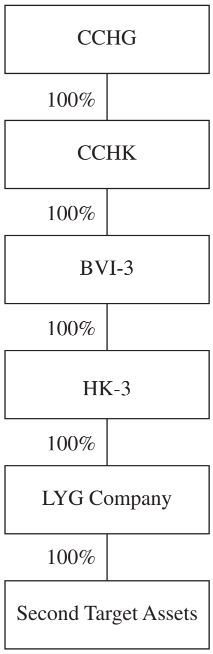
— BVI-3 will be incorporated in the British Virgin Islands by CCHK to act as the holding company of HK-3;

— HK-3 will be incorporated in Hong Kong as a wholly owned subsidiary of BVI-3 to act as the holding company of LYG Company;

— LYG Company will be established in the PRC by CCHG to act as the holding company of the Second Target Assets; and

— CCHG will transfer its entire interest in LYG Company (which will then hold the Second Target assets) to HK-3.

Chart B — corporate structure after completion of the reorganisation but prior to completion of the Second SP Agreement



The above reorganisation are subject to PRC governmental approvals, which are expected to be obtained by the end of April 2009. The above reorganisation will be completed before completion of the Second SP Agreement.

The original acquisition costs of BVI-3 (including all assets and companies to be transferred to BVI-3 pursuant to the reorganisation) to CCHK is approximately RMB181,000,000.

Further details of the assets to be acquired pursuant to the Second SP Agreement are set out in the paragraph headed "Further details of the assets to be acquired under the Second SP Agreement" below.

Consideration

For the purpose of this paragraph, the following expressions shall have the following meanings:

"**Filed and Confirmed Price (B)**" shall mean the value of 100% of the equity attributable to shareholder of LYG Company based on the PRC Valuation (B) and filed with and confirmed by the State-owned Assets Supervision and Administration Commission of the State Council. It is expected that Filed and Confirmed Price (B) could be obtained on or around 31 January 2009.

"**International Valuation (B)**" shall mean the valuation report on the Land and Buildings (B) (as at the same date of valuation of the PRC Valuation (B) which will be a date after CCHG has transferred the Second Target Assets to LYG Company pursuant to the reorganisation) prepared by a qualified valuer, who is to be appointed (if required) by CCHK and proposed to be DTZ Debenham Tie Leung Limited, in accordance with international valuation standards.

"**Land and Buildings (B)**" shall mean the land and buildings to be injected to LYG Company pursuant to the reorganisation but excluding railway to be injected into LYG Company.

"**P(B)**" shall mean the consideration to be payable by the Company pursuant to the Second SP Agreement (subject to adjustment).

"**PRC Valuation (B)**" shall mean the valuation report on 100% interests of LYG Company after completion of the reorganisation prepared in accordance with the requirements of the State-owned Assets Supervision and Administration Commission of the State Council (as at a date after CCHG has transferred the Second Target Assets to LYG Company pursuant to the reorganisation) by a PRC qualified valuer to be appointed by CCHG. It is proposed that the valuer shall be 北京同仁和資產評估有限責任公司 (unofficial translation as Beijing Tong Ren He Assets Appraisal Limited). PRC Valuation (B) will adopt the depreciated replacement cost method in the valuation of 100% interests of LYG Company. Depreciated replacement cost method is one type of cost approach which is defined as the current cost of replacement (reproduction) of the subject asset less deduction for physical deterioration and all relevant forms of obsolescence and optimisation.

"**Price Determination Valuation (B)**" shall mean the valuation as at 31 August 2008 of the Second Target Assets to be injected to LYG Company pursuant to the reorganisation as shown in the report prepared by 北京同仁和資產評估有限責任公司 (unofficial translation as Beijing Tong Ren He Assets Appraisal Limited), a PRC qualified valuer which amounted to approximately RMB180,417,000. The depreciated replacement cost method (which is the same method to be used in PRC Valuation (B) as described above) was adopted for the valuations under the Price Determination Valuation (B). To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, 北京同仁和資產評估有限責任公司 (unofficial translation being Beijing Tong Ren He Assets Appraisal Limited) is a third party independent from the Company and its Connected Persons.

Since the reorganisation of the Second Target Assets has not been completed as at 31 August 2008, the scope of valuation of Price Determination Valuation (B) includes only the Second Target Assets but not 100% of the equity attributable to shareholder of LYG Company. At the time when the PRC Valuation (B) is issued, the reorganisation in respect of the Second Target Assets shall have been completed and LYG Company should have held the Second Target Assets. Therefore, the scope of PRC Valuation (B) will include 100% of the equity attributable to shareholder of LYG Company.

The scope of International Valuation (B) covers only Land and Buildings (B) but does not cover (i) 100% interests of LYG Company after completion of the reorganisation as those included in the PRC Valuation (B) and (ii) the railway to be injected to LYG Company as included in the Price Determination Valuation (B). Given that the major assets to be injected to BVI-3 pursuant to the reorganisation are Land and Buildings (B), the Directors consider that it would be sufficient that the scope of the International Valuation (B) covers Land and Buildings (B) only.

The following table sets out the difference between Price Determenination Valuation (B), PRC Valuation (B), International Valuation (B) and valuation on property interests to be acquired by the Group as at 31 October 2008 (as set out in Appendix VII to this circular):

	Price Determination Valuation (B)	PRC Valuation (B)	International Valuation (B)	Valuation on property interests to be acquired by the Group
Date of valuation	31 August 2008	At a date after CCHG has transferred the Second Target Assets to LYG Company pursuant to the reorganisation	On the same date of the PRC Valuation (B)	31 October 2008
Identity of valuer	北京同仁和資產評估有限責任公司 (unofficial translation being Beijing Tong Ren He Assets Appraisal Limited)	To be appointed. It is proposed that the valuer shall be 北京同仁和資產評估有限責任公司 (unofficial translation being Beijing Tong Ren He Assets Appraisal Limited)	To be appointed. It is proposed that the valuer shall be DTZ Debenham Tie Leung Limited	DTZ Debenham Tie Leung Limited
Scope of valuation	Land and Buildings (B) and railway, equipment, certain bank balances, cash and inventories to be injected to LYG Company (which together form all of the Second Target Assets) pursuant to the reorganisation	100% interests of LYG Company after CCHG has transferred the Second Target Assets to LYG Company pursuant to the reorganisation	Land and Buildings (B) (which excludes railway to be injected to LYG Company)	(i) Land and Buildings (A) to be injected to CT Industrial (which excludes railway to be injected to CT Industrial) (ii) Property interests held by DFG Company (iii) Land and Buildings (B) (which excludes railway to be injected to LYG Company)

Subject to the adjustment mechanism as stated below, the consideration payable by the Company pursuant to the Second SP Agreement shall be P(B) which is determined with reference to the Price Determination Valuation (B).

P(B) shall be RMB181,000,000 (equivalent to approximately HK$205,782,371). If any of the assets cannot be transferred to LYG Company pursuant to the reorganisation ("**Asset Adjustment Event (B)**"), P(B) shall be adjusted downward by deducting an equivalent amount of the value of such assets based on the Price Determination Valuation (B) and the consideration payable by the Company pursuant to the Second SP Agreement shall be reduced accordingly.

P(B) shall be further subject to the following adjustment mechanism:

(1) if the Filed and Confirmed Price (B) is less than P(B), the consideration payable by the Company pursuant to the Second SP Agreement shall be adjusted downward to the Filed and Confirmed Price (B);

(2) if the Filed and Confirmed Price (B) shall be an amount equal to P(B) or more and up to (and inclusive of) P(B) x 110% (i.e. RMB199,100,000 (if P(B) is not adjusted downward by reason of the Asset Adjustment Event (B))), the consideration payable by the Company pursuant to the Second SP Agreement shall not be adjusted and shall be equal to P(B);

(3) if the Filed and Confirmed Price (B) shall be an amount higher than P(B) x 110% (i.e. RMB199,100,000 (if P(B) is not adjusted downward by reason of the Asset Adjustment Event (B))) and up to (and inclusive of) P(B) x 120% (i.e. RMB217,200,000 (if P(B) is not adjusted downward by reason of the Asset Adjustment Event (B))), CCHK shall procure the International Valuation (B) to be commissioned, and

    (i) if the valuation of Land and Buildings (B) in the International Valuation (B) equals to or is higher than that in the PRC Valuation (B) and the valuation of Land and Buildings (B) in the International Valuation (B) together with the value of other assets (i.e. the railway and other assets held by LYG Company after completion of the reorganisation) in the PRC Valuation (B) is not higher than P(B) x 120% (i.e. RMB217,200,000 (if P(B) is not adjusted downward by reason of the Asset Adjustment Event (B))), the consideration payable by the Company pursuant to the Second SP Agreement shall be adjusted upward to the Filed and Confirmed Price (B); or

    (ii) if the valuation of Land and Buildings (B) in the International Valuation (B) shall be lower than that in the PRC Valuation (B) by 10% or less than 10%, the consideration payable by the Company pursuant to the Second SP Agreement shall be adjusted to an amount equals the Filed and Confirmed Price (B) minus the difference between the valuation of Land and Buildings (B) in International Valuation (B) and that in the PRC Valuation (B).

The Company, CCHK and CCHG agreed that they will negotiate on the revised consideration to be payable by the Company pursuant to the Second SP Agreement upon the occurrence of any of the following events ("**Relevant Events (B)**"):

(1) (i) the Filed and Confirmed Price (B) shall be an amount higher than P(B) x 110% (i.e. RMB199,100,000 (if P(B) is not adjusted downward by reason of the Asset Adjustment Event (B))) and up to (and inclusive of) P(B) x 120% (i.e. RMB217,200,000 (if P(B) is not adjusted downward by reason of the Asset Adjustment Event (B))) and (ii) the valuation of Land and Buildings (B) in the International Valuation (B) shall be lower than that in the PRC Valuation (B) by more than 10%; or

(2) the Filed and Confirmed Price (B) is an amount higher than P(B) x 110% (i.e. RMB199,100,000 (if P(B) is not adjusted downward by reason of the Asset Adjustment Event (B))) and up to (and inclusive of) P(B) x 120% (i.e. RMB217,200,000 (if P(B) is not adjusted downward by reason of the Asset Adjustment Event (B))); and

    (i) the valuation of Land and Buildings (B) in the International Valuation (B) is higher than that in the PRC Valuation (B); and

    (ii) the valuation of Land and Buildings (B) in the International Valuation (B) together with the value of other assets (i.e. the railway and other assets held by LYG Company after completion of the reorganisation) in the PRC Valuation (B) is higher than P(B) x 120% (i.e. RMB217,200,000 (if P(B) is not adjusted downward by reason of the Asset Adjustment Event (B))), or

(3) the Filed and Confirmed Price (B) shall be higher than P(B) x 120% (i.e. RMB217,200,000 (if P(B) is not adjusted downward by reason of the Asset Adjustment Event (B))).

The negotiation on the revised consideration to be payable by the Company, if required, will be based on fresh negotiation among the parties taking into account the valuation of the assets at that time. Shareholders should note that the parties may or may not be able to reach an agreement on the revised consideration. If the revised consideration is not agreed by the parties, the Second SP Agreement will lapse. If the revised consideration is agreed by the parties, the parties will enter into another supplemental agreement in respect of the revised consideration which shall be subject to Independent Shareholders' approval at another general meeting to be convened by the Company (if the EGM has been held at that time). If approval from the Independent Shareholders on such supplemental agreement on the revised consideration cannot be obtained on or before 30 April 2009 (or such other date as agreed by the parties), the Second SP Agreement will lapse immediately.

Further announcement will be made by the Company on whether a supplemental agreement on the revised consideration is signed by the parties after occurrence of the Relevant Events (B).

The Directors confirm that the consideration payable by the Company pursuant to the Second SP Agreement was arrived at after arm's length negotiations between the Company, CCHK and CCHG and was determined with reference to the Price Determination Valuation (B). The adjustment mechanism to the consideration is incorporated to the Second SP Agreement because it is a requirement under the PRC laws that the price for the transfer of interest in LYG Company shall be filed and confirmed by the State-owned Assets Supervision and Administration Commission of the State Council. As at the Latest Practicable Date, CCHK and CCHG are in the course of preparation of the application to the State-owned Assets Supervision and Administration Commission of the State Council.

Consideration Shares

The consideration payable by the Company pursuant to the Second SP Agreement shall be settled by the issue of the Consideration Shares to CCHK at an issue price of HK$0.35 per Consideration Share which is the same as the issue price per Consideration Share under the First SP Agreement. There is no restriction on the subsequent disposal of the Consideration Shares by CCHK.

The Consideration Shares will be issued under a specific mandate to be sought at the EGM.

The Consideration Shares shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue including the right to all dividends, distributions and other payments made or to be made the record date for which shall fall on or after the date of such allotment and issue.

The issue of the Consideration Shares to CCHK under the First SP Agreement and the Second SP Agreement will result in the Concert Group holding more than 30% of the issued Shares. For further details of the change in shareholding of the Company, please refer to the paragraph headed "Changes in Shareholding Structure" set out from page 37 to page 38 of this circular.

The Directors are of the view that the issue of the Consideration Shares would enable the Company to enlarge its capital base and improve its overall financial position and is the appropriate method to satisfy the consideration of the Acquisition.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Conditions precedent

Completion of the Second SP Agreement is conditional on the satisfaction (or, where applicable, waiver by the Company) of the following conditions:

(1) the Independent Shareholders have passed an ordinary resolution to approve the transactions contemplated by the Second SP Agreement and the issue of the Consideration Shares to be issued under the Second SP Agreement at the EGM;

(2) if a supplemental agreement to the Second SP Agreement in relation to the consideration is entered into by the parties, such supplemental agreement has been approved by the Independent Shareholders at a general meeting to be convened by the Company;

(3) the Stock Exchange have granted the listing of and permission to deal in the Consideration Shares to be issued pursuant to the Second SP Agreement on the Stock Exchange;

(4) the Independent Shareholders have passed an ordinary resolution to approve the Whitewash Waiver at the EGM;

(5) the Executive have granted the Whitewash Waiver and the satisfaction of any condition attached to such Whitewash Waiver;

(6) BVI-3 have been incorporated in accordance with the laws of the British Virgin Islands;

(7) the pre-completion reorganisation in relation to BVI-3 has been completed; and

(8) the issue of legal opinions by a firm of PRC lawyers approved by the Company, confirming, among other matters, the pre-completion reorganisation has been completed in accordance with the PRC laws and regulations and other matters which the Company considers necessary, contents of which must be accepted by the Company.

None of the above conditions (other than conditions (6), (7) and (8)) can be waived by the parties. The Company may at its absolute discretion waive conditions (6), (7) and (8) above at any time on or before 30 April 2009 (or such other date as agreed by the parties). The Company does not intend to waive any of the above conditions.

However, if certain assets (other than land referred to below) cannot be transferred to LYG Company pursuant to the reorganisation, the Company may consider to waive condition precedent (7) above in respect of such part of the assets that cannot be transferred to LYG Company and in such event, the consideration (i.e. P(B)) payable by the Company pursuant to the Second SP Agreement shall be adjusted downward by deducting an equivalent amount of the value of such assets based on the Price Determination Valuation (B). If the land use rights of the land comprising the Second Target Assets are not obtained, the Company does not intend to waive condition precedent (7) above.

If the conditions precedents set out above have not been satisfied (or, where applicable, waived by the Company) on or before 30 April 2009 (or such other date as agreed by the parties), the Second SP Agreement shall cease and terminate and none of the parties shall have any obligations and liabilities under the Second SP Agreement, save for any prior breaches of the terms of the Second SP Agreement.

As at the Latest Practicable Date, none of the above conditions has been fulfilled.

Completion of the Second SP Agreement

Completion of the Second SP Agreement shall take place on the fifth business day after the fulfillment or waiver (as the case may be) of all conditions referred to above (or such other date as agreed by the parties).

After completion of the Second SP Agreement, BVI-3 will become a wholly owned subsidiary of the Company.

Completion of the Second SP Agreement and completion of the First SP Agreement is not conditional upon each other.

Undertakings by CCHG

Pursuant to the Second SP Agreement, CCHG has undertaken to indemnify the Company for any loss and costs incurred in connection with any breaches or non-compliance of any terms of the Second SP Agreement (save and except those relating to the matters described in the paragraph headed "Arrangement for the period between the date of valuation to completion of the Second SP Agreement" below) by CCHK.

Arrangement for the period between the date of valuation to completion of the Second SP Agreement

LYG Company will be an inactive company before completion of the Second SP Agreement. CCHK and the Company agreed that any loss incurred by LYG Company (inclusive of the Second Target Assets) during the period from the date of valuation as shown in the PRC Valuation (B) and the date of completion of the Second SP Agreement (the "**Pre-completion Period (B)**") shall be borne by CCHK and CCHK shall reimburse the Company for such loss (if any) in cash on a dollar-to-dollar basis. If LYG Company (inclusive of the Second Target Assets) records any profits during the Pre-completion Period (B), the Company shall reimburse CCHK for such profits (if any) in cash on a dollar-to-dollar basis.

For the above purposes, CCHK and the Company agreed to prepare income statements for LYG Company (inclusive of the Second Target Assets) for the Pre-completion Period (B) and balance sheets for LYG Company (inclusive of the Second Target Assets) as at the date of completion of the Second SP Agreement. CCHK and the Company agreed that no depreciation on the value of the land and buildings will be taken into account in the income statements. Such income statements and balance sheets will be audited by an independent auditor and shall be issued within 90 days from the date of completion of the Second SP Agreement.

Further details of the assets to be acquired under the Second SP Agreement

As at the date of Second SP Agreement and the Latest Practicable Date, each of BVI-3, HK-3 and LYG Company has not been incorporated.

The Second Target Assets mainly comprises various land and buildings, railway, equipment, certain bank balances, cash and inventories. Particulars of the land and buildings are set out below:

Location	**Approximate site area** *(sq.m.)*	**Buildings erected thereon**	**Approximate gross floor area** *(sq.m.)*	**Current usage**	**Approximate value based on the Price Determination Valuation (B)**	**Approximate value based on valuation on property interests to be acquired by the Group as at 31 October 2008 (as set out in Appendix VII to this circular)**
No. 147 Hailian East Road, Xinpu District, Lianyungang City, Jiangsu Province, The PRC 中國江蘇省連雲港市新浦區海連東路147號 *(Note 1)*	363,705	Storage, office and ancillary buildings.	32,481	Occupied for warehouse and office uses	RMB171,583,000 *(Note 2)*	No commercial value as the land use rights of the properties are of state allocated type which are not freely transferable in the open market. Had the Group obtained the land use rights certificates for the relevant property interests, the capital value of lands would be approximately RMB153,000,000. No commercial value was ascribed to the buildings erected on the land because the land use rights of the property are of state allocated type. For reference purpose, had the Group obtained the valid Certificate for the Use of State-owned Land and the property can be freely transferred in the open market, the capital value of these buildings in their existing state would be RMB19,000,000.
Total:	363,705		32,481		RMB171,583,000	

Note:

1. This refers to property no. 3 as referred to in Appendix VII to this circular.

2. Inclusive of the value of the railway constructed on the land which amounted to approximately RMB2,916,000.

The value of the Second Target Assets as at 31 August 2008 based on the Price Determination Valuation (B) is approximately RMB180,417,000. No financial information on the profits or losses of the Second Target Assets (both before and after taxation and extraordinary items) are available as no revenue could be generated solely by the Second Target Assets and no separate books and records were kept for the Second Target Assets solely. The Second Target Assets mainly comprise various land and buildings which were originally designed for logistic and trading businesses. The Second Target Assets, which are standalone, could not generate revenue for logistic or trading business without other ancillary equipment and facility.

Completion of the Second SP Agreement is conditional upon completion of the reorganisation, which includes, among other matters, the transfer of the Second Target Assets to LYG Company. For the purpose of transferring the Second Target Assets to LYG Company, CCHG shall obtain the land use right certificates and building ownership certificates for the Second Target Assets. The Company is therefore not obligated to proceed with completion of the Second SP Agreement should the parties fail to obtain the relevant titles of the Second Target Assets. However, if certain assets (other than land referred to below) cannot be transferred to LYG Company pursuant to the reorganisation, the Company may consider to waive condition precedent (7) above in respect of such part of the assets that cannot be transferred to LYG Company and in such event, the consideration (i.e. P(B)) payable by the Company pursuant to the Second SP Agreement shall be adjusted downward by deducting an equivalent amount of the value of such assets based on the Price Determination Valuation (B). If the land use rights of the land comprising the Second Target Assets are not obtained, the Company does not intend to waive condition precedent (7) above. CCHG is in the course of applying for land use right certificates and building ownership certificates for the above land, and it is responsible for the outstanding land premium for obtaining the land use right certificates of the above land. Such process will be completed before the completion of the reorganisation.

Reasons for and Benefit of the Acquisition

The principal activities of the Group are property development, property investment, land resources exploitation and strategic investment.

One of the Group's development strategy is to invest in quality industrial land with development potential so as to expand the land resources exploitation business of the Group. The Directors consider that the Acquisition could increase substantially the land reserves for the Group which could strengthen the future earning capacity of the Group. The Directors believe that the plots of land to be injected into each of BVI-1, BVI-2 and BVI-3 have greater potential for development and appreciation in value as they are located in the second or third tier cities of the PRC and some of them have been or are expected to be included in zoning of commercial land at such cities by the local government. CCHG is the pilot enterprise for state-owned assets operation and management companies under the State-owned Assets Supervision and Administration Commission of the State Council and is one of the groups in the PRC who owns large amount of land for warehouses and industrial use. The Directors believe that the capability of seeking quality land resources from CCHG is one of the competitive advantages of the Group. In addition, the cashflow of the Group will not be adversely affected by issuing the Consideration Shares to CCHK pursuant to the Acquisition.

Changes in Shareholding Structure

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date and the shareholding structure of the Company immediately after the issue of the Consideration Shares (assuming no adjustment to the consideration payable by the Company under the First SP Agreement and the Second SP Agreement):

	Shareholding as at the Latest Practicable Date		Immediately after issue of the Consideration Shares under the First SP Agreement only		Immediately after issue of the Consideration Shares under the Second SP Agreement only		Immediately after issue of the Consideration Shares under the First SP Agreement and the Second SP Agreement	
	Shares	*%*	*Shares*	*%*	*Shares*	*%*	*Shares*	*%*
Concert Group								
World Gain	791,814,913	29.56%	791,814,913	18.84%	791,814,913	24.24%	791,814,913	16.53%
CCHK	0	0.00%	1,523,471,697	36.25%	587,949,631	18.00%	2,111,421,328	44.08%
Zhang Guotong *(Note 1)*	365	0.00%	365	0.00%	365	0.00%	365	0.00%
Ma Zhengwu *(Note 2)*	1,450,390	0.05%	1,450,390	0.03%	1,450,390	0.04%	1,450,390	0.03%
Hong Shuikun *(Note 3)*	1,450,390	0.05%	1,450,390	0.03%	1,450,390	0.04%	1,450,390	0.03%
Sub-total	794,716,058	29.67%	2,318,187,755	55.16%	1,382,665,689	42.32%	2,906,137,386	60.67%
Directors								
Gu Laiyun	3,867,707	0.14%	3,867,707	0.09%	3,867,707	0.12%	3,867,707	0.08%
Xu Zhen	725,196	0.03%	725,196	0.02%	725,196	0.02%	725,196	0.02%
Sub-total	4,592,903	0.17%	4,592,903	0.11%	4,592,903	0.14%	4,592,903	0.10%
Public	1,879,596,609	70.16%	1,879,596,609	44.73%	1,879,596,609	57.54%	1,879,596,609	39.24%
Total	2,678,905,570	100.00%	4,202,377,267	100.00%	3,266,855,201	100.00%	4,790,326,898	100.00%

Notes:

1. Mr. Zhang Guotong is a director of each of CCHK and the Company and is a member of the Concert Group.

2. Mr. Ma Zhengwu is a director of each of CCHK and CCHG and is a member of the Concert Group.

3. Mr. Hong Shuikun is a director of CCHG and is a member of the Concert Group.

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date and the shareholding structure of the Company immediately after the issue of the Consideration Shares (assuming the consideration payable by the Company under the First SP Agreement and the Second SP Agreement is adjusted to its maximum extent (i.e. RMB562,800,000 for the First SP Agreement and RMB217,200,000 for the Second SP Agreement) in accordance with the terms thereof):

	Shareholding as at the Latest Practicable Date		Immediately after issue of the Consideration Shares under the First SP Agreement only		Immediately after issue of the Consideration Shares under the Second SP Agreement only		Immediately after issue of the Consideration Shares under the First SP Agreement and the Second SP Agreement	
	Shares	*%*	*Shares*	*%*	*Shares*	*%*	*Shares*	*%*
Concert Group								
World Gain	791,814,913	29.56%	791,814,913	17.57%	791,814,913	23.40%	791,814,913	15.19%
CCHK	0	0.00%	1,828,166,034	40.56%	705,539,557	20.85%	2,533,705,591	48.61%
Zhang Guotong *(Note 1)*	365	0.00%	365	0.00%	365	0.00%	365	0.00%
Ma Zhengwu *(Note 2)*	1,450,390	0.05%	1,450,390	0.03%	1,450,390	0.04%	1,450,390	0.03%
Hong Shuikun *(Note 3)*	1,450,390	0.05%	1,450,390	0.03%	1,450,390	0.04%	1,450,390	0.03%
Sub-total	794,716,058	29.67%	2,622,882,092	58.19%	1,500,255,615	44.33%	3,328,421,649	63.85%
Directors								
Gu Laiyun	3,867,707	0.14%	3,867,707	0.09%	3,867,707	0.11%	3,867,707	0.07%
Xu Zhen	725,196	0.03%	725,196	0.02%	725,196	0.02%	725,196	0.01%
Sub-total	4,592,903	0.17%	4,592,903	0.10%	4,592,903	0.14%	4,592,903	0.09%
Public	1,879,596,609	70.16%	1,879,596,609	41.70%	1,879,596,609	55.54%	1,879,596,609	36.06%
Total	2,678,905,570	100.00%	4,507,071,604	100.00%	3,384,445,127	100.00%	5,212,611,161	100.00%

Notes:

1. Mr. Zhang Guotong is a director of each of CCHK and the Company and is a member of the Concert Group.

2. Mr. Ma Zhengwu is a director of each of CCHK and CCHG and is a member of the Concert Group.

3. Mr. Hong Shuikun is a director of CCHG and is a member of the Concert Group.

4. According to the terms of the First SP Agreement and the Second SP Agreement, the consideration, if adjusted to its maximum extent, will be 120% of P(A) or P(B). Therefore, P(A), if adjusted to its maximum extent, is RMB562,800,000 and P(B), if adjusted to its maximum extent, is RMB217,200,000.

As at the Latest Practicable Date, other than the share options granted pursuant to the share option scheme of the Company entitling the holders thereof to subscribe for 125,196 Shares, the Company did not have other outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares. As at the Latest Practicable Date, none of the members of the Concert Group had any share options granted by the Company nor any other outstanding derivatives in respect of the securities of the Company.

Whitewash Waiver

None of the members in the Concert Group has acquired any voting rights of the Company or has any dealings in the securities of the Company during the Relevant Period.

Upon issue of the Consideration Shares, the shareholding of the Concert Group will be increased as follows:

(i) from approximately 29.67% to approximately 55.16% (assuming no adjustment to the consideration to be payable by the Company under the First SP Agreement and if completion has only taken place for the First SP Agreement);

(ii) from approximately 29.67% to approximately 42.32% (assuming no adjustment to the consideration to be payable by the Company under the Second SP Agreement and if completion has only taken place for the Second SP Agreement);

(iii) from approximately 29.67% to approximately 60.67% (assuming no adjustment to the consideration to be payable by the Company under the First SP Agreement and the Second SP Agreement and if completion for both the First SP Agreement and the Second SP Agreement have taken place);

(iv) from approximately 29.67% to approximately 58.19% (assuming the consideration to be payable by the Company under the First SP Agreement is adjusted to its maximum extent in accordance with the terms thereof and if completion has only taken place for the First SP Agreement);

(v) from approximately 29.67% to approximately 44.33% (assuming the consideration to be payable by the Company under the Second SP Agreement is adjusted to its maximum extent in accordance with the terms thereof and if completion has only taken place for the Second SP Agreement); and

(vi) from approximately 29.67% to approximately 63.85% (assuming the consideration to be payable by the Company under both the First SP Agreement and the Second SP Agreement is adjusted to their respective maximum extent in accordance with the terms thereof and completion of both the First SP Agreement and the Second SP Agreement have taken place).

Under Rule 26 of the Takeovers Code, the issue of the Consideration Shares to CCHK as a result of the Acquisition will trigger a mandatory offer by the Concert Group, for all the securities of the Company other than those already owned by the Concert Group. An application has been made by the Concert Group to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that subject to the approval of the Independent Shareholders taken on a poll at the EGM, he will waive the obligation of the Concert Group to make a general offer which may arise as a result of the issue of the Consideration Shares to CCHK upon completion of (i) the First SP Agreement; (ii) the Second SP Agreement or (iii) the First SP Agreement and the Second SP Agreement.

Shareholders and public investors should note that immediately upon issue of the Consideration Shares under situations (i), (iii), (iv) and (vi) above, the shareholding of the Concert Group in the Company will exceed 50% of the voting rights of the Company and that the Concert Group may increase their holding without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer for the securities of the Company.

All members of the Concert Group and those who are involved or interested in the Acquisition and the Whitewash Waiver and their respective associates will abstain from voting on the resolution to approve the Whitewash Waiver at the EGM.

Save for the First SP Agreement and the Second SP Agreement, there are no arrangements (whether by way of option, indemnity or otherwise) in relation to the Shares or the shares of CCHK and which might be material to the Whitewash Waiver. Other than the First SP Agreement and the Second SP Agreement, there are no agreements or arrangements to which CCHK is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Whitewash Waiver.

None of the members of the Concert Group has borrowed or lent any securities of the Company.

The principal activities of the Group are property development, property investment, land resources exploitation and strategic investment.

It is the intention of the Directors and the Concert Group that the Group will continue its current business.

Other than the Acquisition, the Concert Group has no intention to introduce any change to the existing business of the Group, including any redeployment of the fixed assets of the Group, and to discontinue the employment of the employees of the Group.

Listing Rules Implication

The transactions contemplated under the First SP Agreement and the Second SP Agreement (when aggregate) constitutes a major acquisition for the Company under Chapter 14 of the Listing Rules and a connected transaction under Chapter 14A of the Listing Rules which is subject to reporting, announcement and independent shareholders' approval requirements. The Acquisition will be subject to the approval of the Independent Shareholders taken on a poll at the EGM.

Financial Effect of the Acquisition

Upon completion of the Acquisition, each of BV1-1, BV1-2, BV1-3 and their respective subsidiaries, namely HK-1, HK-2, HK-3, CT Industrial and LYG Company will become 100% wholly-owned subsidiaries, and DFG Company and DFG Construction Company will become 66.67% owned subsidiaries of the Company and thus their assets and liabilities and their financial results will be consolidated into the accounts of the Group. Please refer to the pro forma statement of assets and liabilities of Enlarged Group as set out in Appendix VI to this circular for further information on the financial effect to the Group in connection with the Acquisition.

PROPOSED INCREASE OF AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company was HK$500,000,000 divided into 5,000,000,000 Shares, of which 2,678,905,570 Shares had been issued.

If completion of both the First SP Agreement and the Second SP Agreement take place together and assuming the consideration to be payable by the Company under the First SP Agreement and the Second SP Agreement is adjusted to their respective maximum extent, a total of 2,533,705,591 Consideration Shares will be allotted and issued to CCHK and the Company will not have sufficient but unissued share capital for such allotment and issue.

Accordingly, the Board proposes to increase the authorised share capital of the Company from HK$500,000,000 to HK$600,000,000, by the creation of 1,000,000,000 new Shares so as to have sufficient authorised but unissued share capital for the purpose of issuing Consideration Shares pursuant to the Acquisition. Save for the issuing of the Consideration Shares, the Directors do not have intention of issuing any part of the authorised share capital proposed to be increased.

EGM

The Company will convene the EGM to be held at 10:30 a.m. on Tuesday, 16 December 2008 at Plaza Room 1-3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong for the purpose of considering, and if thought fit, approving the Acquisition, the Whitewash Waiver and the proposed increase of authorised share capital. A notice of the EGM is set out on pages N-1 to N-3 of this circular. Resolutions in relation to the Acquisition and the Whitewash Waiver will be put to vote by the Independent Shareholders at the EGM by way of poll.

As at the Latest Practicable Date, the Concert Group owned 794,716,058 Shares, representing approximately 29.67% of the entire issued share capital of the Company and the Concert Group is entitled to exercise control over the voting right in respect of those 794,716,058 Shares. All members of the Concert Group and those who are involved or interested in the Acquisition and the Whitewash Waiver and their respective associates are required to abstain from voting in respect of the resolutions to approve the First SP Agreement, the Second SP Agreement and the Whitewash Waiver.

No Shareholder is required to abstain from voting at the EGM in respect of the resolution approving the proposed increase of authorised share capital of the Company.

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, Computershare Hong Kong Investor Services Limited at Rooms 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 at 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.

Pursuant to Rule 13.39(4) of the Listing Rules, the vote of the Independent Shareholders at the EGM will be taken by poll, the results of which will be announced on the next business day after the EGM.

RECOMMENDATION

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec, Mr. Lao Youan and Mr. Ba Shusong, who have no direct or indirect interest in the Whitewash Waiver, has been formed to advise the Independent Shareholders on the terms of the Acquisition and the Whitewash Waiver. Mr. Gu Laiyun, being a non-executive Director, is a member of senior management of CCHG and Ms. Xu Zhen, being a non-executive Director, is the chief accountant of CCHG. Accordingly, they are considered not sufficiently independent to become member of the Independent Board Committee. Your attention is drawn to the advice of the Independent Board Committee set out in its letter set out on page 44 of this circular. CIMB-GK has been appointed as the Independent Financial Adviser to advise the Independent Board Committee on the terms of the Acquisition and the Whitewash Waiver. Such appointment has been approved by the Independent Board Committee. Your attention is also drawn to the letter of advice from CIMB-GK to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver set out from page 45 to page 75 of this circular.

The Independent Board Committee, having taken into account the advice of CIMB-GK, considers that the Acquisition and the Whitewash Wavier are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions approving the Acquisition and the Whitewash Wavier at the EGM.

The Directors consider that the Acquisition and the Whitewash Wavier are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. The Directors also consider that the proposed increase of authorised share capital of the Company is in the interests of the Company and the Shareholders as a whole Accordingly, the Directors also recommend the Independent Shareholders to vote in favour of resolutions approving the Acquisition and the Whitewash Warier at the EGM and recommend the Shareholders to vote in favour of the resolution approving the increase in the authorised share capital of the Company at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to (i) the accountants' report of CT Industrial for the period from 15 June 2007 (date of establishment of CT Industrial) to 31 December 2007 and the eight months ended 31 August 2008 as set out in Appendix IV to this circular; (ii) the accountants' report of DFG Company for the period from 29 December 2005 (date of establishment of DFG Company) to 31 December 2005, the two financial years ended 31 December 2007 and the eight months ended 31 August 2008 as set out in Appendix V to this circular; (iii) the pro forma financial information of the Enlarged Group as set out in Appendix VI to this circular; (iv) the valuation report issued by DTZ Debenham Tie Leung Limited in respect of the property interests to be acquired by the Group pursuant to the Acquisition as set out in Appendix VII to this circular; (v) the valuation report issued by DTZ Debenham Tie Leung Limited in respect of the property interests of the Group in Beijing, the PRC as set out in Appendix VIII to this circular; and (vi) the valuation report issued by B.I. Appraisals Limited in respect of the property interests of the Group in Luoyang, Guangzhou, Shandong and Huzhou, the PRC as set out in Appendix IX to this circular. The Directors confirm that all of the property interests of the Group have been included in the valuation reports prepared by DTZ Debenham Tie Leung Limited and B.I. Appraisals Limited as set out in Appendix VIII and Appendix IX to this circular 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
Wang Hongxin
Managing Director

The following is a full text of the letter from the Independent Board Committee prepared for the purpose of inclusion in this circular:

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)

29 November 2008

To the Independent Shareholders

Dear Sir or Madam

(1) MAJOR ACQUISITION AND CONNECTED TRANSACTION; AND (2) WHITEWASH WAIVER

We refer to the circular issued by the Company to its shareholders and dated 29 November 2008 ("**Circular**") of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

Under the Listing Rules, the Acquisition constitutes a major acquisition and connected transaction for the Company and is thus subject to the approval of the Independent Shareholders at the EGM.

We have been appointed by the Board to consider the Acquisition and the Whitewash Wavier and to advise the Independent Shareholders in connection therewith. CIMB-GK has been appointed as the Independent Financial Adviser to advise us in this respect.

We wish to draw your attention to the letter from the Board and the letter from CIMB-GK as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, CIMB-GK as set out in its letter of advice, we consider that the First SP Agreement, the Second SP Agreement and the Whitewash Waiver are in the interests of the Company and the Independent Shareholders as a whole and the terms thereof are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions approving the Acquisition and the Whitewash Wavier at the EGM.

Yours faithfully,
For and on behalf of
Independent Board Committee
Mr. Kwong Che Keung, Gordon Mr. Tsui Yiu Wa, Alec Mr. Lao Youan Mr. Ba Shusong
Independent non-executive Director

The following is the full text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of inclusion in this circular.

CIMB

CIMB-GK Securities (HK) Limited

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

29 November 2008

To the Independent Board Committee and the Independent Shareholders of China Chengtong Development Group Limited

Dear Sirs,

MAJOR ACQUISITION AND CONNECTED TRANSACTION AND WHITEWASH WAIVER

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders of China Chengtong Development Group Limited in relation to the Acquisition and the Whitewash Waiver, details of which are contained in a circular (the "Circular") to the Shareholders dated 29 November 2008, of which this letter forms part. Expressions used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

An Independent Board Committee comprising Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec, Mr. Lao Youan and Mr. Ba Shusong, all being the independent non-executive Directors of the Company, has been formed to advise the Independent Shareholders in relation to the Acquisition and the Whitewash Waiver. Mr. Gu Laiyun, being a non-executive Director, is a member of senior management of CCHG and Ms. Xu Zhen, being a non-executive Director, is the chief accountant of CCHG. Accordingly, they are considered not sufficiently independent to become member of the Independent Board Committee to advise the Independent Shareholders in relation to the Whitewash Waiver. Any vote of the Independent Shareholders at the EGM shall be taken by poll. The Concert Group will abstain from voting in relation to the resolutions to be proposed to approve the First SP Agreement, the Second SP Agreement and the Whitewash Waiver.

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and senior management of the Company and directors of CCHK and CCHG. In the responsibility statement set out in Appendix X to the Circular, the Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular (other than information relating to CCHK and CCHG). The directors of CCHK jointly and severally accept full responsibility for the accuracy of the information contained in the Circular (other than information relating to the Group and CCHG). The directors of CCHG jointly and severally accept full responsibility for the accuracy of the information contained in the Circular (other than information relating to the Group and CCHK). We have also assumed that the information and the representations made by the Directors and directors of CCHK and CCHG as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so at the date of the despatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and senior management of Company and directors of CCHK and CCHG. We have also been advised by the Directors and directors of CCHK and CCHG and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of Company, CT Industrial, the First Target Assets, DFG, the Second Target Assets or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

I. THE ACQUISITION

In arriving at our opinion on the Acquisition, we have considered the following principal factors and reasons:

(A) Background and rationale

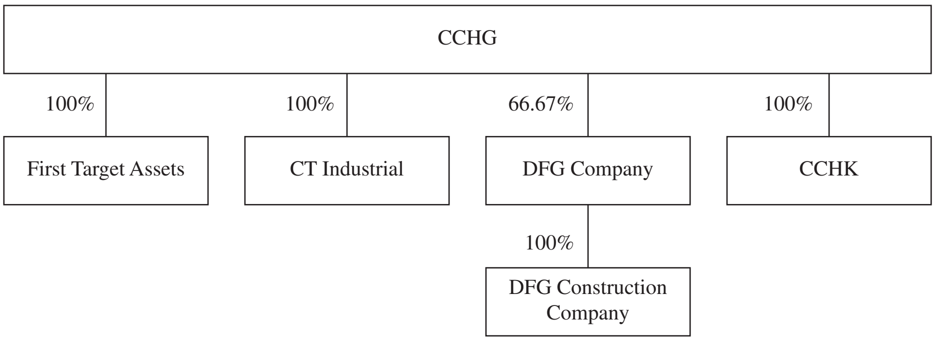
The principal activities of the Group are property development, property investment, land resources exploitation and strategic investment. On 15 October 2008, the Company entered into the Original First SP Agreement (as supplemented by the First Supplemental Agreement to the First SP Agreement dated 27 October 2008) and the Original Second SP Agreement (as supplemented by the First Supplemental Agreement to the Second SP Agreement dated 27 October 2008) with CCHK and CCHG.

First SP Agreement

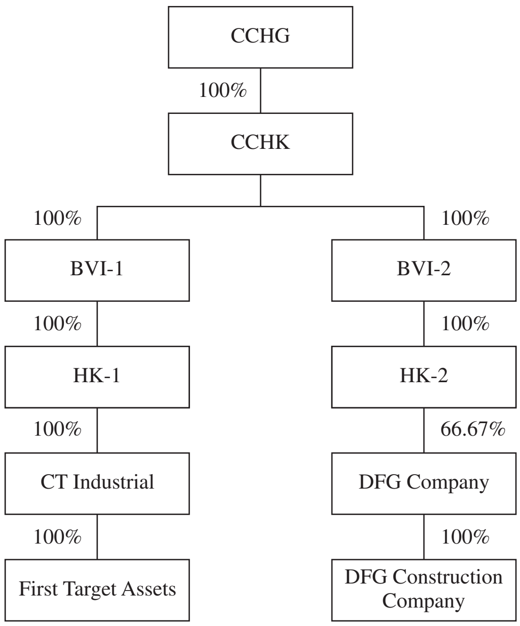
Pursuant to the First SP Agreement, the Company has agreed to purchase, and CCHK has agreed to sell, the entire issued share capital of BVI-1 and BVI-2. CCHK and CCHG have agreed to undertake a series of reorganisation involving BVI-1 and BVI-2 prior to the completion of the First SP Agreement. The corporate charts below set out the simplified corporate structure of the assets to be acquired under the First SP Agreement (i) as at the date of the First SP Agreement; and (ii) after the completion of the reorganisation but prior to the completion of the First SP Agreement. It is one of the conditions precedent to the First SP Agreement that the pre-completion reorganization in relation to BVI-1 and BVI-2 has been completed ("Pre-completion Reorganization Conditions Precedent (A)"). Despite that the Company may at its absolute discretion waive the Pre-completion Reorganization

Conditions Precedent (A), we note that the Company does not intend to waive the Pre-completion Reorganization Conditions Precedent (A). As advised by the Company, in the event that any of the assets cannot be transferred to CT Industrial pursuant to the reorganisation, the Company may consider to waive the Pre-completion Reorganization Conditions Precedent (A) in respect of such part of the assets that cannot be transferred to CT Industrial and in such event, the consideration (i.e. P(A)) payable by the Company pursuant to the First SP Agreement shall be adjusted downward by deducting an equivalent amount of the value of such assets based on the Price Determination Valuation (A).

Corporate structure as at the date of the First SP Agreement



Corporate structure after completion of the reorganisation but prior to completion of the First SP Agreement



As at the date of First SP Agreement and the Latest Practicable Date, each of BVI-1, BVI-2, HK-1 and HK-2 has not been incorporated. CT Industrial is a limited liability company established in the PRC on 15 June 2007 with a registered capital of RMB5,000,000 (all of which has been paid up) as at the Latest Practicable Date. CT Industrial has not carried on any business since its establishment and it did not record any turnover since its establishment. The First Target Assets mainly comprise various land and buildings, particulars of which are set out below:

Location	**Approximate site area**	**Buildings erected thereon**	**Approximate total gross floor area**	**Current usage**	**Approximate value based on the Price Determination Valuation (A)**
	(sq.m.)		*(sq.m.)*		
West of railway in Hushitai Town, Shenbeixinqu, Shenyang City, Liaoning Province, The PRC ("Shenyang Land and Building") 中國遼寧省瀋陽市瀋北新區虎石台鎮鐵道西	247,759	Several storages and ancillary buildings	29,017	The storage portions are currently occupied for industry and storage uses	RMB87,204,000 *(Note)*
No. 77 Qinglong West Road, Changzhou City, Jiangsu Province, The PRC ("Changzhou Land and Building") 中國江蘇省常州市青龍西路77號	89,614	Several storage, office and ancillary buildings	25,309	Currently occupied for warehouse and office uses	RMB59,488,000
No. 10, Kaifeng Road, Xiangshan District, Guilin City, Guangxi ZAR, The PRC ("Guilin Land and Building") 中國廣西壯族自治區桂林市象山區凱風路10號	55,412	Industrial buildings	22,283	Partially occupied for ancillary office and industrial uses, and the rest is vacant	RMB37,116,000
Total:	392,785		76,609		RMB183,808,000

Note: Inclusive of the value of the railway constructed on the land which amounted to approximately RMB2,867,200.

DFG Company is a limited liability company established in the PRC on 29 December 2005. Its current registered capital is RMB150,000,001, all of which have been fully paid up. In 2006, DFG Company was engaged in the provision of construction work. In 2007, DFG Company has recorded consolidated other income of RMB4,783,000 for the one-off provision of construction management services and interest income. Other than that, DFG Company has not carried on any business throughout 2007 and up to the Latest Practicable Date.

DFG Construction Company is a limited liability company established in the PRC on 28 March 2006. Its current registered capital is RMB2,040,000, all of which have been fully paid up. In 2006, DFG Construction Company was engaged in the provision of construction work. DFG Construction Company has not carried on any business throughout 2007 and up to the Latest Practicable Date.

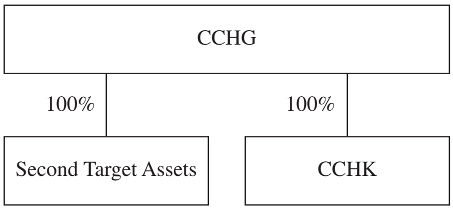
The principal assets of DFG comprise various land, details of which are set out below:

Location	Approximate site area *(sq.m.)*	Current usage	Approximate value based on the Price Determination Valuation (A)
A piece of land situated at south of Shugang Highway, Dafeng City, Jiangsu Province, The PRC ("1st Dafeng Land") 中國江蘇省大豐市疏港公路南側的地塊	549,600	Site to be developed	RMB86,287,000
Four pieces of land situated at Port Serviced Area, Dafeng Ocean Economic Development Area, Dafeng City, Jiangsu Province, The PRC ("2nd Dafeng Land") 中國江蘇省大豐市海洋經濟開發區口岸服務區的四幅土地	476,826	Site to be developed	RMB170,267,000
Total:	1,026,426		RMB256,554,000

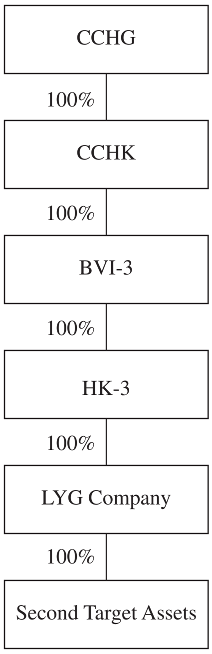
Second SP Agreement

Pursuant to the Second SP Agreement, the Company has agreed to purchase, and CCHK has agreed to sell, the entire issued share capital of BVI-3. As at the date of the Second SP Agreement, each of BVI-3, HK-3 and LYG Company has not been incorporated. CCHK and CCHG have agreed to undertake a series of reorganisation involving BVI-3 prior to the completion of the Second SP Agreement. The following corporate charts set out the simplified corporate structure of the assets to be acquired under the Second SP Agreement (i) as at the date of the Second SP Agreement; and (ii) after the completion of the reorganisation but prior to completion of the Second SP Agreement. It is one of the conditions precedent of the Second SP Agreement that the pre-completion reorganization in relation to BVI-3 has been completed ("Pre-completion Reorganization Conditions Precedent (B)"). Despite that the Company may at its absolute discretion waive the Pre-completion Reorganization Conditions Precedent (B), we note that the Company does not intend to waive the Pre-completion Reorganization Conditions Precedent (B). As advised by the Company, if certain assets (other than the land) cannot be transferred to LYG Company pursuant to the reorganisation, the Company may consider to waive the Pre-completion Reorganization Conditions Precedent (B) in respect of such part of the assets that cannot be transferred to LYG Company and in such event, the consideration (i.e. P(B)) payable by the Company pursuant to the Second SP Agreement shall be adjusted downward by deducting an equivalent amount of the value of such assets based on the Price Determination Valuation (B).

Corporate structure as at the date of the Second SP Agreement



Corporate structure after completion of the reorganisation but prior to completion of the Second SP Agreement



The Second Target Assets mainly comprise various land and buildings, particulars of which are set out below:

Location	Approximate site area *(sq.m.)*	Buildings erected thereon	Approximate gross floor area *(sq.m.)*	Current usage	Approximate value based on the Price Determination Valuation (B)
No. 147 Hailian East Road, Xinpu District, Lianyungang City, Jiangsu Province, The PRC ("Lianyungang Land and Building") 中國江蘇省連雲港市新浦區海連東路147號	363,705	Storage, office and ancillary buildings	32,481	Occupied for warehouse and office uses	RMB171,583,000 *(Note)*
Total:	363,705		32,481		RMB171,583,000

Note: Inclusive of the value of the railway constructed on the land which amounted to approximately RMB2,916,000.

Other terms of the First SP Agreement and the Second SP Agreement:

1) *Undertakings by CCHG*

Pursuant to the First SP Agreement and the Second SP Agreement, CCHG has undertaken to indemnify the Company for any loss and costs incurred in connection with any breaches or non-compliance of any terms of the First SP Agreement and the Second SP Agreement (save and except those relating to the matters described in the paragraph below headed "Arrangement for the period between the date of valuation to completion of the First SP Agreement and the Second SP Agreement" below) by CCHK ("Undertakings").

2) *Arrangement for the period between the date of valuation to completion of the First SP Agreement and the Second SP Agreement*

CT Industrial and DFG are inactive companies. CCHK and the Company agreed that any loss incurred by CT Industrial (inclusive of the First Target Assets) and DFG during the period from the date of valuation (as at a date after CCHG has transferred the First Target Assets to CT Industrial pursuant to the reorganisation) as shown in the PRC Valuation (A) and the date of completion of the First SP Agreement (the "Pre-completion Period (A)") shall be borne by CCHK and CCHK shall reimburse the Company for such loss (if any) in cash on a dollar-to-dollar basis. If CT Industrial (inclusive of the First Target Assets) and DFG record any profits during the Pre-completion Period (A), the Company shall reimburse CCHK for such profits (if any) in cash on a dollar-to-dollar basis.

LYG Company will be an inactive company before completion of the Second SP Agreement. CCHK and the Company agreed that any loss incurred by LYG Company (inclusive of the Second Target Assets) during the period from the date of valuation as shown in the PRC Valuation (B) and the date of completion of the Second SP Agreement (the "Pre-completion Period (B)") shall be borne by CCHK and CCHK shall reimburse the Company for such loss (if any) in cash on a dollar-to-dollar basis. If LYG Company (inclusive of the Second Target Assets) records any profits during the Pre-completion Period (B), the Company shall reimburse CCHK for such profits (if any) in cash on a dollar-to-dollar basis.

We consider that the above arrangements for CCHK to retain the profit and bear the loss of i) CT Industrial (inclusive of the First Target Assets); ii) DFG and iii) LYG Company (inclusive of the Second Target Assets) prior to completion of the First SP Agreement and the Second SP Agreement, respectively, to be fair and reasonable. The indemnity given by CCHG to the Company is also in the interests of the Company and the Independent Shareholders as a whole.

We noted from the interim report of the Company for the six months ended 30 June 2008 that one of the Group's development strategies is to invest in quality land with development potential so as to expand the business of the land resources exploitation of the Group. The Directors consider that the Acquisition could increase substantially the land reserves for the Group which could strengthen the future earning capacity of the Group, and they also believe that the plots of land to be injected to each of BVI-1, BVI-2 and BVI-3 have great potential for development and appreciation in value as they are located in the second or third tier cities of the PRC and some of them (the 2nd Dafeng Land) have been included in zoning of commercial land at such cities by the local government.

As noted from 國土資源部中國土地勘測規劃院 — 中國城市地價動態監測系統 (http://www.landvalue.com.cn), the Jiangsu Province land price report (江蘇省城市地價動態監測報告) available at the website of the Ministry of Land and Resources and other reports from the website of the Ministry of Land and Resources, there was an increasing trend in the price of industrial land in Liaoning, Jiangsu and Guangxi Province from 2005 to 2007. We also noted that the price of commercial land is substantially higher than industrial land from 2005 to 2007. Despite that the yearly report for the price trend of industrial land in Liaoning, Jiangsu and Guangxi Province for 2008 is not yet available as at the Latest Practicable Date, we have noted the general decrease in land price in the PRC given the prevailing property market environment. Since late 2007, the PRC government began to implement austerity measures to the property sector to curb the continual increase in property prices. These measures include limiting bank loans to the property developers, delay in approving foreign investments in the property sector, etc. As a result of these measures, we began to see correction in property prices in most major cities in the PRC since early 2008. The recent global financial market meltdown and credit crunch has further hampered the fund raising capabilities of the property developers, triggering significant price cut by developers in some cities. To spend the country out of a slowdown caused by the global financial crisis, the central government has recently announced a RMB4 trillion stimulus package. The planned investment spans many sectors including rail, roads, ports and housing with a focus on rural infrastructure. There are also preferential policies in respect of the PRC property industry including, among others, tax breaks for certain housing transactions and lowering of mortgage rates for first- time home purchasers and encouraging banks to provide mortgages, and several local governments have also introduced new policies aimed at reviving the local property market. While we believe that these policies can help to stabilize the property market in the PRC to some extent, their effects are yet to be seen. Further, we are of the view that in general, the performance of the PRC property market has a strong correlation with the general PRC economy. Given that based on the data from the National Bureau of Statistics of China, the average

GDP growth rate of the PRC economy from 2002 to 2007 was 15.72% and the GDP growth rate of the PRC economy for the first three quarters of 2008 was 9.9% as compared to the same period last year, we are of the view that despite the short term fluctuation in the PRC property market, looking ahead, considering the PRC's long term growth prospect and economic development, continual urbanization policy and increasing affluence of its population, we believe that the long-term prospect of the PRC property market remain positive. Given that it is the strategy of the Company to increase its land reserves for long-term development and investment, we consider that the Acquisition is in line with the stated business strategy of the Group.

Despite that the pre-completion reorganization in relation to BVI-1, BVI-2 and BVI-3 has not yet been completed and that the price for the transfer has not yet been fixed as at the date of the First SP Agreement and the Second SP Agreement (as it is required under the PRC laws that the price for the transfer of interest in CT Industrial, DFG and LYG Company shall be filed and confirmed by the State-owned Assets Supervision and Administration Commission of the State Council and as at the Latest Practicable Date, CCHK and CCHG are in the course of preparation of the application to the State-owned Assets Supervision and Administration Commission of the State Council), given that i) CCHG has given the Undertakings to indemnify the Company (as stated above); ii) the final considerations under the First SP Agreement and the Second SP Agreement will be adjusted such that the values of the land and buildings will not be higher than their capital values based on a valuation prepared by a qualified valuer in accordance with international valuation standards, we consider that the entering into of the First SP Agreement and the Second SP Agreement would secure this investment opportunity by the Company at this point of time.

Views

Having taken account of the above factors, in particular that the Acquisition which increase substantially the land reserves for the Group, which is in line with the stated business strategy of the Group, we consider that the Acquisition is within the ordinary course of business of the Group. Given that the consideration for the Acquisition is fair and reasonable as elaborated below, we consider that the Acquisition is in the interests of the Company and the Independent Shareholders as a whole.

(B) **The consideration**

The consideration to be payable by the Company pursuant to the First SP Agreement (subject to adjustment) ("**P(A)**") shall be RMB469,000,000 (equivalent to HK$533,215,094). If any of the assets cannot be transferred to CT Industrial pursuant to the reorganisation, P(A) shall be adjusted downward by deducting an equivalent amount of the value of such assets based on the Price Determination Valuation (A) and the consideration payable by the Company pursuant to the First SP Agreement shall be reduced accordingly. In arriving at the final consideration ("Final Consideration (A)") pursuant to the First SP Agreement, P(A) will be adjusted based on the PRC Valuation (A) and is subject to any further adjustment made according to the Adjustment Mechanisms (as defined below). The maximum amount of the Final Consideration (A) is RMB562,800,000 (equivalent to HK$639,858,112).

The consideration to be payable by the Company pursuant to the Second SP Agreement (subject to adjustment) ("**P(B)**") shall be RMB181,000,000 (equivalent to approximately HK$205,782,371). If any of the assets cannot be transferred to LYG Company pursuant to the reorganisation, P(B) shall be adjusted downward by deducting an equivalent amount of the value of such assets based on the Price Determination Valuation (B) and the consideration payable by the Company pursuant to the Second SP Agreement shall be reduced accordingly. In arriving at the final consideration ("Final

Consideration (B)") pursuant to the Second SP Agreement, P(B) will be adjusted based on the PRC Valuation (B) and is subject to any further adjustment made according to the Adjustment Mechanisms (as defined below). The maximum amount of the Final Consideration (B) is RMB217,200,000 (equivalent to HK$246,938,845).

P(A) and P(B) were determined with reference to the assets and net asset value ("NAV") of the companies ("Acquired Companies") to be acquired by the Group under the First SP Agreement and the Second SP Agreement and can be summarized as follows:

The breakdown of P(A) mainly comprises:

(i)	Price Determination Valuation (A) for the First Target Assets	Approximately RMB183,808,000 (including value of railway of approximately RMB2,867,200)
(ii)	Price Determination Valuation (A) for 66.67% of the NAV of DFG	Approximately RMB201,073,000 (including other net assets of approximately RMB30,029,000)
(iii)	NAV of CT Industrial as at 31 August 2008	Approximately RMB4,600,000
(iv)	The amount of cash to be injected to CT Industrial by CCHG pursuant to the reorganisation	Approximately RMB79,200,000
Sub-total:		**Approximately RMB468,681,000**

The breakdown of P(B) mainly comprises:

Price Determination Valuation (B) of the Second Target Assets	Approximately RMB180,417,000 (including other assets and railway of approximately RMB11,750,000)
Total:	**Approximately RMB649,098,000**

As the major assets in the Acquired Companies primarily consist of industrial land and buildings (with other assets mainly consist of cash and bank balance and amount due from equity owner), we consider it is fair and reasonable to determine the consideration based on the NAV of the Acquired Companies, adjusted by the valuation on the land and buildings prepared by a qualified valuer in accordance with international valuation standards ("Adjusted NAV"). To assess the Adjusted NAV of the Acquired Companies, we have reviewed the valuation report ("October 08 Valuation") prepared by DTZ Debenham Tie Leung Limited ("International Valuer") set out in Appendix VII to the Circular. As noted from the October 08 Valuation, in performing the valuation, the International Valuer has adopted the following approaches:

Land and buildings held by the Acquired Companies:	**Method of valuation:**
Shenyang Land and Building	Depreciated replacement cost approach
Changzhou Land and Building	Depreciated replacement cost approach
Guilin Land and Building	Depreciated replacement cost approach
1st Dafeng Land	Direct comparison approach
2nd Dafeng Land	Direct comparison approach
Lianyungang Land and Building	Depreciated replacement cost approach

Depreciated replacement cost approach is based on an estimate of the market value of the land in its existing use and the costs to reproduce or replace the buildings and structures. Direct comparison approach is based on comparable sales evidence as available in the relevant market. We have been advised by the International Valuer that given the particulars of the land and buildings held by the Acquired Companies, the above valuation methodologies are commonly used in arriving at the valuation. In valuing the 1st Dafeng Land and the 2nd Dafeng Land, direct comparison approach was used as there is no building on the land. In valuing the land portion of the Shenyang Land and Building, Changzhou Land and Building, Guilin Land and Building and Lianyungang Land and Building, the International Valuer has also adopted the direct comparison approach. In valuing the building portion of the Shenyang Land and Building, Changzhou Land and Building, Guilin Land and Building and Lianyungang Land and Building, the International Valuer has performed the valuation with reference to the costs to reproduce or replace the buildings and structures. Therefore, we consider that the valuation methodologies adopted by the International Valuer is consistent for different pieces of land and buildings held by the Acquired Companies and are commonly used in the market.

The capital values of the land and buildings as at 31 October 2008 based on the October 08 Valuation are summarised as follows:

Land and building:	**Capital value of the land and buildings as at 31 October 2008 based on valuation performed by the International Valuer**
Shenyang Land and Building	No commercial value is ascribed to the Shenyang Land and Building as the certificate for use of state-owned land has not been issued. However, the International Valuer is of the opinion that the market value of the Shenyang Land and Building as at the date of the valuation would be RMB89,700,000 had the Group obtained the state-owned land use right certificate and the property can be freely transferred in the open market.
Changzhou Land and Building	No commercial value is ascribed to the Changzhou Land and Building as the land use rights of the property are of state allocated type. However, the International Valuer is of the opinion that the market value of the Changzhou Land and Building as at the date of the valuation would be RMB57,000,000 had the Group obtained the state-owned land use right certificate and the property can be freely transferred in the open market.
Guilin Land and Building	No commercial value is ascribed to the Guilin Land and Building as the land use rights of the property are of state allocated type. However, the International Valuer is of the opinion that the market value of the Guilin Land and Building as at the date of the valuation would be RMB39,000,000 had the Group obtained the state-owned land use right certificate and the property can be freely transferred in the open market.
1st Dafeng Land	RMB87,000,000
2nd Dafeng Land	RMB180,000,000
Lianyungang Land and Building	No commercial value is ascribed to the Lianyungang Land and Building as the land use rights of the property are of state allocated type. However, the International Valuer is of the opinion that the market value of the Lianyungang Land and Building as at the date of the valuation would be RMB172,000,000 had the Group obtained the state-owned land use right certificate and the property can be freely transferred in the open market.
Total value:	**RMB624,700,000 (assuming that all valid certificates for use of state-owned land have been obtained)**

We note that completion of the First SP Agreement is conditional upon completion of the reorganisation, which includes, among other matters, the transfer of the First Target Assets to CT Industrial. For the purpose of transferring the First Target Assets to CT Industrial, CCHG shall obtain the land use right certificates and building ownership certificates for the First Target Assets. The Company is therefore not obligated to proceed with completion of the First SP Agreement should the parties failed to obtain the relevant titles of the First Target Assets. However, if any of the assets cannot be transferred to CT Industrial pursuant to the reorganisation, the Company may consider to waive the Pre-completion Reorganization Conditions Precedent (A) in respect of such part of the assets that cannot be transferred to CT Industrial and in such event, the consideration (i.e. P(A)) payable by the Company pursuant to the First SP Agreement shall be adjusted downward by deducting an equivalent amount of the value of such assets based on the Price Determination Valuation (A). As advised by the Company, if the land use rights of a certain piece of land of the First Target Assets are not obtained, the Company intends to waive the Pre-completion Reorganization Conditions Precedent (A) in respect of such land the land use rights of which cannot be obtained to the intent that such land would not be acquired by the Company and in such event, the consideration (i.e. P(A)) payable by the Company pursuant to the First SP Agreement shall be adjusted downward in the manner as stated above.

Completion of the Second SP Agreement is conditional upon completion of the reorganisation, which includes, among other matters, the transfer of the Second Target Assets to LYG Company. For the purpose of transferring the Second Target Assets to LYG Company, CCHG shall obtain the land use right certificates and building ownership certificates for the Second Target Assets. The Company is therefore not obligated to proceed with completion of the Second SP Agreement should the parties fail to obtain the relevant titles of the Second Target Assets. However, if certain assets (other than the land) cannot be transferred to LYG Company pursuant to the reorganisation, the Company may consider to waive the Pre-completion Reorganization Conditions Precedent (B) in respect of such part of the assets that cannot be transferred to LYG Company and in such event, the consideration (i.e. P(B)) payable by the Company pursuant to the Second SP Agreement shall be adjusted downward by deducting an equivalent amount of the value of such assets based on the Price Determination Valuation (B). As advised by the Company, if the land use rights of the land comprising the Second Target Assets are not obtained, the Company will not waive the Pre-completion Reorganization Conditions Precedent (B).

CCHG is in the course of applying for the land use right certificates and building ownership certificates for the First Target Assets and the Second Target Assets.

Based on the above, we consider that it is reasonable to make reference to the market values of the Shenyang Land and Building, Changzhou Land and Building, Guilin Land and Building and Lianyungang Land and Building in determining P(A) and P(B).

The Adjusted NAVs of the Acquired Companies under the First SP Agreement and the Second SP Agreement are as follows:

	First SP Agreement:	Adjusted NAVs as at 31 October 2008	Price Determination Valuation (A)	P(A)
1)	First Target Assets (including i) Shenyang Land and Building; ii) Changzhou Land and Building and; iii) Guilin Land and Building)	Approximately RMB188,567,200 *(Note 1)*	Approximately RMB183,808,000 *(Note 2)*	—
2)	CT Industrial (including the amount of cash to be injected to CT Industrial by CCHG pursuant to the reorganisation)	Approximately RMB83,800,000 *(Note 3)*	Approximately RMB83,800,000 *(Note 3)*	—
3)	66.67% of the NAV of DFG (including 1st Dafeng Land and 2nd Dafeng Land)	Approximately RMB206,727,000 *(Note 4)*	Approximately RMB201,073,000 *(Note 5)*	—
	Sub-total:	**Approximately RMB479,094,200**	**Approximately RMB468,681,000**	**RMB469,000,000**

	Second SP Agreement:	Adjusted NAV as at 31 October 2008	Price Determination Valuation (B)	P(B)
1)	Second Target Assets (including Lianyungang Land and Building)	Approximately RMB183,750,000 *(Note 6)*	Approximately RMB180,417,000 *(Note 7)*	RMB181,000,000

Notes:

1) The amount is equivalent to the aggregated value of the Shenyang Land and Building, Changzhou Land and Building and Guilin Land and Building based on the October 08 Valuation, assuming that all state-owned land use right certificates have been obtained, and the value of the railway constructed on the land in Shenyang of approximately RMB2,867,200, based on the Price Determination Valuation (A).

2) The amount is equivalent to the aggregated value of the Shenyang Land and Building, Changzhou Land and Building, Guilin Land and Building and value of the railway constructed on the land in Shenyang based on the Price Determination Valuation (A).

3) The amount is equivalent to the NAV of CT Industrial as at 31 August 2008 of RMB4,600,000 (as shown in the accountants' report of CT Industrial as set out in Appendix IV of this Circular) plus the cash of RMB79,200,000 to be injected to CT Industrial by CCHG pursuant to the reorganization.

4) The amount is equivalent to 66.67% of the NAV of DFG as at 31 August 2008 of approximately RMB96,369,000 (as shown in the accountants' report of DFG as set out in Appendix V of this Circular) as adjusted by the increase in aggregate capital value of the 1st Dafeng Land and 2nd Dafeng Land based on the October 08 Valuation of RMB110,358,000.

5) The amount is equivalent to the 66.67% of the NAV of DFG as at 31 August 2008 based on the Price Determination Valuation (A).

6) The amount is equivalent to the Price Determination Value (B) of the Second Target Assets as adjusted by the increase in capital value of the Lianyungang Land and Building based on the October 08 Valuation of RMB3,333,000, and the value of the railway constructed on the land in Lianyungang of approximately RMB2,916,000, based on the Price Determination Valuation (B).

7) The amount is equivalent to the book value of the Second Target Assets based on the Price Determination Valuation (B).

As shown from the above, the Adjusted NAVs of the Acquired Companies under the First SP Agreement and the Second SP Agreement respectively based on the October 08 Valuation are higher than both P(A) and P(B), and hence, we consider P(A) and P(B) to be fair and reasonable.

Adjustment mechanisms:

As advised by the Company, the adjustment mechanism ("Adjustment Mechanisms") to the consideration is incorporated to the First SP Agreement and the Second SP Agreement to protect the interest of the Company because the Final Consideration (A) and Final Consideration (B) can only be determined after the price for the transfer of interest in CT Industrial, DFG and LYG Company is filed and confirmed by the State-owned Assets Supervision and Administration Commission of the State Council as required by the PRC laws. As at the date of this Circular, CCHK and CCHG are in the course of preparation of the application to the State-owned Assets Supervision and Administration Commission of the State Council.

The Adjustment Mechanisms are summarized below:

	Adjustment mechanisms pursuant to the First SP Agreement:	Adjustment mechanisms Pursuant to the Second SP Agreement:	Implication to the consideration
1)	if the Filed and Confirmed Price (A) is less than P(A), the consideration payable by the Company pursuant to the First SP Agreement shall be adjusted downward to the Filed and Confirmed Price (A);	if the Filed and Confirmed Price (B) is less than P(B), the consideration payable by the Company pursuant to the Second SP Agreement shall be adjusted downward to the Filed and Confirmed Price (B);	We consider that such adjustment clause is in the interest to the Company and the Independent Shareholders as a whole as the consideration will be adjusted downwards without limit based on the Filed and Confirmed Price (A) and Filed and Confirmed Price (B).

	Adjustment mechanisms pursuant to the First SP Agreement:	Adjustment mechanisms Pursuant to the Second SP Agreement:	Implication to the consideration
			Under this scenario, the maximum consideration pursuant to i) the First SP Agreement will not be more than RMB 469,000,000; and ii) the Second SP Agreement will not be more than RMB 181,000,000. The minimum consideration pursuant to the First SP Agreement and the Second SP Agreement will equal to the Filed and Confirmed Price (A) and Filed and Confirmed Price (B).
2)	if the Filed and Confirmed Price (A) shall be an amount equal to P(A) or more and up to (and inclusive of) P(A) x 110% (i.e. RMB515,900,000 (if P(A) is not adjusted downward by reason of the Asset Adjustment Event A)), the consideration payable by the Company pursuant to the First SP Agreement shall not be adjusted and shall be equal to P(A);	if the Filed and Confirmed Price (B) shall be an amount equal to P(B) or more and up to (and inclusive of) P(B) x 110% (i.e. RMB199,100,000 (if P(B) is not adjusted downward by reason of the Asset Adjustment Event B)), the consideration payable by the Company pursuant to the Second SP Agreement shall not be adjusted and shall be equal to P(B);	We consider that such adjustment clause is in the interest to the Company and the Independent Shareholders as a whole as the consideration will not be adjusted upwards based on the Filed and Confirmed Price (A) or Filed and Confirmed Price (B). Under this scenario, the consideration pursuant to i) the First SP Agreement will be RMB 469,000,000; and ii) the Second SP Agreement will be RMB 181,000,000.

	Adjustment mechanisms pursuant to the First SP Agreement:	Adjustment mechanisms Pursuant to the Second SP Agreement:	Implication to the consideration
3)	if the Filed and Confirmed Price (A) shall be an amount higher than P(A) x 110% (i.e. RMB515,900,000 (if P(A) is not adjusted downward by reason of the Asset Adjustment Event A)) and up to (and inclusive of) P(A) x 120% (i.e. RMB562,800,000 (if P(A) is not adjusted downward by reason of the Asset Adjustment Event)), CCHK shall procure the International Valuation (A) to be commissioned, and	if the Filed and Confirmed Price (B) shall be an amount higher than P(B) x 110% (i.e. RMB199,100,000 (if P(B) is not adjusted downward by reason of the Asset Adjustment Event B)) and up to (and inclusive of) P(B) x 120% (i.e. RMB217,200,000 (if P(B) is not adjusted downward by reason of the Asset Adjustment Event B)), CCHK shall procure the International Valuation (B) to be commissioned, and	We consider that such adjustment clause is in the interest to the Company and Independent Shareholders as a whole as the upward adjustments to the consideration will be subject to a maximum cap of 20% and the consideration payable by the Company for the Land and Building (A) and Land and Building (B) would be the lower of the PRC valuation and a valuation prepared by a qualified valuer in accordance with international valuation standards ("International Valuation").
	(i) if the valuation of Land and Buildings (A) in the International Valuation (A) equals to or is higher than that in the PRC Valuation (A) and the valuation of Land and Buildings (A) in the International Valuation (A) together with the value of other assets in the PRC Valuation (A) is not higher than P(A) x 120% (i.e. RMB562,800,000 (if P(A) is not adjusted downward by reason of the Asset Adjustment Event A)), the consideration payable by the Company pursuant to the First SP Agreement shall be adjusted upward to the Filed and Confirmed Price (A); or	(i) if the valuation of Land and Buildings (B) in the International Valuation (B) equals to or is higher than that in the PRC Valuation (B) and the valuation of Land and Buildings (B) in the International Valuation (B) together with the value of other assets in the PRC Valuation (B) is not higher than P(B) x 120% (i.e. RMB217,200,000 (if P(B) is not adjusted downward by reason of the Asset Adjustment Event B)), the consideration payable by the Company pursuant to the Second SP Agreement shall be adjusted upward to the Filed and Confirmed Price (B); or	Under this scenario, the maximum consideration pursuant to i) the First SP Agreement will be RMB 562,800,000; and ii) the Second SP Agreement will be RMB 217,200,000. The minimum consideration pursuant to i) the First SP Agreement will be RMB 515,900,001 minus the difference between the valuation of Land and Building (A) in the International Valuation (A) and that in the PRC Valuation (A); and ii) the Second SP Agreement will be RMB 199,100,001 minus the difference between the valuation of Land and Building (B) in the International Valuation (B) and that in the PRC Valuation(B).

Adjustment mechanisms pursuant to the First SP Agreement:	Adjustment mechanisms Pursuant to the Second SP Agreement:	Implication to the consideration
(ii) if the valuation of Land and Buildings (A) in the International Valuation (A) shall be lower than that in the PRC Valuation (A) by 10% or less than 10%, the consideration payable by the Company pursuant to the First SP Agreement shall be adjusted to an amount equals the Filed and Confirmed Price (A) minus the difference between the valuation of Land and Buildings (A) in International Valuation (A) and that in the PRC Valuation (A).	(ii) if the valuation of Land and Buildings (B) in the International Valuation (B) shall be lower than that in the PRC Valuation (B) by 10% or less than 10%, the consideration payable by the Company pursuant to the Second SP Agreement shall be adjusted to an amount equals the Filed and Confirmed Price (B) minus the difference between the valuation of Land and Buildings (B) in International Valuation (B) and that in the PRC Valuation (B).	

	Adjustment mechanisms pursuant to the First SP Agreement:	Adjustment mechanisms Pursuant to the Second SP Agreement:	Implication to the consideration
4)	The Company, CCHK and CCHG agreed that they will negotiate on the revised consideration to be payable by the Company pursuant to the First SP Agreement upon the occurrence of any of the following events ("**Relevant Events**"): (A) (i) the Filed and Confirmed Price (A) shall be an amount higher than P(A) x 110% (i.e.RMB515,900,000 (if P(A) is not adjusted downward by reason of the Asset Adjustment Event A)) and up to (and inclusive of) P(A) x 120% (i.e. RMB562,800,000 (if P(A) is not adjusted downward by reason of the Asset Adjustment Event A)) and (ii) the valuation of Land and Buildings (A) in the International Valuation (A) shall be lower than that in the PRC Valuation (A) by more than 10%; or	The Company, CCHK and CCHG agreed that they will negotiate on the revised consideration to be payable by the Company pursuant to the Second SP Agreement upon the occurrence of any of the following events ("**Relevant Events**"): (A) (i) the Filed and Confirmed Price (B) shall be an amount higher than P(B) x 110% (i.e. RMB199,100,000 (if P(B) is not adjusted downward by reason of the Asset Adjustment Event B)) and up to (and inclusive of) P(B) x 120% (i.e. RMB217,200,000 (if P(B) is not adjusted downward by reason of the Asset Adjustment Event B)) and (ii) the valuation of Land and Buildings (B) in the International Valuation (B) shall be lower than that in the PRC Valuation (B) by more than 10%; or	We consider that such clause is in the interest to the Company and the Independent Shareholders as a whole as the Independent Shareholders will be given a chance to consider the revised consideration at another general meeting to be convened by the Company in the event that the final consideration pursuant to the First SP Agreement is 20% higher than P(A) (i.e. RMB 562,800,000) or the final consideration pursuant to the Second SP Agreement is 20% higher than P(B) (i.e. RMB 217,200,000).

Adjustment mechanisms pursuant to the First SP Agreement:	Adjustment mechanisms Pursuant to the Second SP Agreement:	Implication to the consideration
(B) the Filed and Confirmed Price (A) is an amount higher than P(A) x 110% (i.e. RMB515,900,000 (if P(A) is not adjusted downward by reason of the Asset Adjustment Event A)) and up to (and inclusive of) P(A) x 120% (i.e. RMB562,800,000 (if P(A) is not adjusted downward by reason of the Asset Adjustment Event A)); and	(B) the Filed and Confirmed Price (B) is an amount higher than P(B) x 110% (i.e. RMB199,100,000 (if P(B) is not adjusted downward by reason of the Asset Adjustment Event B)) and up to (and inclusive of) P(B) x 120% (i.e. RMB217,200,000 (if P(B) is not adjusted downward by reason of the Asset Adjustment Event B)); and	
(i) the valuation of Land and Buildings (A) in the International Valuation (A) is higher than that in the PRC Valuation (A); and	(i) the valuation of Land and Buildings (B) in the International Valuation (B) is higher than that in the PRC Valuation (B); and	
(ii) the valuation of Land and Buildings (A) in the International Valuation (A) together with the value of other assets in the PRC Valuation (A) is higher than P(A) x 120% (i.e. RMB562,800,000 (if P(A) is not adjusted downward by reason of the Asset Adjustment Event A)), or	(ii) the valuation of Land and Buildings (B) in the International Valuation (B) together with the value of other assets in the PRC Valuation (B) is higher than P(B) x 120% (i.e. RMB217,200,000 (if P(B) is not adjusted downward by reason of the Asset Adjustment Event B)), or	

Adjustment mechanisms pursuant to the First SP Agreement:	Adjustment mechanisms Pursuant to the Second SP Agreement:	Implication to the consideration
(C) the Filed and Confirmed Price (A) shall be higher than P(A) x 120% (i.e. RMB562,800,000 (if P(A) is not adjusted downward by reason of the Asset Adjustment Event A)).	(C) the Filed and Confirmed Price (B) shall be higher than P(B) x 120% (i.e. RMB217,200,000 (if P(B) is not adjusted downward by reason of the Asset Adjustment Event B)).	
The negotiation on the revised consideration to be payable by the Company, if required, will be based on fresh negotiation among the parties taking into account of the valuation of the assets at that time. Shareholders should note that the parties may or may not be able to reach an agreement on the revised consideration. If the revised consideration is not agreed by the parties, the First SP Agreement will lapse. If the revised consideration is agreed by the parties, the parties will enter into another supplemental agreement in respect of the revised consideration which shall be subject to Independent Shareholders' approval at another general meeting to be convened by the Company (if the EGM has been held at that time). If approval from the Independent Shareholders on such supplemental agreement on the revised consideration cannot be obtained on or before 30 April 2009 (or such other date as agreed by the parties), the First SP Agreement will lapse immediately.	The negotiation on the revised consideration to be payable by the Company, if required, will be based on fresh negotiation among the parties taking into account of the valuation of the assets at that time. Shareholders should note that the parties may or may not be able to reach an agreement on the revised consideration. If the revised consideration is not agreed by the parties, the Second SP Agreement will lapse. If the revised consideration is agreed by the parties, the parties will enter into another supplemental agreement in respect of the revised consideration which shall be subject to Independent Shareholders' approval at another general meeting to be convened by the Company (if the EGM has been held at that time). If approval from the Independent Shareholders on such supplemental agreement on the revised consideration cannot be obtained on or before 30 April 2009 (or such other date as agreed by the parties), the Second SP Agreement will lapse immediately.	

In summary, the Adjustment Mechanisms are designed in such a way that if the Filed and Confirmed Price (A) is less than P(A), the Final Consideration(A) will be adjusted downward to the Filed and Confirmed Price (A). If the Filed and Confirmed Price (B) is less than P(B), the Final Consideration (B) will be adjusted downward to the Filed and Confirmed Price (B). Hence the Company will not be disadvantaged by the possible depreciation in the values of the land and buildings held by the Acquired Companies during the interim period ("Interim Period") from the date of the First SP Agreement (15 October 2008) and the Second SP Agreement (15 October 2008) to the date of valuation of the PRC Valuation (A) (at a date after CCHG has transferred the First Target Assets to CY Industrial pursuant to the reorganization) and the PRC Valuation (B) (at a date after CCHG has transferred the Second Target Assets to LYG Company pursuant to the reorganization). On the other hand, if the values of the land and buildings held by the Acquired Companies appreciate during the Interim Period, the Company will be able to:

1) benefit entirely from the appreciation in land value if such appreciation is within 10%; or

2) adjust the land value to a price level not higher than the International Valuation at the price determination date if the appreciation in land value is more than 10% but less than or equal to 20% and the land value based on the PRC Valuation (A) and the PRC Valuation (B) is higher than the International Valuation. Under this scenario, the land value is subject to and will not be higher than the International Valuation and hence the Company and its Independent Shareholders have not been disadvantaged; or

3) put the whole transaction back to its Independent Shareholders for consideration and re-approval if the appreciation in land value is more than 20%.

Therefore, we consider the Adjustment Mechanisms provide adequate protection against the fluctuation in value of land and buildings held by the Acquired Companies during the Interim Period to the Company and its Independent Shareholders.

Having regard to the above factors, and in particular that i) the consideration of the Acquisition is determined with reference to the NAVs of the Acquired Companies, the major assets of the which consist of industrial land and buildings; ii) the Adjusted NAVs of the Acquired Companies based on October 08 Valuation are higher than both P(A) and P(B) and; iii) the Adjustment Mechanisms are fair and reasonable, we consider that the basis to arrive at the Final Consideration (A) and the Final Consideration (B) pursuant to the First SP Agreement and the Second SP Agreement to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(C) **Issue price**

The issue price of HK$0.35 per Consideration Share ("Issue Price") represents:

— a discount of approximately 2.78% to the closing price of HK$0.36 per Share as quoted on the Stock Exchange on the Last Trading Day;

— a premium of approximately 0.86% over the average closing price of approximately HK$0.347 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;

— a premium of approximately 0.07% over the average closing price of approximately HK$0.34975 per Share as quoted on the Stock Exchange for the last 20 trading days up to and including the Last Trading Day; and

— a discount of approximately 39.66% over the average closing price of approximately HK$0.58 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

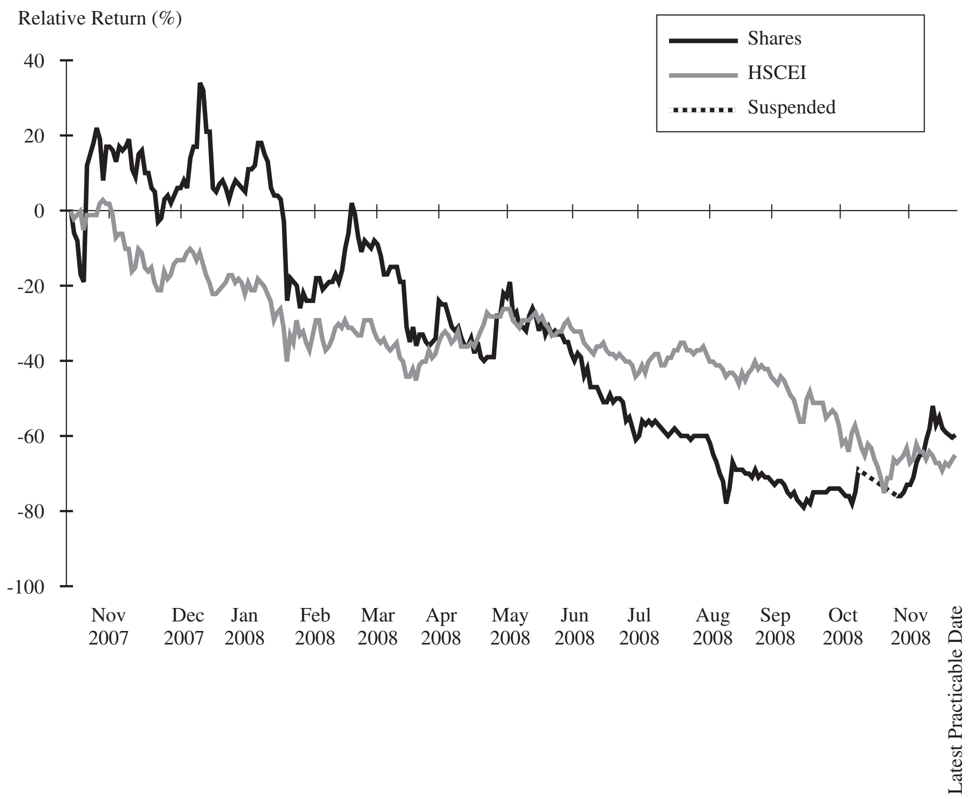
— an premium of approximately 45.83% to the latest published consolidated equity attributable to shareholder of HK$0.24 per Share (based on the latest published financial statements of the Company).

The issue price was arrived at after arm's length negotiations between the Company, CCHK and CCHG with reference to the prevailing Share prices prior to the Last Trading Day of the Company.

i) ***Share price performance***

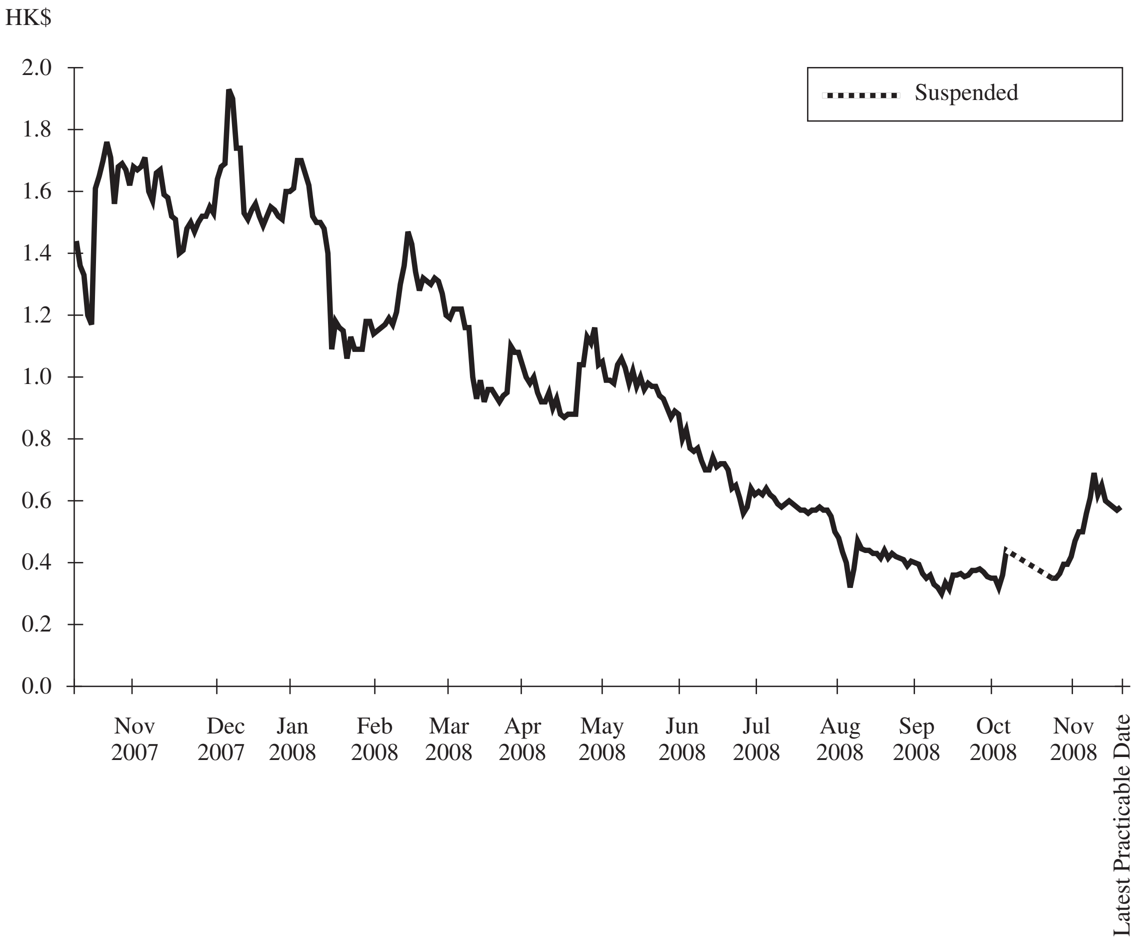
The following charts illustrates i) the share price performance of the Company relative to the Hang Seng H-shares Index ("HSCEI") in the last twelve months (the "Twelve-month Period") preceding to the date of the announcement for the Acquisition and up to and including the Latest Practicable Date (the "Review Period") and ii) the closing prices of the Company during the Review Period.

Chart A- Share price performance of the Company relative to the HSCEI during the Review Period:



Source: Bloomberg

Chart B - Closing prices of the Company during the Review Period:



Source: Bloomberg

As shown in Chart A above, we note that throughout the Review Period, the relative share price movements of the Company was generally in line with HSCEI. As shown in Chart B above, we note that the closing price of the Company experienced a decreasing trend during the Review Period. The highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK$1.93 per Share recorded on 11 December 2007 and HK$0.30 per Share recorded on the 18 September 2008 respectively. We noted that the Company published announcements on 23 October 2007, 11 December 2007, 2 April 2008, 13 August 2008, 15 August 2008 and 17 November 2008 respectively in relation to the unusual price and trading volume movement in the Shares. Pursuant to these announcements, no specific reason was disclosed for the decreasing trend of the Shares. The surge in Share price since 31 October 2008 could be caused by the publish of the announcement for the Acquisition.

ii) ***Trading Volume***

	Total trading volume for the month/period	**Average daily trading volume for the month/ period** *(Note 1)*	**Percentage of average daily trading volume to total number of Shares in issue as at the Latest Practicable Date**	**Percentage of average daily trading volume to total number of Shares held by public Shareholders as at the Latest Practicable Date** *(Note 2)*
2007				
October	278,517,833	13,262,754	0.50%	0.71%
November	132,863,539	6,039,252	0.23%	0.32%
December	253,859,069	13,361,004	0.50%	0.71%
2008				
January	125,680,066	5,712,730	0.21%	0.30%
February	63,347,306	3,334,069	0.12%	0.18%
March	48,796,475	2,568,236	0.10%	0.14%
April	107,715,000	5,129,286	0.19%	0.27%
May	80,496,600	4,024,830	0.15%	0.21%
June	92,888,000	4,644,400	0.17%	0.25%
July	55,867,800	2,539,445	0.09%	0.14%
August	50,070,020	2,635,264	0.10%	0.14%
September	36,798,900	1,751,900	0.07%	0.09%
October (up to the Last Trading Date)	18,939,249	2,104,361	0.08%	0.11%
From the Last Trading Date to the Latest Practicable Date	90,852,394	4,781,705	0.18%	0.25%

Source: Bloomberg

Notes:

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

2. Based on 1,879,596,609 Shares held by public Shareholders as at the Latest Practicable Date.

As illustrated in the table above, the average daily trading volume of the Shares in each month during the Review Period ranged from approximately 1.75 million Shares to 13.36 million Shares, representing approximately 0.07% and approximately 0.50% respectively of the total number of Shares in issue as at the Latest Practicable Date and approximately 0.09% and 0.71% respectively of the total number of Shares held by public Shareholders as at the Latest Practicable Date.

iii) ***Market Comparables***

In assessing the fairness of the Issue Price, we have, to the best of our knowledge, reviewed and compared the price to NAV of all the companies listed on the main board of the Stock Exchange which are principally engaged in property development and property investment in the PRC and had market capitalisation of less than HK$3,000 million and above HK$500 million as at the Last Trading Date (the "Market Comparables"), taking account of the market capitalisation of the Company of approximately HK$964.4 million as at the Last Trading Date. As the Company has been loss making for the six months ended 30 June 2008 and it is also a market practice to value property companies based on NAV analysis, we consider that it is not appropriate to perform a price-to-earnings analysis. Our review is summarized as follows:

Name of the Market Comparables	**Market capitalization HK$ in million**	**Premium/ (discount) to NAV (%)**
	(Note 1)	*(Note 2)*
C C Land Holdings Ltd.	2,569.33	(76.83)
Zhong An Real Estate Ltd.	2,275.43	(51.50)
China Properties Group Ltd.	1,995.94	(89.41)
Beijing Capital Land Ltd	1,935.61	(73.22)
Tomson Group Ltd.	1,846.60	(76.97)
SRE Group Ltd.	1,614.65	(84.29)
China Aoyuan Property Group Ltd.	1,576.75	(72.76)
Baoye Group Co. Ltd.	1,160.19	(65.26)
Shanghai Zendai Property Ltd.	1,065.82	(57.28)
SPG Land Holdings Ltd.	1,027.20	(76.14)
Lai Fung Holdings Ltd.	700.17	(89.36)
Coastal Greenland Ltd.	658.58	(82.18)
Average		**(74.60)**
Premium of Issue Price over the NAV per Share of the Group (Note 3)		23.16
Premium of Issue Price over the adjusted NAV per Share of the Group after completion of the First SP Agreement and the Second SP Agreement (assuming no adjustment to the consideration payable by the Company under the First SP Agreement and the Second SP Agreement) (Note 4)		3.14

Name of the Market Comparables	Market capitalization HK$ in million *(Note 1)*	Premium/ (discount) to NAV (%) *(Note 2)*
Premium of Issue Price over the adjusted NAV per Share of the Group after completion of the First SP Agreement and the Second SP Agreement (assuming the consideration payable by the Company under the First SP Agreement and the Second SP Agreement are adjusted to its maximum extent) (Note 5)		**12.13**

Source: Bloomberg

Notes:

1. Quoted from Bloomberg as at the Last Trading Day.

2. Calculated based on the market capitalization of the Market Comparables as at the Last Trading Day and the net asset value as per their respective latest published financial statements, with exchange rate of HKD to RMB of 1: 1.135.

3. Calculated based on the Issued Price of HK$0.35 and the NAV per Share of the Group of approximately HK$0.284 based on the latest published financial statement of the Company.

4. Calculated based on the Issued Price of HK$0.35 and the adjusted NAV of the Group after completion of the First SP Agreement and the Second SP Agreement (assuming no adjustment to the consideration payable by the Company under the First SP Agreement and the Second SP Agreement) of approximately HK$0.340.

5. Calculated based on the Issued Price of HK$0.35 and the adjusted NAV of the Group after completion of the First SP Agreement and the Second SP Agreement (assuming the consideration payable by the Company under the First SP Agreement and the Second SP Agreement are adjusted to its maximum extent) of approximately HK$0.312.

As shown in the above table, the price to NAV of the Market Comparables ranging from a discount of 51.50% to 89.41%, with an average discount of approximately 74.60%. The premium of the Issue Price to the NAV per Share and adjusted NAVs per Share of the Group as shown in the table above compares favourably with the Market Comparables.

Views

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

(D) **Effect on shareholding interests of the Shareholders**

Assuming that P(A) and P(B) are the final consideration payable by the Company under the First SP Agreement and the Second SP Agreement, after issue of the Consideration Shares under the First SP Agreement and the Second SP Agreement, the shareholding interests of the public Shareholders will be diluted from approximately 70.16% to 39.24%. Assuming that the final considerations payable by the Company under the First SP Agreement and the Second SP Agreement are adjusted to the maximum extent (i.e. RMB562,800,000 for the for the First SP Agreement and RMB217,200,000 for the Second SP Agreement) in accordance with the terms thereof, after issue of the Consideration Shares under the First SP Agreement and the Second SP Agreement, the shareholding interests of the public Shareholders will be diluted from approximately 70.16% to 36.06%.

Having considered that the Acquisition can substantially increase the land reserves for the Group, which is in line with the stated business strategy of the Group and could strengthen the future earning capacity of the Group; that the consideration for the Acquisition is fair and reasonable as elaborated above, and that the consideration of the Acquisition to be satisfied by the issue of the Consideration Share would save the Company from any financial burden to raise the adequate funding for the Acquisition, we concur with the view of the Directors that the issue of the Consideration Shares would enable the Company to enlarge its capital base and improve its overall financial position and is the appropriate method to satisfy the consideration of the Acquisition. Having considered the above analyses, we consider that the shareholding dilution effect arising from the issue of the Consideration Shares is acceptable.

(E) **Possible financial effects of the Acquisition**

Earnings

Upon completion of the First SP Agreement and the Second SP Agreement, BVI-1, BVI-2 and BVI-3 will become wholly owned subsidiaries of the Group and their results will be consolidated into the consolidated financial statements of the Group.

Net asset value

Based on the unaudited pro forma consolidated balance sheet of the Enlarged Group set out in Appendix VI to the Circular which assumes that the Acquisition had been completed on 30 June 2008, the consolidated NAV of the Group as at 30 June 2008 was approximately HK$761.3 million, representing approximately HK$0.284 per Share (based on the Shares in issue as at the Latest Practicable Date). Upon completion of the First SP Agreement, the unaudited pro forma adjusted consolidated NAV of the Group will increase to approximately HK$1,419.4 million, representing i) approximately HK$0.338 per Share (based on 2,678,905,570 Shares in issue as at the Latest Practicable Date and 1,523,471,697 Consideration Shares (assuming no adjustment to the consideration payable by the Company under the First SP Agreement) being issued upon completion) and; ii) approximately HK$0.315 per Share (based on 2,678,905,570 Shares in issue as at the Latest Practicable Date and 1,828,166,034 Consideration Shares (assuming the consideration payable by the Company under the First SP Agreement is adjusted to its maximum extent) being issued upon completion).

Upon completion of the Second SP Agreement, the unaudited pro forma adjusted consolidated NAV of the Group will increase to approximately HK$968.9 million, representing i) approximately HK$0.297 per Share (based on 2,678,905,570 Shares in issue as at the Latest Practicable Date and 587,949,631 Consideration Shares (assuming no adjustment to the consideration payable by the Company under the Second SP Agreement) being issued upon completion) and; ii) approximately HK$0.286 per Share (based on 2,678,905,570 Shares in issue as at the Latest Practicable Date and 705,539,557 Consideration Shares (assuming the consideration payable by the Company under the Second SP Agreement is adjusted to its maximum extent) being issued upon completion).

Upon completion of the First SP Agreement and the Second SP Agreement, the unaudited pro forma adjusted consolidated NAV of the Group will increase to approximately HK$1,627.1 million (referencing to page VI-12 of the pro forma financial information of the Enlarged Group as set out in Appendix VI of the Circular), representing i) approximately HK$0.340 per Share (based on 2,678,905,570 Shares in issue as at the Latest Practicable Date and 2,111,421,328 Consideration Shares (assuming no adjustment to the consideration payable by the Company under the First SP Agreement and the Second SP Agreement) being issued upon completion) and; ii) approximately HK$0.312 per Share (based on 2,678,905,570 Shares in issue as at the Latest Practicable Date and 2,533,705,591 Consideration Shares (assuming the consideration payable by the Company under the First SP Agreement and the Second SP Agreement is adjusted to its maximum extent) being issued upon completion).

Gearing

Based on the unaudited pro forma consolidated balance sheet of the Enlarged Group set out in Appendix VI to the Circular, upon completion of the First SP Agreement, the gearing ratio (total bank loan, loans from minority interests and other loans divided by total assets) of the Group after completion of the First SP Agreement would have decreased from approximately 0.15 to approximately 0.10.

Based on the unaudited pro forma consolidated balance sheet of the Enlarged Group set out in Appendix VI to the Circular, upon completion of the Second SP Agreement, the gearing ratio (total bank loan, loans from minority interests and other loans divided by total assets) of the Group after completion of the Second SP Agreement would have decreased from approximately 0.15 to approximately 0.14.

Working capital

As the consideration will be funded by way of issue of Consideration Shares, the Acquisition will not have any adverse impact on the working capital position of the Group. We also note from the Circular that after taking into account the internal resources and the banking facilities presently available to the Enlarged Group and the estimated net cash inflows relating to acquisition of 100% interest in CT Industrial, 66.67% interest in DFG Company, the First Target Assets and the Second Target Assets, the Directors consider that the Enlarged Group will have sufficient working capital for its present requirements for the next twelve months from the date of this Circular.

II. WHITEWASH WAIVER

Upon issue of the Consideration Shares, the shareholding of the Concert Group will be increased as follows:

(i) from approximately 29.67% to approximately 55.16% (assuming no adjustment to the consideration to be payable by the Company under the First SP Agreement and if completion has only taken place for the First SP Agreement);

(ii) from approximately 29.67% to approximately 42.32% (assuming no adjustment to the consideration to be payable by the Company under the Second SP Agreement and if completion has only taken place for the Second SP Agreement);

(iii) from approximately 29.67% to approximately 60.67% (assuming no adjustment to the consideration to be payable by the Company under the First SP Agreement and the Second SP Agreement and if completion for the First SP Agreement and the Second SP Agreement have been taken place);

(iv) from approximately 29.67% to approximately 58.19% (assuming the consideration to be payable by the Company under the First SP Agreement is adjusted to its maximum extent in accordance with the terms thereof and if completion has only taken place for the First SP Agreement);

(v) from approximately 29.67% to approximately 44.33% (assuming the consideration to be payable by the Company under he Second SP Agreement is adjusted to its maximum extent in accordance with the terms thereof and if completion has only taken place for the Second SP Agreement); and

(vi) from approximately 29.67% to approximately 63.85% (assuming the consideration to be payable by the Company under the First SP Agreement and the Second SP Agreement is adjusted to their respective maximum extent in accordance with the terms thereof and completion of the First SP Agreement and the Second SP Agreement have taken place).

Under Rule 26 of the Takeovers Code, the issue of the Consideration Shares to CCHK as a result of the Acquisition will trigger a mandatory offer by CCHK for all the securities of the Company other than those already owned by the Concert Group. Application has been made by CCHK to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. Given that the Whitewash Waiver is a condition precedent to the First SP Agreement and the Second SP Agreement and the First SP Agreement and the Second SP Agreement will not proceed if the Whitewash Waiver is rejected and taking into account the Acquisition is within the ordinary course of business of the Company and the terms of the Acquisition are fair and reasonable based on our analysis as above, we consider that the grant of the Whitewash Waiver is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

RECOMMENDATION

Having considered the principal factors and reasons referred to the above, we consider that the First SP Agreement, the Second SP Agreement and the Whitewash Waiver are in the interests of Company and the Independent Shareholders as a whole and the terms thereof are of normal commercial terms and fair and reasonable so far as Company and the Independent Shareholders are concerned. Accordingly, we advise the Independent Shareholders and the Independent Board Committee of Company to recommend the Independent Shareholders of Company to vote in favour of the ordinary resolutions to be proposed at the special general meeting of Company to approve the First SP Agreement, the Second SP Agreement and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
CIMB-GK Securities (HK) Limited

Alex Lau
Director
Head of Corporate Finance

Mabel Lam
Senior Vice President

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. Deloitte Touche Tohmatsu, the auditors of the Company for the three years ended 31 December 2007, expressed unqualified opinion on the financial statements of the Company for the three years ended 31 December 2007:

	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.

During the three years ended 31 December 2007, no dividend or interim dividend was declared by the Company.

There was no exceptional/extraordinary items for each of the three years 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

	Notes	2007 HK$'000	2006 HK$'000
Liabilities associated with assets classified as held for sale	9	—	35,721
		106,998	124,767
Net current assets		251,765	105,779
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

	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*
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
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 pretax 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	2006
	HK$'000	*HK$'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	Wu Chun Wah, Michael (resigned on 10.2.2006)	Wang Hongxin	Xu Zhen	Ma Zhengwu	Gu Laiyun	Hong Shuikun	Kwong Chekeung	Tsui Yiuwa	Lao Youan	Ba Shusong	Total 2007
	HK'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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	Wu Chun Wah, Michael (resigned on 10.2.2006)	Wang Hongxin	Xu Zhen	Ma Zhengwu	Gu Laiyun	Hong Shuikun	Kwong Chekeung	Tsui Yiuwa	Lao Youan	Ba Shusong	Total 2007
	HK'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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	**2006**
	HK$'000	*HK$'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	**2006**
	Number of employees	*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

THE GROUP

	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.

THE COMPANY

	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	**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	**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 ("Nonconsenting 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:

	Revaluationof 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	2007 Amount	2006 Number of shares	2006 Amount
	'000	*HK$'000*	*'000*	*HK$'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	Adjusted exercise price	Outstanding at 1.1.2006	Lapsed during the year	Exercised during the year	Outstanding during 1.1.2007	Adjusted during the year	Exercised during the year	Outstanding at 31.12.2007	Number of underlying shares
			HK$	*HK$ (Note)*					*(Note)*			
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	Acc-umulated 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.

UNAUDITED FINANCIAL STATEMENTS FOR THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2008

The following are the unaudited financial statements of the Group for the six months ended 30 June 2008 as extracted from the interim report of the Company for the six months ended 30 June 2008.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

	NOTES	**Six months ended 30 June** **2008** *HK$'000* *(Unaudited)*	**2007** *HK$'000* *(Unaudited)*
Continuing operations			
Turnover	3	10,240	17,860
Cost of sales		(6,082)	(6,250)
Gross profit		4,158	11,610
Other income		4,236	3,086
Selling expenses		(163)	(613)
Administrative expenses		(15,916)	(12,118)
Provision for claim	16	(1,900)	—
Share of result of a jointly controlled entity		(668)	(823)
Share of results of associates		(1,179)	(174)
Finance costs		—	(113)
(Loss) profit before taxation		(11,432)	855
Taxation credit (charge)	4	353	(2,457)
Loss for the period from continuing operations		(11,079)	(1,602)
Discontinued operations			
Profit for the period from discontinued operations	5	—	32,011
(Loss) profit for the period	6	(11,079)	30,409
Attributable to:			
Shareholders of the Company		(11,079)	29,125
Minority interests		—	1,284
		(11,079)	30,409
(Loss) earnings per share	7		
From continuing and discontinued operations:			
Basic		HK(0.414) cent	HK1.080 cent
Diluted		N/A	HK1.064 cent
From continuing operations:			
Basic		HK(0.414) cent	HK(0.112) cent
Diluted		N/A	N/A

No interim dividend was declared by the Company for the six months ended 30 June 2008 (six months ended 30 June 2007: nil).

There was no exceptional or extraordinary item for the six months ended 30 June 2008.

CONDENSED CONSOLIDATED BALANCE SHEET
At 30 June 2008

	NOTES	**30.6.2008**	**31.12.2007**
		HK$'000	*HK$'000*
		(Unaudited)	*(Audited and restated)*
Non-current assets			
Property, plant and equipment	8	4,614	3,232
Investment properties	8	89,270	83,740
Interests in associates	9	44,000	41,599
Amounts due from associates		129,890	139,874
Interest in a jointly controlled entity	10	—	103,881
Restricted bank balance	11	4,200	4,200
		271,974	376,526
Current assets			
Properties held for sale		25,259	32,678
Properties under development		684,848	—
Trade and other receivables	12	276,158	7,959
Bills receivables	12	3,390	5,035
Amounts due from associates		51	9,724
Amounts due from related companies		5,014	4,741
Tax recoverable		14,192	—
Bank balances and cash		304,104	298,626
		1,313,016	358,763
Current liabilities			
Trade and other payables	13	102,986	48,919
Provision for claim	16	1,900	—
Deposits received on sale of properties		473,122	11,410
Amounts due to related companies		930	17,084
Amounts due to minority shareholders of subsidiaries		6,239	3,978
Tax payable		3,718	12,505
Bank loan	14	226,000	—
Unsecured other loans		3,260	3,260
		818,155	97,156

	NOTES	30.6.2008	31.12.2007
		HK$'000	HK$'000
		(Unaudited)	(Audited and restated)
Net current assets		494,861	261,607
Total assets less current liabilities		766,835	638,133
Non-current liabilities			
Deferred tax liabilities		5,550	4,737
Net assets		761,285	633,396
Capital and reserves			
Share capital	15	267,649	267,202
Reserves		378,011	366,194
Equity attributable to shareholders of the Company		645,660	633,396
Minority interests		115,625	—
Total equity		761,285	633,396

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Attributable to shareholders of the Company										
	Share capital	**Share premium**	**Capital redemption reserve**	**Capital reserve**	**Exchange reserve**	**Legal surplus**	**Share options reserve**	**Accumulated profits**	**Total**	**Minority interests**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007											
— As originally stated	202,350	67,145	402	—	6,638	565	7,066	88,646	372,812	28,243	401,055
— Prior period adjustment *(note 1)*	—	—	—	—	—	—	—	9,842	9,842	—	9,842
— As restated	202,350	67,145	402	—	6,638	565	7,066	98,488	382,654	28,243	410,897
Exchange realignment	—	—	—	—	3,218	—	—	—	3,218	1,793	5,011
Exchange differences arising on translation of operation of a jointly controlled entity	—	—	—	—	5,616	—	—	—	5,616	—	5,616
Share of exchange reserve in an associate	—	—	—	—	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)
Profit for the year	—	—	—	—	—	—	—	35,945	35,945	834	36,779
Total recognised income and expense for the year	—	—	—	—	7,922	(565)	—	36,822	44,179	2,627	46,806
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	24,420	24,420
Release upon acquisition of additional interests in a subsidiary	—	—	—	—	—	—	—	—	—	(28,799)	(28,799)
Release upon disposal of subsidiaries	—	—	—	—	—	—	—	—	—	(26,491)	(26,491)
Deemed contribution from substantial shareholder	—	—	—	2,814	—	—	—	—	2,814	—	2,814
Rights issue of shares	60,706	139,622	—	—	—	—	—	—	200,328	—	200,328
Capitalisation of share issue expenses	—	(6,738)	—	—	—	—	—	—	(6,738)	—	(6,738)
Issue of shares upon exercise of share options	4,146	12,067	—	—	—	—	(6,054)	—	10,159	—	10,159
At 31 December 2007 (restated)	267,202	212,096	402	2,814	14,560	—	1,012	135,310	633,396	—	633,396

	Attributable to shareholders of the Company										
	Share capital	**Share premium**	**Capital redemption reserve**	**Capital reserve**	**Exchange reserve**	**Legal surplus**	**Share options reserve**	**Accumulated profits**	**Total**	**Minority interests**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Exchange realignment	—	—	—	—	11,874	—	—	—	11,874	—	11,874
Exchange differences arising on translation of operation of a jointly controlled entity	—	—	—	—	6,517	—	—	—	6,517	—	6,517
Shares of exchange reserve in an associate	—	—	—	—	3,844	—	—	—	3,844	—	3,844
Net income recognised directly in equity	—	—	—	—	22,235	—	—	—	22,235	—	22,235
Loss for the period	—	—	—	—	—	—	—	(11,079)	(11,079)	—	(11,079)
Total recognised income and expense for the period	—	—	—	—	22,235	—	—	(11,079)	11,156	—	11,156
Deemed acquisition of a subsidiary by acquiring additional interest in a jointly controlled entity	—	—	—	—	—	—	—	—	—	115,625	115,625
Issue of shares upon exercise of share options	447	1,299	—	—	—	—	(638)	—	1,108	—	1,108
At 30 June 2008 (unaudited)	267,649	213,395	402	2,814	36,795	—	374	124,231	645,660	115,625	761,285

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2008

	Attributable to shareholders of the Company										
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Exchange reserve	Legal surplus	Share options reserve	Accumulated profits	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*Note*)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007											
— As originally stated	202,350	67,145	402	—	6,638	565	7,066	88,646	372,812	28,243	401,055
— Prior period adjustment (*note 1*)	—	—	—	—	—	—	—	9,842	9,842	—	9,842
— As restated	202,350	67,145	402	—	6,638	565	7,066	98,488	382,654	28,243	410,897
Exchange realignment	—	—	—	—	1,847	—	—	—	1,847	436	2,283
Exchange differences arising on translation of operation of a jointly controlled entity	—	—	—	—	2,874	—	—	—	2,874	—	2,874
Net income recognised directly in equity	—	—	—	—	4,721	—	—	—	4,721	436	5,157
Release and transfer upon disposal of subsidiaries	—	—	—	—	(1,556)	(565)	—	877	(1,244)	(4,073)	(5,317)
Profit for the period	—	—	—	—	—	—	—	29,125	29,125	1,284	30,409
Total recognised income and expense for the period	—	—	—	—	3,165	(565)	—	30,002	32,602	(2,353)	30,249
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	24,420	24,420
Deemed contribution from substantial shareholder	—	—	—	2,814	—	—	—	—	2,814	—	2,814
Rights issue	60,705	139,623	—	—	—	—	—	—	200,328	—	200,328
Capitalisation share issue expenses	—	(6,223)	—	—	—	—	—	—	(6,223)	—	(6,223)
Issue of shares upon exercise of share options	350	826	—	—	—	—	(466)	—	710	—	710
At 30 June 2007 (unaudited)	263,405	201,371	402	2,814	9,803	—	6,600	128,490	612,885	50,310	663,195

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2008

	NOTE	Six months ended 30 June 2008 HK$'000 (Unaudited)	30 June 2007 HK$'000 (Unaudited)
Net cash used in operating activities		(15,031)	(6,428)
Net cash generated from (used in) investing activities:			
Capital contribution to a jointly controlled entity		(5,895)	—
Purchase of property, plant and equipment		(821)	(933)
Distribution from an associate upon liquidation		264	—
Repayment of amount due from an associate		19,657	8,736
Advance to an associate		—	(17,659)
Interest received		1,836	1,813
Increase in short term deposits		—	(99,918)
Acquisition of subsidiaries	19	14,693	(39,725)
Disposal of subsidiaries		—	(326)
Deposit paid for acquisition of additional interest in a subsidiary		—	(16,800)
		29,734	(164,812)
Net cash (used in) generated from financing activities			
Rights issue of shares		—	200,328
Share issue expenses paid		—	(6,223)
Issue of shares upon exercise of share options		1,108	710
Decrease in amounts due to related companies		(16,212)	—
		(15,104)	194,815
Net (decrease) increase in cash and cash equivalents		(401)	23,575
Cash and cash equivalents at beginning of the period		298,626	117,372
Effect of foreign exchange rate changes		5,879	2,137
Cash and cash equivalents at end of the period, represented by balances and cash		304,104	143,084

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

1. BASIS OF PREPARATION

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

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

During the current period, a subsidiary of the Company, which had been under involuntary liquidation since 2004, was found to be dissolved in October 2006. Accordingly, a prior period adjustment is made in the condensed consolidated financial statements to recognise the gain on winding up of the subsidiary. It resulted in an adjustment to decrease the trade and other payables and unsecured other loans at 1 January 2007 by HK$5,906,000 and HK$3,936,000, respectively, and a corresponding increase in the opening balance of accumulated profits as at 1 January 2007 of HK$9,842,000. The effect of such change had no significant impact on the profit for the year ended 31 December 2007 and the profit/loss for the period ended 30 June 2007 and 30 June 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2007.

In the current interim period, the Group has applied, for the first time new interpretations ("new Interpretations") issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2008. The adoption of the new Interpretations has no material effect on how the results and financial position for the current and prior accounting periods are prepared and presented. Accordingly, no prior period adjustment is required.

The Group has not early applied the following new and revised standards or 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]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[1]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[1]
HKFRS 3 (Revised)	Business combinations[2]
HKFRS 8	Operating segments[1]
HK(IFRIC)* - INT 13	Customer loyalty programmes[3]
HK(IFRIC) - INT 15	Agreements for the construction of real estate[1]
HK(IFRIC) - INT 16	Hedges of a net investment in a foreign operation[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 July 2008.
4 Effective for annual periods beginning on or after 1 October 2008.
* IFRIC represents the International Financial Reporting Interpretations Committee.

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. The adoption of 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 the Company anticipate that the application of the other new or revised standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

3. TURNOVER AND SEGMENT INFORMATION

Business segments

The Group's principal activities are property investment and property development. These business segments are the basis on which the Group reports its primary segment information. During the period ended 30 June 2007, the Group discontinued its business of trade and manufacture of cement. Segment information about these businesses is presented as below:

30 June 2008

	Continuing operations			**Discontinued operations**		
	Property investment	**Property development**	**Sub total**	**Trade and manufacturing of cement**	**Sub total**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover						
Segment turnover	902	9,338	10,240	—	—	10,240
Result						
Segment result	371	262	633	—	—	633
Unallocated corporate expenses			(13,644)		—	(13,644)
Unallocated other income			3,426		—	3,426
Share of result of a jointly controlled entity			(668)		—	(668)
Share of result of associates			(1,179)		—	(1,179)
Loss before taxation			(11,432)		—	(11,432)
Taxation credit			353		—	353
Net loss for the period			(11,079)		—	(11,079)

30 June 2007

	Continuing operations			Discontinued operations		
	Property investment	**Property development**	**Sub total**	**Trade and manufacturing of cement**	**Sub total**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover						
Segment turnover	611	17,249	17,860	27,454	27,454	45,314
Result						
Segment result	358	7,543	7,901	32,008	32,008	39,909
Unallocated corporate expenses			(8,979)		—	(8,979)
Unallocated other income			3,043		3	3,046
Share of result of a jointly controlled entity			(823)		—	(823)
Share of result of associates			(174)		—	(174)
Finance costs			(113)		—	(113)
Profit before taxation			855		32,011	32,866
Taxation charge			(2,457)		—	(2,457)
Net (loss) profit for the period			(1,602)		32,011	30,409

4. TAXATION CREDIT (CHARGE)

	Continuing operations Six months ended 30 June	
	2008	**2007**
	HK$'000	*HK$'000*
The taxation credit (charge) comprises:		
Continuing operations		
Current tax credit (charge)		
Hong Kong	—	—
People's Republic of China ("PRC")	317	(2,478)
Deferred tax credit	36	21
Taxation credit (charge) for the period	353	(2,457)

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

PRC Enterprise Income Tax is provided for with reference to the applicable tax rates prevailing in the respective regions of the PRC on the estimated assessable profits of the Group's PRC subsidiaries. The taxation credit for current period represented overprovision in prior years.

5. DISCONTINUED OPERATIONS

The results of business of trade and manufacture of cement for prior period, which have been included in the condensed consolidated income statement, were as follows:

	Six months ended 30 June 2007
	HK$'000
Turnover	27,454
Cost of sales	(24,621)
Other income	247
Gain on disposal of subsidiaries	32,003
Selling expenses	(560)
Administrative expenses	(2,512)
Profit for the period from discontinued operations	32,011
Attributable to:	
Shareholders of the Company	32,154
Minority interests	(143)
	32,011

6. (LOSS) PROFIT FOR THE PERIOD

	Continuing operations Six months ended 30 June		**Discontinued operations Six months ended 30 June**		**Consolidated Six months ended 30 June**	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
(Loss) profit for the period has been arrived at after charging:						
Depreciation of property, plant and equipment	574	334	—	1,047	574	1,381
Exchange loss	476	279	—	—	476	279
Loss on disposal of property, plant and equipment	10	—	—	—	10	—
and after crediting:						
Interest income	1,836	1,810	—	3	1,836	1,813
Gain on disposal of investment held for trading	1,403	1,225	—	—	1,403	1,225

7. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

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

	Six months ended 30 June	
	2008	**2007**
	HK$'000	*HK$'000*
(Loss) earnings		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share attributable to equity holders of the Company	(11,079)	29,125

	Number of shares	
	2008	**2007**
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	2,675,712,352	2,697,610,900
Effect of dilutive potential ordinary shares in respect of share options		40,811,078
Weighted average number of ordinary shares for the purpose of diluted earnings per share		2,738,421,978

From continuing operations

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

(Loss) earnings figures are calculated as follows:

	Six months ended 30 June	
	2008	**2007**
	HK$'000	*HK$'000*
(Loss) profit for the period attributable to shareholders of the Company and (loss) earnings for the purposes of basic and diluted (loss) earnings per share	(11,079)	29,125
Less: Profit for the period attributable to shareholders of the Company from discontinued operations	—	(32,154)
Loss for the period attributable to shareholders of the Company and loss for the purposes of basic and diluted loss per share from continuing operations	(11,079)	(3,029)

The denominators used are the same as those detailed above for both basic and diluted (loss) earnings per share. No diluted loss per share for continuing operations for both periods have been presented because the exercise of share options will be anti-dilutive.

From discontinued operations

Basic and diluted earnings per share for discontinued operations for the period ended 30 June 2007 are HK1.192 cent per share and HK1.176 cent per share respectively.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the period, the Group spent approximately HK$821,000 (six months period ended 30 June 2007: HK$933,000) on acquisition of property, plant and equipment.

During the period, the Group acquired property, plant and equipment of HK$994,000 (six months period ended 30 June 2007: HK$1,204,000) through acquisition of subsidiaries as described in note 19.

Investment properties:

	30.6.2008	**31.12.2007**
	HK$'000	*HK$'000*
FAIR VALUE		
At beginning of period/year	83,740	45,000
Addition from acquisition of a subsidiary	—	32,844
Addition	—	436
Increase in fair value	—	1,460
Currency realignment	5,530	4,000
At end of period/year	89,270	83,740

At 30 June 2008, the directors have considered the Group's investment properties are carried at fair values at the balance sheet date. No gains or losses arising from changes in the fair value has been recognised in profit or loss during the current period.

9. INTERESTS IN ASSOCIATES

	30.6.2008	**31.12.2007**
	HK$'000	*HK$'000*
Cost of investments in associates	49,076	61,261
Share of post acquisition losses	(1,876)	(12,618)
Share of post acquisition reserves	4,488	644
	51,688	49,287
Unrealised gain on disposal of subsidiaries to an associate	(7,688)	(7,688)
	44,000	41,599

10. INTEREST IN A JOINTLY CONTROLLED ENTITY

	30.6.2008	31.12.2007
	HK$'000	*HK$'000*
Cost of investment in a jointly controlled entity	—	98,174
Share of post acquisition losses	—	(2,203)
Exchange differences arising on translation of operation of the jointly controlled entity	—	7,910
	—	103,881

The principal investment in a jointly controlled entity at 30 June 2007 represented 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) ("Huzhou Wangang"). During the period, Huzhou Wangang became a subsidiary of the Company as described in note 19.

11. RESTRICTED BANK BALANCE

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

12. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLES

	30.6.2008	31.12.2007
	HK$'000	*HK$'000*
Trade receivables	3,101	3,176
Other receivables	159,992	2,207
Prepayments and deposits	113,065	2,576
Total trade and other receivables	276,158	7,959
Bills receivables	3,390	5,035

The Group allows an average credit period of 30 days (31 December 2007: 30 days) to its trade customers on open account credit terms. The aged analysis of the trade receivables is as follows:

	30.6.2008	31.12.2007
	HK$'000	*HK$'000*
Within one year	100	90
One to two years	—	85
Over three years	3,001	3,001
	3,101	3,176

The bills receivables are aged within six months (2007: aged within six months).

13. TRADE AND OTHER PAYABLES

	30.6.2008	31.12.2007
	HK$'000	*HK$'000*
		(restated)
Trade payables	11,840	12,933
Other payables and accruals	91,146	35,986
	102,986	48,919

The aged analysis of the trade payables is as follows:

	30.6.2008	31.12.2007
	HK$'000	*HK$'000*
		(restated)
Within one year	2,545	—
One to two years	40	—
Two to three years	—	7,149
Over three years	9,255	5,784
	11,840	12,933

14. BANK LOAN

	30.6.2008	31.12.2007
	HK$'000	*HK$'000*
Secured bank loan repayable within one year	226,000	—

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

The bank loan is secured by the land use right included in properties under development of the Group and guarantee provided by 浙江雲廈集團有限公司, a minority shareholder of a subsidiary.

15. SHARE CAPITAL

	Number of shares	Share capital
	'000	*HK$'000*
Ordinary shares of HK$0.1 each issued and fully paid		
At 1 January 2007	2,023,505	202,350
Exercise of share options	41,464	4,146
Rights issue	607,051	60,706
At 31 December 2007 and 1 January 2008	2,672,020	267,202
Exercise of share options	4,468	447
At 30 June 2008	2,676,488	267,649

16. PROVISION FOR CLAIM

On 29 July 2008, 中實投資有限責任公司 ("Zhongshi"), a wholly owned subsidiary of the Company, has received a summon issued by an independent contractor against Zhongshi to recover the unpaid contract fee for a property project of Zhongshi before the Group acquired Zhongshi in 2004 and the interest accrued thereon in the aggregate sum of RMB3,760,861 (equivalent to approximately HK$4,250,000). With reference to the financial records of Zhongshi, Zhongshi has partly paid the related contract fee amounting to approximately RMB1,400,000 to this contractor in the previous years. The directors of the Company are of the view that Zhongshi may be required to settle most of the unpaid contract fee. Accordingly, a provision for claim of HK$1,900,000 was made for the current period.

17. OPERATING LEASE COMMITMENTS

As lessee

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

	30.6.2008	**31.12.2007**
	HK$'000	*HK$'000*
Within one year	2,643	2,513
In the second to forth years	753	1,990
	3,396	4,503

As lessor

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

	30.6.2008	**31.12.2007**
	HK$'000	*HK$'000*
Within one year	1,308	1,391
In the second to fifth year inclusive	1,163	1,653
	2,471	3,044

18. OTHER COMMITMENTS

	30.6.2008	31.12.2007
	HK$'000	*HK$'000*
Capital commitment in respect of acquisition of certain pieces of land in the PRC authorised but not contracted for	282,500	—
Other commitment in respect of properties under development contracted for but not provided in the condensed consolidated financial statements	37,442	—
	319,942	—

19. ACQUISITION OF SUBSIDIARIES

During the period ended 30 June 2008, the Group acquired a subsidiary, Huzhou Wangang (previously a 50% jointly controlled entity of the Group, see note 10), through additional capital injection amounted to RMB104,800,000 (equivalent to approximately HK$118,424,000) to Huzhou Wangang ("Capital Injection") pursuant to a capital injection agreement entered into between a wholly-owned subsidiary of the Company and the other two joint venture owners of Huzhou Wangang ("Capital Injection Agreement"). According to the Capital Injection Agreement, the additional capital contribution of RMB104,800,000 made by the Group to Huzhou Wangang shall not be applied to the development and operation of the existing property development project of Huzhou Wangang ("Huzhou Project") and all profits or losses arising from Huzhou Project shall be shared by the Group and the two minority owners in the proportion of the shareholding before the Capital Injection (i.e. 50% to the Group and 50% to the other two minority owners). Upon completion of the Capital Injection, the Company indirectly owned a 67.08% equity interest in Huzhou Wangang except that the accumulated profits or losses arising from Huzhou Project shall be shared by the Group and the two minority owners in the proportion of the shareholding before the Capital Injection (i.e. 50% to the Group and 50% to the other two minority owners). The principal assets of Huzhou Wangang comprise properties under development and, therefore, this acquisition is accounted for as acquisition of assets.

During the period ended 30 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. The principal assets of 洛陽城南 and 西安富祥 comprise investment property and properties under development respectively and the acquisitions have been accounted for as acquisitions of assets.

The net assets acquired in these transactions are as follows:

	Six months ended 30 June	
	2008	**2007**
	Huzhou Wangang	**西安富祥 and 洛陽城南**
	HK$'000	*HK$'000*
Net assets acquired:		
Property, plant and equipment	994	1,204
Investment property	—	32,844
Properties under development	684,848	77,971
Trade and other receivables	269,099	556
Bills receivable	3,390	—
Tax recoverable	14,192	—
Bank balances and cash	14,693	875
Trade and other payables	(62,643)	(2,639)
Deposits received on sale of properties	(465,062)	—
Amounts due to minority shareholders	(2,261)	—
Amounts due to related companies	—	(19,727)
Bank loans	(226,000)	(11,220)
	231,250	79,864
Minority interests	(115,625)	(24,420)
Deemed contribution from substantial shareholder	—	(2,814)
	115,625	52,630
Release of interest in a jointly controlled entity on date of acquisition of a subsidiary	(115,625)	—
	—	52,630
Total consideration, satisfied by:		
Cash	—	40,600
Deferred consideration	—	12,030
	—	52,630
Net cash inflow arising on acquisition:		
Cash consideration paid	—	(40,600)
Bank balances and cash acquired	14,693	875
	14,693	(39,725)

20. RELATED PARTY TRANSACTIONS

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

Name of related parties	Nature of transactions	Six months ended 30 June 2008	2007
		HK$'000	*HK$000*
Associates:			
CIMPOR Chengtong Cement Corporation Limited	Consultancy and service income	180	—
蘇州南達水泥有限公司	Interest income	311	—

(b) On 8 June 2007, the Group acquired an investment property and properties under development through acquisition of entire equity interest in 洛陽城南and 52% equity interest in 西安富祥by its then 70% owned subsidiary, 中實投資有限責任公司 ("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.

21. SUBSEQUENT EVENT

On 31 July 2008, the Company announced that Yu Binghan, an individual who is a third party independent of the Company, (the "Agent") acting as an agent on behalf of Zhongshi and 北京世紀尊博投資有限公司 (Beijing Century Zun Bo Investment Co., Ltd.) (the "JV Partner") won a public tender on 21 July 2008 to acquire three pieces of land located in Zhucheng City, Shandong Province, the PRC. On 21 July 2008, the Agent, acting on behalf of Zhongshi and the JV Partner, signed three separate confirmation letters with 諸城市國有資產經營總公司 (Zhucheng City State Asset Operation Company) and 諸城市土地儲備中心 (Zhucheng City Land Reserves Centre) confirming the winning of the tender of the three pieces of land. The total consideration of the three pieces of land is amounting to RMB248,759,400 (equivalent to approximately HK$281,098,000) and their designated usage are residential and commercial. On 31 July 2008, following the successful tender of the three pieces of land, Zhongshi and the JV Partner entered into three joint venture agreements to establish three companies (the "JV Companies"), with the same shareholding structure of 80% and 20% respectively, and these three JV Companies have been established on 12 August 2008 for the purposes to individually hold and develop the three pieces of land tendered.

Following the issue of the Company's announcement dated 31 July 2008, the Agent, acting on behalf of Zhongshi and the JV Partner, won another public tender to acquire a piece of land ("Land A") in Zhucheng City, Shandong Province, the PRC. On 8 August 2008, the Agent (acting on behalf of Zhongshi and the JV Partner) signed a confirmation letter with 諸城市國有資產經營總公司 and 諸城市國有資產經營總公司 confirming the winning of the tender of Land A. The consideration of Land A is amounting to RMB10,835,415 (equivalent to approximately HK$12,244,000) and its designated usage is residential. As disclosed in the Company's circular dated 21 August 2008, Zhongshi and the JV Partner owns 80% and 20% interests in Land A respectively. Zhongshi and the JV Partner shall inject their respective interests in Land A into one of the JV Companies which holds one piece of land tendered on 21 July 2008 ("Land B") by way of shareholders' loans. Land A and Land B will be jointly developed by this project company.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2007

The following management discussion and analysis is extracted from the Company's 2007 annual report.

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 is principally engaged in property development, property investment, land resources exploitation and strategic investment.

The Directors believe that the Acquisition would increase substantially the land reserves for the Group which could strengthen the future earning capacity of the Group. On the other hand, the cash flow of the Group will not be adversely affected by issuing the Consideration Shares to CCHK pursuant to the Acquisition.

CCHG is the pilot enterprise for state-owned assets operation and management companies under the State-owned Assets Supervision and Administration Commission of the State Council and is one of the groups in the PRC which owns large amount of land resources for warehouses and industrial use. One of the advantages of the Group is the ability to leverage on CCHG's advantages for continuous expansion of the land resource exploitation business in the domestic market of the PRC.

MATERIAL CHANGE

The Directors confirm that save as disclosed in (i) the interim report of the Group for the six months ended 30 June 2008, (ii) the announcement and circular of the Company dated 31 July 2008 and 21 August 2008 respectively in relation to the formation of joint venture companies; (iii) the Announcement; and (iv) the announcement of the Company dated 14 November 2008 in relation to an acquisition of a company by the Company's associated company, there was no material change in the financial or trading position or outlook of the Group since 31 December 2007, being the date to which the latest published audited accounts of the Group were made up, up to the Latest Practicable Date.

CAPITAL INJECTION TO HUZHOU LAND COMPANY

On 28 March 2008, the Group entered into a capital injection agreement ("Capital Injection Agreement") with Hong Kong Wanshan Holdings Limited, 浙江雲廈集團有限公司 (unofficial translation as Zhejiang Yunxia Group Limited) and Huzhou Land Company, pursuant to which the Group shall contribute RMB104,800,000 as registered capital of Huzhou Land Company ("Capital Injection"). The Capital Injection has been completed in June 2008. Particulars of the Capital Injection Agreement have been set out in the circular of the Company dated 29 May 2008.

Huzhou Land Company is a sino-foreign equity joint venture established in the PRC in December 2005 with principal establishments in Huzhou City, Zhejiang Province, the PRC. It is principally engaged in the development, construction and operation of a property project known as 清河嘉園 (official translation as Qing He Jia Yuan) which is located at Nos. 19, 20A of West Southern District of Huzhou City of the Zhejiang Province, the PRC.

INDEBTEDNESS

At the close of business on 30 September 2008, being the latest practicable date prior to the printing of this circular, the Enlarged Group had outstanding bank loans of approximately HK$187,580,000, of which HK$124,300,000 was guaranteed by a minority shareholder of a subsidiary. Further, the whole amount of the bank loans were secured by the land use rights of the Enlarged Group with carrying values of approximately HK$148,839,000 as at 30 September 2008. As at 30 September 2008, the Enlarged Group also had unsecured and unguaranteed loans including other loans of HK$3,260,000, amounts due to related companies of HK$715,361, amounts due to minority shareholders of subsidiaries of HK$24,161,150, amount due to the ultimate controlling shareholder of the Company of HK$66,850,800 and amount due to intermediate controlling shareholder of the Company of HK$56,500,000.

Save as aforesaid, and apart from intra-group liabilities, the Enlarged Group did not have outstanding at the close of business on 30 September 2008 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 inflows relating to acquisition of 100% interest in CT Industrial, 66.67% interest in DFG Company, the First Target Assets and the Second Target Assets, 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 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 as extracted from the circular of the Company dated 29 May 2008, received from the independent reporting accountants, Deloitte Touche Tohmatsu.

Deloitte.
德勤

德勤 · 關黃陳方會計師行
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 ("HKASs"), 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 pretax 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		2 December 2005 to 31 December
	2007	**2006**	**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		2 December 2005 to 31 December
	2007	**2006**	**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		2 December 2005 to 31 December
	2007	**2006**	**2005**
	RMB'000	*RMB'000*	*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		2 December 2005 to 31 December
	2007	**2006**	**2005**
	RMB'000	*RMB'000*	*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			
		Other emoluments		
	Fees	**Salaries and other benefits**	**Retirement benefits scheme contribution**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*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			
Authorised but not contracted for	—	195,166	—
	19,282	180,973	—
	19,282	376,139	—

The following is the unaudited pro forma financial information of the Group and Huzhou Land Company as if the capital injection to Huzhou Land Company had been completed. This pro forma financial information is extracted from the circular of the Company dated 29 May 2008, received from the independent reporting accountants, Deloitte Touche Tohmatsu. A copy of the following report is available for inspection.

Deloitte.
德勤

德勤・關黃陳方會計師行
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
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

	The Group	Huzhou Land Company	Pro forma adjustments		Pro forma Enlarged Group Total
	HK$'000	*HK$'000*	*HK$'000* *(Note 1)*	*HK$'000* *(Note 2)*	*HK$'000*
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		—

	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)*	
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

	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)*	
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)
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

	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 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 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

德勤・關黃陳方會計師行
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 November 2008

The Board of Directors
China Chengtong Development Group Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to 誠通實業投資有限公司 ("Chengtong Industrial") for the period from 15 June 2007 (date of establishment) to 31 December 2007 and the eight months ended 31 August 2008 (the "Relevant Periods"), for inclusion in the circular of China Chengtong Development Group Limited (the "Company") dated 29 November 2008 (the "Circular") in connection with the acquisition of the entire equity interest in Chengtong Industrial.

Chengtong Industrial was established in the People's Republic of China (the "PRC") on 15 June 2007. It has not carried on any business since its establishment.

The statutory financial statements of Chengtong Industrial were prepared in accordance with the applicable accounting principles and financial regulations in the PRC (the "PRC GAAP") and were audited by certified public accountants registered in the PRC referred to as below:

Name of entity	Period covered	Certified Public Accountants
Chengtong Industrial	Period from 15 June 2007 (date of establishment) to 31 December 2007	利安達信隆會計師事務所有限責任公司

No statutory audit has been performed on the financial statements of Chengtong Industrial prepared under the PRC GAAP for the eight months ended 31 August 2008.

For the purpose of this report, the directors of Chengtong Industrial have prepared the financial statements for the Relevant Periods in accordance with the Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have audited 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 Chengtong Industrial 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 Chengtong Industrial. 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 Chengtong Industrial, to form an independent opinion on the Financial Information and to report our opinion to you.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements. No adjustments were deemed necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Circular.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of Chengtong Industrial as at 31 December 2007 and 31 August 2008, and the results and cash flows of Chengtong Industrial for the Relevant Periods.

I. FINANCIAL INFORMATION

Income statements

	NOTES	**1 January 2008 to 31 August 2008** *RMB'000*	**15 June 2007 (date of establishment) to 31 December 2007** *RMB'000*
Bank interest income		174	2
Administrative expenses		(427)	(150)
Loss before taxation	6	(253)	(148)
Income tax expense	7	—	—
Loss for the period		(253)	(148)

Balance sheets

	NOTES	**As at 31 August 2008** *RMB'000*	**As at 31 December 2007** *RMB'000*
Current assets			
Amounts due from fellow subsidiaries	8	30,485	—
Amount due from an equity owner	9	—	4,500
Bank balances and cash	10	33,274	352
		63,759	4,852
Current liabilities			
Amount due to an equity owner	9	59,160	—
Net current assets		4,599	4,852
Capital and reserves			
Paid in capital	11	5,000	5,000
Accumulated losses		(401)	(148)
Total equity		4,599	4,852

Statements of changes in equity

	Paid in capital *RMB'000*	**Accumulated losses** *RMB'000*	**Total** *RMB'000*
Capital contributions on 15 June 2007 (date of establishment)	5,000	—	5,000
Loss for the period	—	(148)	(148)
At 31 December 2007 and 1 January 2008	5,000	(148)	4,852
Loss for the period	—	(253)	(253)
At 31 August 2008	5,000	(401)	4,599

Cash flow statements

	1 January 2008 to 31 August 2008	15 June 2007 (date of establishment) to 31 December 2007
	RMB'000	*RMB'000*
Loss before taxation	(253)	(148)
Adjustment for:		
Interest income	(174)	(2)
Net cash used in operating activities	(427)	(150)
Cash flows from investing activities		
Interest received	174	2
Advances to fellow subsidiaries	(30,485)	—
Repayment from (advance to) an equity owner	4,500	(4,500)
Net cash used in investing activities	(25,811)	(4,498)
Cash flows from financing activities		
Advance from an equity owner	59,160	—
Capital contribution from an equity owner	—	5,000
Net cash from financing activities	59,160	5,000
Net increase in cash and cash the equivalents	32,922	352
Cash and cash equivalents at the beginning of period	352	—
Cash and cash equivalents at the end of period, representing bank balance and cash	33,274	352

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

Chengtong Industrial is a limited liability company established under the laws of the PRC. The directors of Chengtong Industrial regard the immediate and ultimate holding company to be 中國誠通控股集團有限公司, a company established under the laws of the PRC.

Chengtong Industrial has not carried on any business since its establishment.

The Financial Information is presented in Renminbi ("RMB") which is also the functional currency of Chengtong Industrial.

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

Chengtong Industrial has adopted all of the standards and interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for Chengtong Industrial's financial period beginning on or prior to 1 January 2008 in the preparation of its Financial Information throughout the Relevant Periods.

At the date of this report, the HKICPA has issued the following standards, amendments and interpretations that are not yet effective in respect of the Relevant Periods. Chengtong Industrial has not early applied the following standards, amendments and interpretations that have been issued but are not yet effective.

HKFRS (Amendments)	Improvements to HKFRS[5]
HKAS 1 (Revised)	Presentation of financial statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKAS 27 (Revised)	Consolidated and separate financial statements[2]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[1]
HKAS 39 (Amendments)	Eligible hedged items[2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[1]
HKFRS 3 (Revised)	Business combinations[2]
HKFRS 8	Operating segments[1]
HK(IFRIC) — INT 13	Customer loyalty programmes[3]
HK(IFRIC) — INT 15	Agreements for construction of real estate[1]
HK(IFRIC) — INT 16	Hedges of a net investment in a foreign operation[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 July 2008.

[4] Effective for annual periods beginning on or after 1 October 2008.

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

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 Chengtong Industrial anticipate that the application of other new or revised standards or interpretations will have no material impact on the results and the financial position of the Chengtong Industrial.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost basis and in accordance with accounting policies set out below which conform with HKFRSs issued by the HKICPA. The principal accounting policies adopted are as follows:

Revenue recognition

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.

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. Chengtong Industrial'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.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when Chengtong Industrial 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Chengtong Industrial's financial assets refer to loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of loans and receivables 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.

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 amounts due from fellow subsidiaries, amount due from an equity owner and bank balances), are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

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

For financial assets, 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.

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 income statements 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 Chengtong Industrial 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 Chengtong Industrial after deducting all of its liabilities. Chengtong Industrial's financial liabilities are generally classified as financial liabilities.

Effective interest method

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

Financial liabilities

Financial liabilities including amount due to an equity owner are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by Chengtong Industrial 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 Chengtong Industrial 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 income statements.

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

4. CAPITAL RISK MANAGEMENT

Chengtong Industrial manages its capital to ensure that the entity will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. Chengtong Industrial's overall strategy remains unchanged during the Relevant Periods.

The capital structure of Chengtong Industrial consists of amount due to an equity owner, cash and cash equivalents and equity comprising paid in capital and accumulated losses.

The directors of Chengtong Industrial review the capital structure on annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, Chengtong Industrial will balance its overall capital structure through capital contribution by equity owners.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Categories of financial instruments

	At 31 August 2008	**At 31 December 2007**
	RMB'000	*RMB'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	63,759	4,852
Financial liabilities		
At amortised cost		
— amount due to an equity owner	59,160	—

Financial risk management objectives and policies

Chengtong Industrial's major financial instruments include amounts due from fellow subsidiaries, amount due from an equity owner, bank balances and cash and amount due to an equity 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 Chengtong Industrial manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

Chengtong Industrial's credit risk is primarily attributable to amounts due from fellow subsidiaries and amount due from an equity owner. The maximum exposure to credit risk in the event of the counterparties failure to perform their obligations 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 Chengtong Industrial has reviewed the recoverable amount of each individual debt 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 Chengtong Industrial consider that Chengtong Industrial's credit risk is significantly reduced.

Chengtong Industrial exposed to concentration of credit risk on the amounts due from fellow subsidiaries and amount due from an equity owner. However, the risk is low as the management of Chengtong Industrial reviewed the recoverable amounts of the outstanding balances at each balance sheet date during the Relevant Periods and considered that no impairment loss is necessary for this amount.

The credit risk on liquid funds is limited because the counterparties are banks with high credit standing.

Liquidity risk

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

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.

6. LOSS BEFORE TAXATION

	1 January 2008 to 31 August 2008	**15 June 2007 (date of establishment) to 31 December 2007**
	RMB'000	*RMB'000*
Loss for the period is arrived at after charging:		
Directors' emoluments	—	—
Auditor's remuneration	—	—

7. TAXATION

No provision for PRC Enterprise Income Tax has been made in the Financial Information as Chengtong Industrial has no assessable profit for the Relevant Periods.

No provision for deferred taxation has been made in the Financial Information as the amount involved is insignificant for the Relevant Periods.

Taxation of the Relevant Periods can be reconciled to the loss before taxation as follows:

	1 January 2008 to 31 August 2008	**15 June 2007 (date of establishment) to 31 December 2007**
	RMB'000	*RMB'000*
Loss before taxation	(253)	(148)
Taxation credit at the applicable income tax rate *(note)*	(63)	(49)
Tax effect of tax losses not recognised	63	49
Taxation charge for the period	—	—

As at 31 December 2007 and 31 August 2008, the Chengtong Industrial had tax losses carried forward for PRC Enterprise Income Tax purpose amounting to RMB148,000 and RMB400,000 respectively available for offset against future profits that may be carried forward for 5 years. Deferred taxation assets have not been recognised in respect of these losses due to the unpredictability of future profit streams.

Note: The applicable income tax rate represents PRC Enterprise Income Tax rate of 33% for the period from 15 June 2007 (date of establishment) to 31 December 2007 and 25% for the eight months ended 31 August 2008.

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China 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.

8. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

The amounts are unsecured, interest free and repayable on demand.

9. AMOUNT DUE FROM/TO AN EQUITY OWNER

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

10. BANK BALANCES AND CASH

Cash and bank balances comprise cash held by Chengtong Industrial and bank current amount, which carry market interest rates at 0.72% (2007: 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.

11. PAID IN CAPITAL

	Fully paid registered capital
	RMB'000
At 15 June 2007 (date of establishment), 31 December 2007 and 31 August 2008	5,000

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Chengtong Industrial in respect of any period subsequent to 31 August 2008.

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

德勤・關黃陳方會計師行
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 November 2008

The Board of Directors
China Chengtong Development Group Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to 誠通大豐海港開發有限公司 ("Dafeng Development") and its subsidiary, 誠通大豐海港工程建設有限公司 ("Dafeng Construction") (collectively referred to as "Dafeng Group") for the period from 29 December 2005 (date of establishment of Dafeng Development) to 31 December 2005, each of the two years ended 31 December 2006 and 2007 and the eight months ended 31 August 2008 (the "Relevant Periods"), for inclusion in the circular of China Chengtong Development Group Limited (the "Company") dated 29 November 2008 (the "Circular") in connection with the acquisition of the 66.67% equity interest in Dafeng Development.

Dafeng Development was established in the People's Republic of China (the "PRC") on 29 December 2005 for the purpose of properties development.

At the date of this report and each balance sheet date, particulars of the subsidiary of Dafeng Development, which is directly held by Dafeng Development are as follows:

			Attributable equity interest of the Dafeng Development				
			31 December		31 August	At the date of	
Name of subsidiary	**Place and date of establishment**	**Fully paid registered capital**	**2006**	**2007**	**2008**	**this report**	**Principal activities**
Dafeng Construction	PRC 28 March 2006	RMB2,040,000 *(Note)*	51%	100%	100%	100%	Properties construction

Note: The fully paid registered capital was reduced from RMB4,000,000 to RMB2,040,000 pursuant to the resolution passed by equity holders on 10 December 2007.

The statutory financial statements of Dafeng Development and Dafeng Construction were prepared in accordance with the applicable accounting principles and financial regulations in the PRC (the "PRC GAAP") and were audited by certified public accountants registered in PRC referred to as below:

Name of entity	Period covered	Certified Public Accountants
Dafeng Development	For the two years ended 31 December 2007	利安達信隆會計師事務所有限責任公司
Dafeng Construction	For the period from 28 March 2006 (date of establishment) to 31 December 2006	利安達信隆會計師事務所有限責任公司
	For the year ended 31 December 2007	利安達信隆會計師事務所有限責任公司

The auditors are firms of certified public accountants registered in the PRC. No audit has been performed on the financial statements of Dafeng Development prepared under the PRC GAAP for the period from 29 December 2005 (date of establishment) to 31 December 2005 as Dafeng Development was dormant during this period. No statutory audit has been performed on the financial statements of Dafeng Development and Dafeng Construction prepared under the PRC GAAP for the eight months ended 31 August 2008.

For the purpose of this report, the directors of Dafeng Development have prepared the consolidated financial statements of Dafeng Group for the Relevant Periods in accordance with the Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have audited 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 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 Dafeng Development. 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 Dafeng Group, to form an independent opinion on the Financial Information and to report our opinion to you.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements. No adjustments were deemed necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Circular.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of Dafeng Group and Dafeng Development as at 31 December 2005, 31 December 2006, 31 December 2007 and 31 August 2008, and the consolidated results and consolidated cash flows of Dafeng Group for the Relevant Periods.

The comparative consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity of Dafeng Group for the eight months ended 31 August 2007 together with the notes thereon have been extracted from the Dafeng Group's consolidated financial information for the same period (the "31 August 2007 Financial Information") which were prepared by the directors of the Dafeng Development solely for the purpose of this report. We have reviewed the 31 August 2007 Financial Information in accordance with the Hong Kong Standards on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the 31 August 2007 Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the 31 August 2007 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information, which conform with HKFRSs.

I. FINANCIAL INFORMATION

Consolidated income statements

	NOTES	Eight months ended 31 August 2008 RMB'000	Eight months ended 31 August 2007 RMB'000 (unaudited)	Year ended 31 December 2007 RMB'000	Year ended 31 December 2006 RMB'000	29 December 2005 (date of establishment of Dafeng Development) to 31 December 2005 RMB'000
Turnover	6	—	—	—	15,353	—
Cost of sales		—	—	—	(11,933)	—
Gross profit		—	—	—	3,420	—
Other income	7	3,370	3,386	4,783	4,506	—
Administrative expenses		(4,789)	(4,722)	(7,553)	(5,387)	—
Finance costs	8	(1,028)	—	—	—	—
(Loss) profit before taxation		(2,447)	(1,336)	(2,770)	2,539	—
Taxation	9	—	—	(1,008)	(1,180)	—
(Loss) profit for the period/year	10	(2,447)	(1,336)	(3,778)	1,359	—
Attributable to:						
Equity owners of Dafeng Development		(2,447)	(1,089)	(3,343)	336	—
Minority interests		—	(247)	(435)	1,023	—
		(2,447)	(1,336)	(3,778)	1,359	—
(Loss) earnings per share	12	N/A	N/A	N/A	N/A	N/A

Consolidated balance sheets

	NOTES	As at 31 August 2008 RMB'000	As at 31 December 2007 RMB'000	2006 RMB'000	2005 RMB'000
Non-current assets					
Property, plant and equipment	13	1,584	1,672	1,832	—
Land use rights	14	100,021	99,405	—	—
Deposit paid for acquisition of land use rights		—	—	40,000	—
Amount due from an equity owner	17	10,000	10,000	—	—
Deferred tax assets	27	1,290	1,290	—	—
		112,895	112,367	41,832	—
Current assets					
Land use rights	14	1,450	1,441	—	—
Trade and other receivables	15	9,124	1,412	21,775	—
Amount due from a fellow subsidiary	16	—	—	26,482	25,000
Amount due from an equity owner	17	16,338	15,444	3,167	—
Amount due from a minority equity owner of a subsidiary	18	—	—	1,500	—
Amount due from a related company	19	—	—	2,264	50,000
Bank balances and cash	21	31,383	47,162	17,625	25,000
		58,295	65,459	72,813	100,000
Current liabilities					
Trade and other payables	22	4,883	7,571	10,121	—
Amount due to a fellow subsidiary	23	27	40	25	—
Secured bank borrowings	24	20,000	20,000	—	—
Tax payables		1,734	3,222	1,180	—
		26,644	30,833	11,326	—
Net current assets		31,651	34,626	61,487	100,000
Total assets less current liabilities		144,546	146,993	103,319	100,000
Capital and reserves					
Paid in capital	25	150,000	150,000	100,000	100,000
Reserves		(5,454)	(3,007)	336	—
Equity attributable to equity owners of Dafeng Development		144,546	146,993	100,336	100,000
Minority interests		—	—	2,983	—
		144,546	146,993	103,319	100,000

Balance sheets

		DAFENG DEVELOPMENT			
		As at 31 August	As at 31 December		
	NOTES	**2008**	**2007**	**2006**	**2005**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	13	1,451	1,302	1,418	—
Land use rights	14	100,021	99,405	—	—
Deposit paid for acquisition of land use rights		—	—	40,000	—
Amount due from an equity owner	17	10,000	10,000	—	—
Investment in a subsidiary	20	2,040	2,040	2,040	—
Deferred tax assets	27	1,290	1,290	—	—
		114,802	114,037	43,458	—
Current assets					
Land use rights	14	1,450	1,441	—	—
Trade and other receivables	15	9,072	1,371	21,773	—
Amount due from a subsidiary	20	—	653	4,300	—
Amount due from a fellow subsidiary	16	—	—	26,482	25,000
Amount due from an equity owner	17	16,119	15,444	3,167	—
Amount due from a minority equity owner of a subsidiary	18	—	—	1,500	—
Amount due from a related company	19	—	—	2,264	50,000
Bank balances and cash	21	30,502	40,554	17,266	25,000
		57,143	59,463	76,752	100,000
Current liabilities					
Trade and other payables	22	4,819	3,559	4,766	—
Amount due to a subsidiary	20	1,000	52	15,479	—
Amount due to a fellow subsidiary	23	27	40	25	—
Secured bank borrowings	24	20,000	20,000	—	—
Tax payables		1,330	2,818	669	—
		27,176	26,469	20,939	—
Net current assets		29,967	32,994	55,813	100,000
Total assets less current liabilities		144,769	147,031	99,271	100,000
Capital and reserves					
Paid in capital	25	150,000	150,000	100,000	100,000
Reserves	26	(5,231)	(2,969)	(729)	—
		144,769	147,031	99,271	100,000

Consolidated statements of changes in equity

	Equity attributable to equity owners of Dafeng Development					
	Paid in capital	**Statutory reserves**	**Retained profits (accumulated losses)**	**Total**	**Minority interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 29 December 2005 (date of establishment of Dafeng Development)	—	—	—	—	—	—
Capital contributions	100,000	—	—	100,000	—	100,000
At 31 December 2005 and 1 January 2006	100,000	—	—	100,000	—	100,000
Profit for the year	—	—	336	336	1,023	1,359
Capital contributed by minority equity owners	—	—	—	—	1,960	1,960
Transfer	—	154	(154)	—	—	—
At 31 December 2006 and 1 January 2007	100,000	154	182	100,336	2,983	103,319
Loss for the year	—	—	(3,343)	(3,343)	(435)	(3,778)
Capital contributions	50,000	—	—	50,000	—	50,000
Dividends paid to minority equity owners	—	—	—	—	(627)	(627)
Deemed acquisition of additional interest in a subsidiary *(note)*	—	—	—	—	(1,921)	(1,921)
Transfer	—	272	(272)	—	—	—
At 31 December 2007 and 1 January 2008	150,000	426	(3,433)	146,993	—	146,993
Loss for the period	—	—	(2,447)	(2,447)	—	(2,447)
At 31 August 2008	150,000	426	(5,880)	144,546	—	144,546
Unaudited						
At 1 January 2007	100,000	154	182	100,336	2,983	103,319
Loss for the period	—	—	(1,089)	(1,089)	(247)	(1,336)
At 31 August 2007	100,000	154	(907)	99,247	2,736	101,983

According to the PRC laws and regulations, Dafeng Development and Dafeng Construction are required to appropriate certain percentage of their net profit as reported in the statutory financial statements prepared under the PRC GAAP to the statutory reserves which can be used to (i) make up prior year losses and (ii) convert into capital.

Note: On 10 December 2007, all minority equity owners of Dafeng Construction withdrew their initial capital and their share of reserves of the subsidiary amounting to RMB1,921,000, and thus Dafeng Development had a deemed acquisition of 49% of the equity interest in Dafeng Construction.

Consolidated cash flow statements

	Eight months ended 31 August		Year ended 31 December		29 December 2005 (date of establishment of Dafeng Development) to 31 December
	2008	**2007**	**2007**	**2006**	**2005**
	RMB'000	*RMB'000* *(unaudited)*	*RMB'000*	*RMB'000*	*RMB'000*
(Loss) profit before taxation	(2,447)	(1,336)	(2,770)	2,539	—
Adjustments for:					
Depreciation of property, plant and equipment	169	157	239	143	—
Interest income	(2,030)	(1,687)	(3,084)	(4,506)	—
Finance costs	1,028	—	—	—	—
Operating cash flows before working capital changes	(3,280)	(2,866)	(5,615)	(1,824)	—
(Increase) decrease in trade and other receivables	(2,712)	(4,857)	20,363	(21,775)	—
Decrease (increase) in amount due from a minority equity owner of a subsidiary	—	667	1,500	(1,500)	—
(Decrease) increase in trade and other payables	(2,061)	24,518	(3,177)	10,121	—
(Decrease) increase in amount due to a fellow subsidiary	(13)	(1)	15	25	—
Cash (used in) from operating activities	(8,066)	17,461	13,086	(14,953)	—
PRC income tax paid	(1,488)	(256)	(256)	—	—
Net cash (used in) from operating activities	(9,554)	17,205	12,830	(14,953)	—
Cash flows from investing activities					
Interest received	2,030	1,687	3,084	4,506	—
Purchase of property, plant and equipment	(300)	(40)	(79)	(1,975)	—
Payments for land use rights	(625)	(16,528)	(60,846)	—	—
Deposit paid for acquisition of land use rights	—	(69,512)	—	(40,000)	—
Advance to an equity owner	(675)	(496)	(22,277)	(3,167)	—
(Increase) decrease in loan receivable	(5,000)	—	—	—	—

	Eight months ended 31 August		Year ended 31 December		29 December 2005 (date of establishment of Dafeng Development) to 31 December
	2008	**2007**	**2007**	**2006**	**2005**
	RMB'000	*RMB'000* (*unaudited*)	*RMB'000*	*RMB'000*	*RMB'000*
Received from (advanced to) a fellow subsidiary	—	3,482	3,482	(1,482)	(25,000)
Received from (advanced to) a related party	—	2,264	2,264	47,736	(50,000)
Net cash (used in) from investing activities	(4,570)	(79,143)	(74,372)	5,618	(75,000)
Cash flows from financing activities					
Advance from immediate holding company	—	24,000	24,000	—	—
Repayment to immediate holding company	—	—	(24,000)	—	—
Advance from ultimate holding company	—	23,000	23,000	—	—
Bank borrowing raised	—	—	20,000	—	—
Capital contribution from equity owners	—	—	50,000	—	100,000
Capital contribution from minority equity owners of a subsidiary	—	—	—	1,960	—
Withdrawal of capital by minority equity owners of a subsidiary	—	—	(1,921)	—	—
Interest paid	(1,028)	—	—	—	—
Dividend paid to minority equity owners of a subsidiary	(627)	—	—	—	—
Net cash (used in) from financing activities	(1,655)	47,000	91,079	1,960	100,000
Net (decrease) increase in cash and cash equivalents	(15,779)	(14,938)	29,537	(7,375)	25,000
Cash and cash equivalents at beginning of period/year	47,162	17,625	17,625	25,000	—
Cash and cash equivalents at end of period/year, representing bank balances and cash	31,383	2,687	47,162	17,625	25,000

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

Dafeng Development is a limited liability company established under the laws of the PRC. The directors of Dafeng Development regard the immediate and ultimate holding company as 中國誠通控股集團有限公司, a company established under the laws of the PRC.

Dafeng Group was engaged in properties construction in 2006. It had not carried on any business throughout 2007 and the eight months ended 31 August 2008.

The Financial Information is presented in Renminbi ("RMB") which is also the functional currency of Dafeng Development.

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

Dafeng Group has adopted all of the standards and interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for the Dafeng Group's financial period beginning on or prior to 1 January 2008 in the preparation of its Financial Information throughout the Relevant Periods.

At the date of this report, the HKICPA has issued the following standards, amendments and interpretations that are not yet effective in respect of the Relevant Periods. The Dafeng Group has not early applied the following standards, amendments and interpretations that have been issued but are not yet effective.

HKFRS (Amendments)	Improvements to HKFRS[5]
HKAS 1 (Revised)	Presentation of financial statements [1]
HKAS 23 (Revised)	Borrowing costs [1]
HKAS 27 (Revised)	Consolidated and separate financial statements [2]
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation [1]
HKAS 39 (Amendments)	Eligible hedged items[2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations [1]
HKFRS 3 (Revised)	Business combinations [2]
HKFRS 8	Operating segments [1]
HK(IFRIC) — INT 13	Customer loyalty programmes [3]
HK(IFRIC) — INT 15	Agreements for construction of real estate [1]
HK(IFRIC) — INT 16	Hedges of a net investment in a foreign operation [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 July 2008.
4 Effective for annual periods beginning on or after 1 October 2008.
5 Effective for annual periods beginning on or after 1 January 2009 except the amendments to IFRS 5, effective for annual periods beginning on or after 1 July 2009.

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 Dafeng Development anticipate that the application of other new or revised standards or interpretations will have no material impact on the results and the financial position of the Dafeng Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost basis and in accordance with accounting policies set out below which conform with HKFRSs issued by the HKICPA. The principal accounting policies adopted are as follows:

Basis of consolidation

The Financial Information incorporates the financial information of Dafeng Development and entity controlled by Dafeng Development (its subsidiary). Control is achieved where the Dafeng Development has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

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

Minority interests in the net assets of subsidiary are presented separately from the Dafeng 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 Dafeng 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 related taxes.

Revenue from construction contract is recognised when the outcome of a construction contract can be estimated reliably and the stage of completion at the balance sheet date can be measured reliably. Revenue from construction contracts is recognised on the percentage of completion method, measured by reference to the value of work carried out during the year/period. When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract cost incurred that is probable to be recoverable.

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.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as a deduction from the carrying amount of the relevant asset and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are reported separately as "other income".

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.

Leasehold land held for undetermined futures use

Leasehold land held for undetermined future use is classified as a prepaid lease payment under an operating lease and amortised on a straight-line basis over the lease term.

Borrowing costs

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

Impairment losses on tangible assets

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

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

Investment in a subsidiary

Investment in a subsidiary is included in the Dafeng Development's balance sheet at cost less any impairment loss recognised.

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. Dafeng Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from 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 investment in a subsidiary, except where Dafeng 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.

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.

Dafeng 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Dafeng Group's financial assets refer to loans and receivables.

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 to the net carrying amount of the asset on initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from a fellow subsidiary/an equity owner/a minority equity owner of a subsidiary/a related company/a subsidiary and bank balances and cash), are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

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

For financial assets, 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 certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include Dafeng Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period up to 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

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 trade receivables and loan receivables is reduced by the impairment loss through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in income statements. When a trade receivable or loan receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to income statements.

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 income statements 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 Dafeng Group after deducting all of its liabilities. Dafeng Group's financial liabilities are generally classified as financial liabilities.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, amount due to a fellow subsidiary/a subsidiary and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Dafeng 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 Dafeng 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 income statements.

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

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. CAPITAL RISK MANAGEMENT

Dafeng Group manages its capital to ensure that entities in the Dafeng 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. Dafeng Group's overall strategy remains unchanged during the Relevant Periods.

The capital structure of the Dafeng Group consists of debt, which includes bank borrowings disclosed in note 24, cash and cash equivalents and equity attributable to equity owners of Dafeng Development, comprising paid in capital, reserves and retained profits (accumulated losses).

The directors of Dafeng Development review the capital structure on an annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, Dafeng Group will balance its overall capital structure through capital contribution by equity owners.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Categories of financial instruments

	DAFENG GROUP			
	As at 31 August	**As at 31 December**		
	2008	**2007**	**2006**	**2005**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	62,721	72,606	66,517	100,000
Financial liabilities				
At amortised cost	24,910	27,611	7,105	—

	DAFENG DEVELOPMENT			
	As at 31 August	As at 31 December		
	2008	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	61,621	66,651	70,458	100,000
Financial liabilities				
At amortised cost	25,846	23,651	20,270	—

Financial risk management objectives and policies

Dafeng Group's major financial instruments include trade and other receivables, bank balances and cash, amount due from a fellow subsidiary, amount due from an equity owner, amount due from a minority equity owner, amount due from a related company, trade and other payables, amount due to a fellow subsidiary and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of Dafeng Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

Dafeng Group's cash flow interest rate risk primarily relates to the variable-rate bank balances, other receivables and amount due from an equity owner. Dafeng Group's fair value interest rate risk relates to fixed-rate bank borrowings, loan receivable, amount due from a fellow subsidiary and amount due from a related company.

Dafeng Group currently does not have any risk hedging policy. However, the management monitors interest rate risk exposure and will consider implementing appropriate measures when significant interest rate exposure is anticipated.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank balances, other receivables and amount due from an equity owner at the balance sheet dates. For variable-rate 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/period. 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,

- Dafeng Group's loss would be decreased/increased by RMB282,000 and RMB60,000 and RMB361,000 for the eight months ended 31 August 2008 and 2007 and the year ended 31 December 2007.

- Dafeng Group's profit would be increased/decreased by RMB119,000 and RMB125,000 for the year ended 31 December 2006 and 31 December 2005 respectively.

Credit risk

Dafeng Group's credit risk is primarily attributable to trade and other receivables, amount due from a minority equity owner, amount due from an equity owner, amount due from a fellow subsidiary and amount due from a related company. The maximum exposure to credit risk in the event of the counterparties failure to perform their obligations 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 Dafeng Group has reviewed the recoverable amount of each individual debt 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 Dafeng consider that Dafeng Group's credit risk is significantly reduced.

Dafeng Group exposed to concentration of credit risk on the amounts due from a fellow subsidiary, a shareholder and a related party. However, the risk is low as the management of Dafeng reviewed the recoverable amounts of the outstanding balances at each balance sheet date during the Relevant Periods and considered that no impairment loss is necessary for this amount.

The credit risk on bank balances is limited because the counterparties are banks with high credit standing.

Liquidity risk

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

The following table details Dafeng Group's and Dafeng Development's remaining contractual maturity for its 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 Dafeng Group can be required to pay. The table includes both interest and principal cash flows.

DAFENG GROUP

	Weighted average effective interest rate	On demand	Less than 1 month	1-3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 August 2008							
Non-derivative financial liabilities							
Trade and other payables	—	1,300	—	—	3,583	4,883	4,883
Amount due to a fellow subsidiary	—	27	—	—	—	27	27
Secured bank borrowings	7.84	—	—	—	20,523	20,523	20,000
		1,327	—	—	24,106	25,433	24,910
At 31 December 2007							
Non-derivative financial liabilities							
Trade and other payables	—	828	—	4,362	2,381	7,571	7,571
Amount due to a fellow subsidiary	—	40	—	—	—	40	40
Secured bank borrowings	7.84	—	—	—	21,568	21,568	20,000
		868	—	4,362	23,949	29,179	27,611
At 31 December 2006							
Non-derivative financial liabilities							
Trade and other payables	—	388	—	2,426	4,266	7,080	7,080
Amount due to a fellow subsidiary	—	25	—	—	—	25	25
		413	—	2,426	4,266	7,105	7,105

DAFENG DEVELOPMENT

	Weighted average effective interest rate	On demand	Less than 1 month	1-3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 August 2008							
Non-derivative financial liabilities							
Trade and other payables	—	1,300	—	—	3,519	4,819	4,819
Amount due to a subsidiary	—	1,000	—	—	—	1,000	1,000
Amount due to a fellow subsidiary	—	27	—	—	—	27	27
Secured bank borrowings	7.84	—	—	—	20,523	20,523	20,000
		2,327	—	—	24,042	26,369	25,846
At 31 December 2007							
Non-derivative financial liabilities							
Trade and other payables	—	828	—	350	2,381	3,559	3,559
Amount due to a subsidiary	—	52	—	—	—	52	52
Amount due to a fellow subsidiary	—	40	—	—	—	40	40
Secured bank borrowings	7.84	—	—	—	21,568	21,568	20,000
		920	—	350	23,949	25,219	23,651
At 31 December 2006							
Non-derivative financial liabilities							
Trade and other payables	—	388	—	112	4,266	4,766	4,766
Amount due to a subsidiary	—	15,479	—	—	—	15,479	15,479
Amount due to a fellow subsidiary	—	25	—	—	—	25	25
		15,892	—	112	4,266	20,270	20,270

Fair value

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 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.

6. TURNOVER

Turnover represented the revenue from construction contracts for the year ended 31 December 2006.

During the year ended 31 December 2006, Dafeng Group was solely engaged in the business of properties construction. Analysis of Dafeng Group's turnover and results as well as analysis 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.

7. OTHER INCOME

	Eight months ended 31 August		Year ended 31 December		29 December 2005 (date of establishment of Dafeng Development) to 31 December 2005
	2008	**2007**	**2007**	**2006**	**2005**
	RMB'000	*RMB'000* *(unaudited)*	*RMB'000*	*RMB'000*	*RMB'000*
Interest income	2,030	1,687	3,084	4,506	—
Project management income	—	1,699	1,699	—	—
Government grant (note)	1,332	—	—	—	—
Others	8	—	—	—	—
	3,370	3,386	4,783	4,506	—

Note: The government grant is granted to Dafeng Development to encourage the investments in Dafeng City, Jiangsu Province, the PRC.

8. FINANCE COSTS

	Eight months ended 31 August		Year ended 31 December		29 December 2005 (date of establishment of Dafeng Development) to 31 December 2005
	2008	**2007**	**2007**	**2006**	**2005**
	RMB'000	*RMB'000* *(unaudited)*	*RMB'000*	*RMB'000*	*RMB'000*
Interest on bank loans wholly repayable within one year	1,028	—	—	—	—

9. TAXATION

	Eight months ended 31 August		Year ended 31 December		29 December 2005 (date of establishment of Dafeng Development) to 31 December
	2008	**2007**	**2007**	**2006**	**2005**
	RMB'000	*RMB'000* *(unaudited)*	*RMB'000*	*RMB'000*	*RMB'000*
Current taxation					
— PRC Enterprise Income Tax	—	—	2,149	1,180	—
Underprovision in prior year					
— PRC Enterprise Income Tax	—	—	149	—	—
Deferred taxation *(note 27)*					
Credit to consolidated income statement	—	—	(1,703)	—	—
Attributable to change in PRC Enterprise Income tax rate *(note)*	—	—	413	—	—
	—	—	(1,290)	—	—
Taxation charge for the period/year	—	—	1,008	1,180	—

The PRC Enterprise Income Tax has been provided for based on the estimated assessable profits in accordance with the relevant tax laws applicable to the subsidiaries in the PRC for the Relevant Periods.

Taxation of the Relevant Periods can be reconciled to the (loss) profit before taxation as follows:

	Eight months ended 31 August		Year ended 31 December		29 December 2005 (date of establishment of Dafeng Development) to 31 December
	2008	**2007**	**2007**	**2006**	**2005**
	RMB'000	*RMB'000* *(unaudited)*	*RMB'000*	*RMB'000*	*RMB'000*
(Loss) profit before taxation	(2,447)	(1,336)	(2,770)	2,539	—
Taxation (credit) charge at the applicable income tax rate *(note)*	(612)	(441)	(914)	838	—
Tax effect of expenses not deductible for tax purpose	—	—	1,068	342	—
Underprovision in respect of prior year	—	—	149	—	—
Tax effect of tax losses not recognised	612	441	292	—	—
Effect on deferred tax for changes in PRC Enterprise income tax rate	—	—	413	—	—
Taxation charge for the period/year	—	—	1,008	1,180	—

As at 31 December 2007 and 31 August 2008, the Group had tax losses carried forward for PRC Enterprise Income Tax purpose amounting to RMB884,000 and RMB3,332,000 respectively available for offset against future profits that may be carried forward for 5 years. Deferred taxation assets have not been recognised in respect of these losses due to the unpredictability of future profit streams.

Note: The applicable income tax rate represents PRC Enterprise Income Tax rate of 33% for the three years ended 31 December 2007, and for the eight months ended 31 August 2007 and 25% for the eight months ended 31 August 2008.

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China 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. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

10. (LOSS) PROFIT FOR THE PERIOD/YEAR

	Eight months ended 31 August		Year ended 31 December		29 December 2005 (date of establishment of Dafeng Development) to 31 December 2005
	2008	**2007**	**2007**	**2006**	**2005**
	RMB'000	*RMB'000* *(unaudited)*	*RMB'000*	*RMB'000*	*RMB'000*
(Loss) profit for the period/year is arrived at after charging:					
Directors' emoluments *(note 11)*					
Fees	287	321	743	603	—
Other emoluments	59	60	80	60	—
Contribution to retirement benefit scheme	16	15	23	16	—
	362	396	846	679	—
Other staff costs	773	897	1,167	634	—
Contribution to retirement benefit scheme	178	111	159	36	—
Total staff costs	1,313	1,404	2,172	1,349	—
Auditor's remuneration	—	—	—	—	—
Depreciation of property, plant and equipment	169	157	239	143	—
Minimum lease payments in respect of rented premises	54	75	108	88	—

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(i) Directors' remuneration

	Eight months ended 31 August 2008			
		Other emoluments		
	Fees	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Wang Bin	—	29	—	29
Ni Xiang Rong	—	126	—	126
Xu Xin Min	—	102	16	118
Chu Guo Dong	—	20	—	20
Zhao Zi Bin	—	69	—	69
	—	346	16	362

	Eight months ended 31 August 2007 (unaudited)			
		Other emoluments		
	Fees	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Wang Bin	—	30	—	30
Ni Xiang Rong	—	125	—	125
Xu Xin Min	—	95	15	110
Chu Guo Dong	—	101	—	101
Xia Ji Yong (resigned on 2 September 2007)	—	—	—	—
Zhao Zi Bin	—	30	—	30
Chen Fei Long (resigned on 10 January 2007)	—	—	—	—
	—	381	15	396

	Year ended 31 December 2007			
		Other emoluments		
	Fees	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Wang Bin	—	40	—	40
Ni Xiang Rong	—	308	—	308
Xu Xin Min	—	263	23	286
Chu Guo Dong	—	172	—	172
Xia Ji Yong (resigned on 2 September 2007)	—	—	—	—
Zhao Zi Bin	—	40	—	40
Chen Fei Long (resigned on 10 January 2007)	—	—	—	—
	—	823	23	846

	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*
Wang Bin	—	30	—	30
Ni Xiang Rong	—	257	—	257
Xu Xin Min	—	205	16	221
Chu Guo Dong	—	141	—	141
Xia Ji Yong	—	—	—	—
Zhao Zi Bin	—	30	—	30
Chen Fei Long	—	—	—	—
	—	663	16	679

(ii) **Employees' remuneration**

The five highest paid individuals included three (2007: three, 2006: three) directors of Dafeng Development in the period ended 31 August 2008 and the details of whose emoluments are included above. The details of the emoluments of the remaining two (2007: two, 2006: two) individuals are as follows:

	Eight months ended 31 August		Year ended 31 December		29 December 2005 (date of establishment of Dafeng Development) to 31 December
	2008	**2007**	**2007**	**2006**	**2005**
	RMB'000	*RMB'000* *(unaudited)*	*RMB'000*	*RMB'000*	*RMB'000*
Salaries and other allowances	160	157	269	207	—
Contributions to retirement benefits schemes	13	16	21	12	—
	173	173	290	219	—

No directors' remuneration or any other staff cost incurred for the period from 29 December 2005 (date of establishment of Dafeng Development) to 31 December 2005.

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

12. (LOSS) EARNINGS PER SHARE

(Loss) earnings per share is not presented as Dafeng Development did not have any issued share capital during the Relevant Periods.

13. PROPERTY, PLANT AND EQUIPMENT

	DAFENG GROUP		
	Furniture, fixtures and equipment	**Motor vehicles**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
COST			
At 29 December 2005 (date of establishment of Dafeng Development), 31 December 2005 and 1 January 2006	—	—	—
Additions	199	1,776	1,975
At 31 December 2006 and 1 January 2007	199	1,776	1,975
Additions	79	—	79
At 31 December 2007 and 1 January 2008	278	1,776	2,054
Additions	46	254	300
Disposal	—	(260)	(260)
At 31 August 2008	324	1,770	2,094
ACCUMULATED DEPRECIATION			
At 29 December 2005 (date of establishment of Dafeng Development), 31 December 2005 and 1 January 2006	—	—	—
Provided for the year	19	124	143
At 31 December 2006 and 1 January 2007	19	124	143
Provided for the year	37	202	239
At 31 December 2007	56	326	382
Provided for the period	35	134	169
Eliminated on disposal	—	(41)	(41)
At 31 August 2008	91	419	510
NET BOOK VALUES			
At 31 December 2005	—	—	—
At 31 December 2006	180	1,652	1,832
At 31 December 2007	222	1,450	1,672
At 31 August 2008	233	1,351	1,584

	DAFENG DEVELOPMENT		
	Furniture, fixtures and equipment	**Motor vehicles**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
COST			
At 29 December 2005 (date of establishment of Dafeng Development), 31 December 2005 and 1 January 2006	—	—	—
Additions	151	1,387	1,538
At 31 December 2006 and 1 January 2007	151	1,387	1,538
Additions	76	—	76
At 31 December 2007 and 1 January 2008	227	1,387	1,614
Additions	46	254	300
At 31 August 2008	273	1,641	1,914
ACCUMULATED DEPRECIATION			
At 29 December 2005 (date of establishment of Dafeng Development), 31 December 2005 and 1 January 2006	—	—	—
Provided for the year	15	105	120
At 31 December 2006 and 1 January 2007	15	105	120
Provided for the year	28	164	192
At 31 December 2007	43	269	312
Provided for the period	28	123	151
At 31 August 2008	71	392	463
NET BOOK VALUES			
At 31 December 2005	—	—	—
At 31 December 2006	136	1,282	1,418
At 31 December 2007	184	1,118	1,302
At 31 August 2008	202	1,249	1,451

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

Furniture, fixtures and equipment	16.7%
Motor vehicles	12.5%

14. LAND USE RIGHTS

	DAFENG GROUP AND DEFENG DEVELOPMENT			
	As at 31 August	As at 31 December		
	2008	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at beginning of the period/year	100,846	—	—	—
Addition	625	106,006	—	—
Less: Government grant received	—	(5,160)	—	—
Balance at end of the period/year	101,471	100,846	—	—

	As at 31 August	As at 31 December		
	2008	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysis for reporting purpose:				
Non-current portion	100,021	99,405	—	—
Current portion	1,450	1,441	—	—
	101,471	100,846	—	—

The balance represent payments for medium-term land use rights situated in the PRC.

The government grant was received by Dafeng Development for the encouragement of the properties development in Jiangsu Province, the PRC.

At 31 December 2007 and 31 August 2008, one parcel of land use rights amounting to RMB16,528,000 has been pledged as securities for Dafeng Group's bank borrowings (see note 24).

15. TRADE AND OTHER RECEIVABLES

	DAFENG GROUP			
	As at 31 August	As at 31 December		
	2008	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	—	—	15,479	—
Loan receivable *(note 1)*	5,000	—	—	—
Prepayment, deposits and other receivables *(note 2)*	4,124	1,412	6,296	—
	9,124	1,412	21,775	—

	DAFENG DEVELOPMENT			
	As at 31 August	As at 31 December		
	2008	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	—	—	15,479	—
Loan receivable *(note 1)*	5,000	—	—	—
Prepayment, deposits and other receivables *(note 2)*	4,072	1,371	6,294	—
	9,072	1,371	21,773	—

Notes:

(1) The balance as at 31 August 2008 represented loan amounting to RMB5,000,000 advanced to an independent third party not related to Dafeng Group. The amount was unsecured, interest bearing at 9% per annum and repayable within 3 to 6 months.

(2) Included in other receivables as at 31 December 2006 was an amount of RMB6,159,000 due from an independent third party not related to Dafeng Group which was unsecured, interest bearing at the People's Bank of China Base Rate and had been fully collected in October 2007.

Trade receivables

Proceeds from income from construction income are receivable in accordance with the terms of the relevant agreements. The trade receivables at 31 December 2006 were not past due and aged within one month.

16. AMOUNT DUE FROM A FELLOW SUBSIDIARY

	DAFENG GROUP AND DAFENG DEVELOPMENT			
	As at 31 August	As at 31 December		
	2008	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
中國物資開發投資總公司	—	—	26,482	25,000

The amount was unsecured, interest-bearing at 5.58% and repayable within one year.

17. AMOUNT DUE FROM AN EQUITY OWNER

	DAFENG GROUP			
	As at 31 August	As at 31 December		
	2008	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount due from 大豐市大豐港開發建設有限公司				
Interest bearing portion *(note 1)*	25,000	25,000	3,000	—
Non-interest bearing portion *(note 2)*	1,338	444	167	—
	26,338	25,444	3,167	—
Less: Amount due within one year shown under current assets	(16,338)	(15,444)	(3,167)	—
Amount due after one year	10,000	10,000	—	—

	DAFENG DEVELOPMENT			
	As at 31 August	As at 31 December		
	2008	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount due from 大豐市大豐港開發建設有限公司				
Interest bearing portion *(note 1)*	25,000	25,000	3,000	—
Non-interest bearing portion *(note 2)*	1,119	444	167	—
	26,119	25,444	3,167	—
Less: Amount due within one year shown under current assets	(16,119)	(15,444)	(3,167)	—
Amount due after one year	10,000	10,000	—	—

Notes:

1. As at 31 August 2008 and 31 December 2007, the amount is unsecured, interest-bearing at 20% premium over the People's Bank of China Base Rate and to be repayable in 2009 and 2008, respectively. As at 31 December 2006, the amount is unsecured, interest-bearing at 5.58% and repayable in 2007.

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

18. AMOUNT DUE FROM A MINORITY EQUITY OWNER OF A SUBSIDIARY

	DAFENG GROUP AND DAFENG DEVELOPMENT			
	As at 31 August	As at 31 December		
	2008	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
北京澳金威投資管理有限公司	—	—	1,500	—

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

19. AMOUNT DUE FROM A RELATED COMPANY

	DAFENG GROUP AND DAFENG DEVELOPMENT			
	As at 31 August	As at 31 December		
	2008	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
大豐市港區開發置業有限責任公司	—	—	—	50,000
蘇州南達水泥有限公司	—	—	2,264	—
	—	—	2,264	50,000

As at 31 December 2006, 蘇州南達水泥有限公司 was a subsidiary of a company in which the controlling shareholder is a fellow subsidiary of Dafeng Development. The amount was unsecured, interest-bearing at 10% and repayable within one year.

As at 31 December 2005, 大豐市港區開發置業有限責任公司was a subsidiary of one of the equity owners of Dafeng Development. The amount was unsecured, interest-bearing at 5.58% and repayable within 3 to 6 months.

20. INVESTMENT IN A SUBSIDIARY AND AMOUNT DUE FROM/TO A SUBSIDIARY

	DAFENG DEVELOPMENT			
	As at 31 August	As at 31 December		
	2008	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
誠通大豐海港工程建設有限公司	2,040	2,040	2,040	—

Amount due from (to) a subsidiary is unsecured, interest-free and repayable on demand.

21. BANK BALANCES AND CASH

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

Bank balances carry interest at market interest rates at 0.72% (2007: 0.72% to 0.82%, 2006: 0.72% to 1.63%, 2005: 0.72%) per annum at 31 August 2008.

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.

22. TRADE AND OTHER PAYABLES

	DAFENG GROUP			
	As at 31 August	As at 31 December		
	2008	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	1,165	5,166	—
Other payables	4,883	6,406	1,914	—
Receipt in advance	—	—	3,041	—
	4,883	7,571	10,121	—

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

	As at 31 August	As at 31 December		
	2008	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 - 90 days	—	—	5,158	—
180 - 270 days	—	—	8	—
Over 360 days	—	1,165	—	—
	—	1,165	5,166	—

The average credit period on purchases is 15 days. Dafeng Group has financial risk management policies in place to ensure that all payables within the credit timeframe.

	DAFENG DEVELOPMENT			
	As at 31 August	As at 31 December		
	2008	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables	4,819	3,559	4,766	—

23. AMOUNT DUE TO A FELLOW SUBSIDIARY

	DAFENG GROUP AND DAFENG DEVELOPMENT			
	As at 31 August	As at 31 December		
	2008	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
中國物資開發投資總公司	27	40	25	—

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

24. SECURED BANK BORROWINGS

	DAFENG GROUP AND DAFENG DEVELOPMENT			
	As at 31 August	As at 31 December		
	2008	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured bank borrowings	20,000	20,000	—	—

The bank loan carried interest at a fixed rate of 7.28% per annum and repayable on 28 December 2008.

The details of the securities to the bank loan are disclosed in note 14.

25. PAID IN CAPITAL

	DAFENG GROUP AND DAFENG DEVELOPMENT
	Fully paid registered capital
	RMB'000
Initial capital contribution on 29 December 2005 (date of establishment of Dafeng Development) and the balance at 31 December 2005, 31 December 2006 and 1 January 2007	100,000
Capital contribution	50,000
At 31 December 2007 and 31 August 2008	150,000

26. RESERVES

	DAFENG DEVELOPMENT		
	Statutory reserves	**Accumulated losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 29 December 2005 (date of establishment), 31 December 2005 and 1 January 2006	—	—	—
Loss for the period	—	(729)	(729)
Transfer	154	(154)	—
At 31 December 2006 and 1 January 2007	154	(883)	(729)
Loss for the year	—	(2,240)	(2,240)
Transfer	272	(272)	—
At 31 December 2007 and 1 January 2008	426	(3,395)	(2,969)
Loss for the period	—	(2,262)	(2,262)
At 31 August 2008	426	(5,657)	(5,231)

27. DEFERRED TAX ASSETS

The following are the major deferred taxation assets recognised by Dafeng Group:

	DAFENG GROUP AND DAFENG DEVELOPMENT
	Government grants received
	RMB'000
At 29 December 2005 (date of establishment of Dafeng Development), 31 December 2005 and 31 December 2006	—
Credit to consolidated income statement	1,703
Attributable to change in PRC Enterprise Income Tax rate	(413)
At 31 December 2007 and 31 August 2008	1,290

28. OPERATING LEASE COMMITMENTS

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

	DAFENG GROUP AND DAFENG DEVELOPMENT			
	As at 31 August	**As at 31 December**		
	2008	**2007**	**2006**	**2005**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	21	58	100	—
In the second to fifth year inclusive	—	—	58	—
	21	58	158	—

Operating lease payments represent rentals payable by Dafeng Group for certain of its office properties.

Leases are negotiated for an average terms of one year.

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

29. COMMITMENTS

	As at 31 August 2008	As at 31 December 2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Commitment in respect of property, plant and equipment				
— contracted for but not provided	2,168	3,344	—	—

30. MAJOR NON-CASH TRANSACTIONS

During the eight months ended 31 August 2008, Dafeng Group disposed of a motor vehicle with net book value of RMB219,000 to an equity owner of Dafeng Development and the amount was settled through the current account with the equity owner.

During the year ended 31 December 2007, the balance of amount due from a fellow subsidiary was settled through the current account with 中國誠通控股集團有限公司, the ultimate holding company amounted to RMB 23,000,000 by entering into a mutual agreement.

31. RELATED PARTY TRANSACTIONS

Dafeng Group entered into the following related party transactions during the Relevant Periods.

	Eight months ended 31 August 2008	2007	Year ended 31 December 2007	2006	29 December 2005 (date of establishment of Dafeng Development) to 31 December 2005
	RMB'000	*RMB'000* *(unaudited)*	*RMB'000*	*RMB'000*	*RMB'000*
Consultancy fee paid to a minority equity owner of a subsidiary	—	800	—	1,000	—
Interest income from a fellow subsidiary of Dafeng Development	—	518	518	1,482	—
Interest income from an equity owner of Dafeng Development	1,667	95	629	167	—
Interest income from 蘇州南達水泥有限公司	—	60	60	264	—
Sale of a motor vehicle to an equity owner of Dafeng Development	219	—	—	—	—

Compensation of key management personnel

The remuneration of directors and other members of key management during the Relevant Periods were as follows:

	Eight months ended 31 August		Year ended 31 December		29 December 2005 (date of establishment of Dafeng Development) to 31 December
	2008	**2007**	**2007**	**2006**	**2005**
	RMB'000	*RMB'000* (*unaudited*)	*RMB'000*	*RMB'000*	*RMB'000*
Short-term benefits	477	508	1,068	870	—
Post-employment benefits	29	32	44	28	—
	506	540	1,112	898	—

32. RETIREMENT BENEFITS SCHEMES

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

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by any entity comprising Dafeng Group in respect of any period subsequent to 31 August 2008.

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 Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong. A copy of the following accountants' report is available for inspection.

德勤・關黃陳方會計師行
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 November 2008

The Board of Directors
China Chengtong Development Group Limited

Dear Sirs/Madam,

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

We report on the unaudited pro forma statement of assets and liabilities (the "Unaudited Pro Forma Financial Information") of each of the enlarged group, being China Chengtong Development Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") together with (i) 誠通實業投資有限公司 ("CT Industrial"), 誠通大豐海港開發有限公司 ("DFG Company") and assets to be injected by China Chengtong Holdings Group Limited ("CCHG"), ultimate controlling shareholder of the Company, into CT Industrial at or prior to the completion of the acquisition of CT Industrial (the "First Target Assets") only; (ii) assets to be injected into Lianyungang CMST Logistics Limited ("LYG Company"), a company to be established in the People's Republic of China by CCHG, at or prior to completion of the acquisition of LYG Company (the "Second Target Assets") only; and (iii) CT Industrial, DFG Company, the First Target Assets and the Second Target Assets; which have been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed acquisition by the Group of 100% interest in CT Industrial, 66.67% interest in DFG Company, the First Target Assets and the Second Target Assets thereto might have affected the financial information of the Group presented, for the inclusion in Appendix VI to the circular dated 29 November 2008 (the "Circular") issued by the Company. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Appendix VI of 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 each of the enlarged group as at 30 June 2008 or any future date.

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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

Defined Terms

Unless otherwise defined, capitalised terms and technical terms used herein shall have the same meaning when used in this circular.

Unaudited pro forma statement of assets and liabilities of the enlarged group

(i) After the completion of acquisition by the Group of 100% interest in CT Industrial, 66.67% interest in DFG Company and the First Target Assets only (the "Enlarged Group 1").

Introduction to unaudited pro forma statement of assets and liabilities of the Enlarged Group 1

The accompanying Unaudited Pro Forma Financial Information of the Enlarged Group 1 has been prepared to illustrate the effects of the proposed acquisition of 100% interest in CT Industrial, 66.67% interest in DFG Company and the First Target Assets (the "Acquisition 1") in consideration of the issue by the Company of the Consideration Shares to CCHK.

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$1.13 for the unaudited pro forma statement of assets and liabilities.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group 1 has been prepared based on:

(i) the unaudited consolidated balance sheet of the Group as at 30 June 2008 as extracted from the Company's published interim report for the six month ended 30 June 2008;

(ii) the consolidated balance sheet of DFG Company and the balance sheet of CT Industrial as at 31 August 2008 as extracted from the Accountants' Reports on the financial information of DFG Company and CT Industrial as set out in Appendix V and IV of this Circular;

(iii) the value of investment properties included in the First Target Assets as extracted from the valuation report as set out in Appendix VII of the Circular; and

(iv) the value of property, plant and equipment included in the First Target Assets as extracted from a valuation report as at 31 August 2008 prepared by 北京同仁和資產評估有限責任公司, a PRC qualified valuer;

after making pro forma adjustments relating to the Acquisition 1 that are (i) directly attributable to the transaction; and (ii) factually supportable as if the Acquisition 1 had been completed on 30 June 2008. Accordingly, the unaudited pro forma statement of assets and liabilities of the Enlarged Group 1 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 1 as at 30 June 2008 or any future date.

Unaudited pro forma statement of assets and liabilities of the Enlarged Group 1 after the completion of acquisition by the Group of 100% interest in CT Industrial, 66.67% interest in DFG Company and the First Target Assets only

	The Group As at 30 June 2008	DFG Company As at 31 August 2008	CT Industrial As at 31 August 2008	Pro forma adjustments (Note 2)	(Note 3)	(Note 4)	Pro forma Enlarged Group 1 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets							
Property, plant and equipment	4,614	1,790	—	—	—	3,240[a]	9,644
Land use rights	—	113,023	—	—	184,376	—	297,399
Investment properties	89,270	—	—	—	—	209,841[a]	299,111
Interests in associates	44,000	—	—	—	—	—	44,000
Amount due from an associate	129,890	—	—	—	—	—	129,890
Restricted bank balance	4,200	—	—	—	—	—	4,200
Amount due from an equity owner	—	11,300	—	(11,300)[a]	—	—	—
Deferred tax assets	—	1,458	—	—	—	—	1,458
Amount due from an equity owner of a subsidiary	—	—	—	11,300[a]	—	—	11,300
	271,974	127,571	—	—	184,376	213,081	797,002
Current assets					—		
Properties held for sale	25,259	—	—	—	—	—	25,259
Properties under development	684,848	—	—	—	—	—	684,848
Land use rights	—	1,639	—	—	2,672	—	4,311
Trade and other receivables	276,158	10,310	—	—	—	—	286,468
Bills receivable	3,390	—	—	—	—	—	3,390
Amounts due from associates	51	—	—	—	—	—	51
Amounts due from related companies	5,014	—	—	34,448[b]	—	—	39,462
Tax recoverable	14,192	—	—	—	—	—	14,192
Bank balances and cash	304,104	35,463	37,600	—	—	89,496[b]	466,663
Amount due from fellow subsidiaries	—	—	34,448	(34,448)[b]	—	—	—
Amount due from an equity owner	—	18,462	—	(18,462)[a]	—	—	—
Amount due from an equity owner of a subsidiary	—	—	—	18,462[a]	—	—	18,462
	1,313,016	65,874	72,048	—	2,672	89,496	1,543,106

	The Group As at 30 June 2008	DFG Company As at 31 August 2008	CT Industrial As at 31 August 2008	Pro forma adjustments (Note 2)	(Note 3)	(Note 4)	Pro forma Enlarged Group 1 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities							
Trade and other payables	102,986	5,518	—	—	—	—	108,504
Provison for claim	1,900	—	—	—	—	—	1,900
Deposits received on sale of properties	473,122	—	—	—	—	—	473,122
Amounts due to related companies	930	—	—	31[b]	—	—	961
Amounts due to minority owners of subsidiaries	6,239	—	—	—	—	—	6,239
Tax payable	3,718	1,959	—	—	—	—	5,677
Bank Loan	226,000	22,600	—	—	—	—	248,600
Unsecured other loans	3,260	—	—	—	—	—	3,260
Amount due to a fellow subsidiary	—	31	—	(31)[b]	—	—	—
Amount due to holding company	—	—	66,851	(66,851)[c]	—	—	—
Amount due to ultimate controlling shareholder	—	—	—	66,851[c]	—	—	66,851
	818,155	30,108	66,851	—	—	—	915,114
Net current assets	494,861	35,766	5,197	—	2,672	89,496	627,992
Total assets less current liabilities	766,835	163,337	5,197	—	187,048	302,577	1,424,994
Non-current liabilities							
Deferred tax liabilities	5,550	—	—	—	—	—	5,550
	5,550	—	—	—	—	—	5,550
Net assets	761,285	163,337	5,197	—	187,048	302,577	1,419,444

Unaudited pro forma statement of assets and liabilities of the enlarged group

(ii) After the completion of acquisition by the Group of the Second Target Assets only (the "Enlarged Group 2").

Introduction to unaudited pro forma statement of assets and liabilities of the Enlarged Group 2

The accompanying Unaudited Pro Forma Financial Information of the Enlarged Group 2 has been prepared to illustrate the effects of the proposed acquisition of the Second Target Assets (the "Acquisition 2") in consideration of the issue by the Company of the Consideration Shares to CCHK.

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$1.13 for the unaudited pro forma statement of assets and liabilities.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group 2 has been prepared based on:

(i) the unaudited consolidated balance sheet of the Group as at 30 June 2008 as extracted from the Company's published interim report for the six month ended 30 June 2008;

(ii) the value of investment properties included in the Second Target Assets as extracted from the valuation report as set out in Appendix VII of the Circular; and

(iii) the values of property, plant and equipment, inventories and bank balances and cash included in the Second Target Assets as extracted from a valuation report as at 31 August 2008 prepared by 北京同仁和資產評估有限責任公司, a PRC qualified valuer;

after making pro forma adjustments relating to the Acquisition 2 that are (i) directly attributable to the transaction; and (ii) factually supportable as if the Acquisition 2 had been completed on 30 June 2008. Accordingly, the unaudited pro forma statement of assets and liabilities of the Enlarged Group 2 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 2 as at 30 June 2008 or any future date.

Unaudited pro forma statement of assets and liabilities of the Enlarged Group 2 after the completion of acquisition by the Group of the Second Target Assets only

	The Group As at 30 June 2008	Pro forma adjustments (Note 5)	Pro forma Enlarged Group 2 Total
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property, plant and equipment	4,614	4,955	9,569
Investment properties	89,270	194,360	283,630
Interests in associates	44,000	—	44,000
Amount due from an associate	129,890	—	129,890
Restricted bank balance	4,200	—	4,200
	271,974	199,315	471,289
Current assets			
Inventory	—	979	979
Properties held for sale	25,259	—	25,259
Properties under development	684,848	—	684,848
Trade and other receivables	276,158	—	276,158
Bills receivable	3,390	—	3,390
Amounts due from associates	51	—	51
Amounts due from related companies	5,014	—	5,014
Tax recoverable	14,192	—	14,192
Bank balances and cash	304,104	7,345	311,449
	1,313,016	8,324	1,321,340
Current liabilities			
Trade and other payables	102,986	—	102,986
Provision for claim	1,900	—	1,900
Deposits received on sale of properties	473,122	—	473,122
Amounts due to related companies	930	—	930
Amounts due to minority owners of subsidiaries	6,239	—	6,239
Tax payable	3,718	—	3,718
Bank Loan	226,000	—	226,000
Unsecured other loans	3,260	—	3,260
	818,155	—	818,155

	The Group As at 30 June 2008	Pro forma adjustments (Note 5)	Pro forma Enlarged Group 2 Total
	HK$'000	*HK$'000*	*HK$'000*
Net current assets	494,861	8,324	503,185
Total assets less current liabilities	766,835	207,639	974,474
Non-current liabilities			
Deferred tax liabilities	5,550	—	5,550
	5,550	—	5,550
			—
Net assets	761,285	207,639	968,924

Unaudited pro forma statement of assets and liabilities of the enlarged group

(iii) After the completion of acquisition by the Group of 100% interest in CT Industrial, 66.67% interest in DFG Company, the First Target Assets and the Second Target Assets (the "Enlarged Group 3").

Introduction to unaudited pro forma statement of assets and liabilities of the Enlarged Group 3

The accompanying Unaudited Pro Forma Financial Information of the Enlarged Group 3 has been prepared to illustrate the effects of the proposed acquisition of 100% interest in CT Industrial, 66.67% interest in DFG Company, the First Target Assets and the Second Target Assets (the "Acquisition 1&2") in consideration of the issue by the Company of the Consideration Shares to CCHK.

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$1.13 for the unaudited pro forma statement of assets and liabilities.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group 3 has been prepared based on:

(i) the unaudited consolidated balance sheet of the Group as at 30 June 2008 as extracted from the Company's published interim report for the six month ended 30 June 2008;

(ii) the consolidated balance sheet of DFG Company and the balance sheet of CT Industrial as at 31 August 2008 as extracted from the Accountants' Reports on the financial information of DFG Company and CT Industrial as set out in Appendix V and IV of this Circular;

(iii) the value of investment properties included in the First Target Assets and the Second Target Assets as extracted from the valuation report as set out in Appendix VII of the Circular; and

(iv) the values of property, plant and equipment, inventories and bank balances and cash included in the First Target Assets and the Second Target Assets as extracted from a valuation report as at 31 August 2008 prepared by 北京同仁和資產評估有限責任公司, a PRC qualified valuer;

after making pro forma adjustments relating to the Acquisition 1&2 that are (i) directly attributable to the transaction; and (ii) factually supportable as if the Acquisition 1&2 had been completed on 30 June 2008. Accordingly, the unaudited pro forma statement of assets and liabilities of the Enlarged Group 3 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 3 as at 30 June 2008 or any future date.

Unaudited pro forma statement of assets and liabilities of the Enlarged Group 3 after the completion of acquisition by the Group of 100% interest in CT Industrial, 66.67% interest in DFG Company, the First Target Assets and the Second Target Assets

	The Group As at 30 June 2008	DFG Company As at 31 August 2008	CT Industrial As at 31 August 2008	Pro forma adjustments (Note 2)	(Note 3)	(Note 4)	(Note 5)	Pro forma Enlarged Group 3 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$''000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets								
Property, plant and equipment	4,614	1,790	—	—	—	3,240[a]	4,955	14,599
Land use rights	—	113,023	—	—	184,376	—	—	297,399
Investment properties	89,270	—	—	—	—	209,841[a]	194,360	493,471
Interests in associates	44,000	—	—	—	—	—	—	44,000
Amount due from an associate	129,890	—	—	—	—	—	—	129,890
Restricted bank balance	4,200	—	—	—	—	—	—	4,200
Amount due from an equity owner	—	11,300	—	(11,300)[a]	—	—	—	—
Deferred tax assets	—	1,458	—	—	—	—	—	1,458
Amount due from an equity owner of a subsidiary	—	—	—	11,300[a]	—	—	—	11,300
	271,974	127,571	—	—	184,376	213,081	199,315	996,317
Current assets								
Inventory	—	—	—	—	—	—	979	979
Properties held for sale	25,259	—	—	—	—	—	—	25,259
Properties under development	684,848	—	—	—	—	—	—	684,848
Land use rights	—	1,639	—	—	2,672	—	—	4,311
Trade and other receivables	276,158	10,310	—	—	—	—	—	286,468
Bills receivable	3,390	—	—	—	—	—	—	3,390
Amounts due from associates	51	—	—	—	—	—	—	51
Amounts due from related companies	5,014	—	—	34,448[b]	—	—	—	39,462
Tax recoverable	14,192	—	—	—	—	—	—	14,192
Bank balances and cash	304,104	35,463	37,600	—	—	89,496[b]	7,345	474,008
Amounts due from fellow subsidiaries	—	—	34,448	(34,448)[b]	—	—	—	—
Amount due from an equity owner	—	18,462	—	(18,462)[a]	—	—	—	—
Amount due from an equity owner of a subsidiary	—	—	—	18,462[a]	—	—	—	18,462
	1,313,016	65,874	72,048	—	2,672	89,496	8,324	1,551,430

	The Group As at 30 June 2008	DFG Company As at 31 August 2008	CT Industrial As at 31 August 2008	Pro forma adjustments				Pro forma Enlarged Group 3 Total
				(Note 2)	(Note 3)	(Note 4)	(Note 5)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$''000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities								
Trade and other payables	102,986	5,518	—	—	—	—	—	108,504
Provision for claim	1,900	—	—	—	—	—	—	1,900
Deposits received on sale of properties	473,122	—	—	—	—	—	—	473,122
Amounts due to related companies	930	—	—	31[b]	—	—	—	961
Amounts due to minority owners of Subsidiaries	6,239	—	—	—	—	—	—	6,239
Tax payable	3,718	1,959	—	—	—	—	—	5,677
Bank Loan	226,000	22,600	—	—	—	—	—	248,600
Unsecured other loans	3,260	—	—	—	—	—	—	3,260
Amount due to a fellow subsidiary	—	31	—	(31)[b]	—	—	—	—
Amount due to holding company	—	—	66,851	(66,851)[c]	—	—	—	—
Amount due to ultimate controlling shareholder	—	—	—	66,851[c]	—	—	—	66,851
	818,155	30,108	66,851	—	—	—	—	915,114
Net current assets	494,861	35,766	5,197	—	2,672	89,496	8,324	636,316
Total assets less current liabilities	766,835	163,337	5,197	—	187,048	302,577	207,639	1,632,633
Non-current liabilities								
Deferred tax liabilities	5,550	—	—	—	—	—	—	5,550
	5,550	—	—	—	—	—	—	5,550
Net assets	761,285	163,337	5,197	—	187,048	302,577	207,639	1,627,083

Notes:

1. The directors of the Company are of the view that the acquisition of 100% interest in CT Industrial, 66.67% interest in DFG Company, the First Target Assets and the Second Target Assets are in substance acquisition of assets, instead of an acquisition of business and therefore is excluded from the scope of HKFRS 3 "Business Combination" issued by the HKICPA and the pro forma adjustments have been made on this basis. All the assets and liabilities of CT Industrial and DFG Company, the First Target Assets and the Second Target Assets would be consolidated on a line by line basis upon the completion of the Acquisition 1 and/or the Acquisition 2 in consideration of the issue of the Consideration Shares to CCHK. For this equity-settled share-based payment transaction, the assets to be acquired by the Company will be accounted for their fair values and the equity of the Company will be increased according to the corresponding fair value of the assets to be acquired.

2. DFG Company and CT Industrial would become subsidiaries of the Company had the Acquisition 1 been completed on 30 June 2008. Reclassification on the amounts due from/to related companies are as follows:

   (a) reclassification from amount due from an equity owner to amount due from an equity owner of a subsidiary.

   (b) reclassification from amounts due from/to fellow subsidiaries to amounts due from/to a related companies.

   (c) reclassification from amount due to holding company to amount due to ultimate controlling shareholder.

3. The adjustment reflects the fair value adjustment of various lands owned by DFG Company. The adjustment is made by reference to the valuation report as at 31 October 2008 dated 29 November 2008 prepared by DTZ Debenham Tie Leung Limited as set out in Appendix VII to the Circular.

	HK$'000
Carrying amount of land use rights on the consolidated balance sheet of DFG as set out in Appendix V	
— non-current portion	113,023
— current portion	1,639
Fair value adjustment	
— non-current portion	184,376
— current portion	2,672
Value as per valuation report as set out in Appendix VII	301,710
Analysis for disclosure purposes:	
— non-current portion	297,399
— current portion	4,311
	301,710

4. The adjustment reflects:

   (a) the fair value of the First Target Assets. The adjustment on property, plant and equipment is made by reference to the valuation report as at 31 August 2008 prepared by 北京同仁和資產評估有限責任公司 and the adjustment on investment properties is made by reference to the valuation report as at 31 October 2008 dated 29 November 2008 prepared by DTZ Debenham Tie Leung Limited as set out in Appendix VII to the Circular.

   The First Target Assets comprises:

	HK$'000
Property, plant and equipment	3,240
Investment Properties	209,841
Total	213,081

The value of the investment properties are accounted for with reference to the valuation report as at 31 October 2008 dated 29 November 2008 prepared by DTZ Debenham Tie Leung Limited as set out in Appendix VII to the Circular.

(b) the injection of cash, amounting to RMB79,200,000 (equivalent to HK$89,496,000), to CT Industrial by CCHG pursuant to the sale and purchase agreement in relation to the Acquisition 1.

5. The adjustment reflects the acquisition of the Second Target Assets by the Group. Second Target Assets are the assets to be injected into LYG Company, a company to be established in the PRC to act as the holding company of the Second Target Assets. The adjustments on property, plant and equipment, inventories and bank balances and cash are made by reference to the valuation report as at 31 August 2008 prepared by 北京同仁和資產評估有限責任公司 and the adjustment on investment properties is made by reference to the valuation report as at 31 October 2008 dated 29 November 2008 prepared by DTZ Debenham Tie Leung Limited as set out in Appendix VII to the Circular.

	HK$'000
The Second Target Assets comprises:	
Property, plant and equipment	4,955
Investment properties	194,360
Inventories	979
Bank balances and cash	7,345
Total	207,639

The following is the text of the letter, summary of valuation and valuation certificates received from DTZ Debenham Tie Leung Limited, an independent property valuer, prepared for the purpose of inclusion in this circular in connection with its valuations of the property interests to be acquired by the Group.

DTZ 戴德梁行

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

29 November 2008

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

Dear Sirs,

Instructions, Purpose & Date of Valuation

In accordance with the instructions of China Chengtong Development Group Limited (the "Company") for us to prepare market valuations of the properties to be acquired by China Chengtong Development Group Limited and its related companies (together referred to as the "Group") situated in the People's Republic of China (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 the market values of the properties as at 31 October 2008 for the Group's disclosure purpose.

Definition of Market Value

Unless otherwise stated, our valuation of each 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 of each property 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 properties in the PRC, we have assumed that transferable land use rights in respect of the properties for their 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 adviser on the PRC laws, Commerce & Finance Law Offices, regarding the title to the properties. In valuing the properties, we have assumed that the Company has an enforceable title to the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the unexpired land use term as granted.

As advised by the Group, in the event that the properties are disposed of, the tax liabilities arising from the disposal of the properties may include stamp duty (0.05% on the transaction amount), business tax (5% on the transaction amount), profit tax (25% on the profit gain), and land appreciation tax (30% to 60% on the net appreciated amount less deductibles). The Company has further confirmed that the Group has neither immediate plan nor intention to dispose of the property after the Acquisition (as defined in the Group's Circular), therefore, the likelihood of any tax liabilities being crystallized is remote.

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

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 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

In valuing property Nos. 1 and 2 in Group I which will be acquired and held by the Group for future development, we have valued them by Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market.

Regarding property Nos. 3 to 6 in Group II which will be acquired and held by the Group for investment in the PRC, due to the special nature of them, we have used the Depreciated Replacement Cost ("DRC") Approach. The DRC is the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. The DRC Approach requires a valuation of the market value of the land in its existing use and an estimate of the new replacement cost of the buildings and structures from which deductions are then made to allow for the age, condition and functional obsolescence. The DRC is subject to service potential of the entity from the use of assets as a whole.

Source of Information

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 advisers on the PRC laws, Commerce & Finance Law Offices, in respect of the properties 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 certificates attached are based on the 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 Company which is material to the valuations. Except otherwise stated, we were also advised by the Company 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 properties. 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 properties. However we have not carried out investigations on site to determine the suitability of the soil conditions and the 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 during the construction period. Moreover, no structural survey has been made by us, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report that the properties are free from rot, infestation or any other structural defect. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the properties 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 valuations are in Renminbi (RMB), the lawful currency of the PRC.

We enclose herewith a summary of valuations and the valuation certificates.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
K. K. Chiu
Registered Professional Surveyor (GP)
Registered China Real Estate Appraiser
F.R.I.C.S., F.H.K.I.S.
Managing Director
Valuation and Advisory Services, North Asia

Note: Mr. K. K. Chiu is a Registered Professional Surveyor who has over 24 years' experience in the valuation of properties in the PRC.

SUMMARY OF VALUATIONS

	Property		Capital value in existing state as at 31 October 2008
	Group I — Properties to be acquired by the Group for future development		
1.	A piece of land situated at south of Shugang Highway, Dafeng City, Jiangsu Province, The PRC		RMB87,000,000
2.	Four pieces of land situated at Port Serviced Area, Dafeng Ocean Economic Development Area, Dafeng City, Jiangsu Province, The PRC		RMB180,000,000
		Sub-total:	RMB267,000,000
	Group II — Properties to be acquired by the Group for investment		
3.	Land and buildings situated at No. 147 Hailian East Road, Xinpu District, Lianyungang City, Jiangsu Province, The PRC		No commercial value
4.	Land and buildings situated at No. 77 Qinglong West Road, Changzhou City, Jiangsu Province, The PRC		No commercial value
5.	Land and buildings situated at No. 10, Kaifeng Road, Xiangshan District, Guilin City, Guangxi Zhuang Autonomous Region, The PRC		No commercial value
6.	Land and buildings situated at west of railway in Hushitai Town, Shenbeixinqu, Shenyang City, Liaoning Province, The PRC		No commercial value
		Sub-total:	No commercial value
		Total:	RMB267,000,000

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2008
	Group I — Properties to be acquired by the Group for future development			
1.	A piece of land situated at south of Shugang Highway, Dafeng City, Jiangsu Province, The PRC	The property comprises a piece of land with a total site area of approximately 549,600 sq m. The land use rights of the property have been granted for a term of 50 years expiring on 8 August 2055 for industrial (storage) use.	A vacant site to be developed.	RMB87,000,000

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2006) 105 dated 27 October 2006, the land use rights of the property comprising a piece of land with a site area of 549,600 sq m have been granted to 誠通大豐海港開發有限公司 (Chengtong Dafeng Harbor Development Ltd) for a term of 50 years due to expire on 8 August 2055 for industrial (storage) use.

(2) According to the Planning Design Document issued by Planning and Construction Bureau of Dafeng Ocean Economic Development District dated 1 August 2005, the property comprises a site with a site area of 549,600 sq m with details as follows:

(i)	Use	:	Industrial
(ii)	Building Density	:	30-40%
(iii)	Plot Ratio	:	<1.0
(iv)	Greenery Ratio	:	≥35%

(3) The legal opinion prepared by the legal adviser of the Group on the PRC laws states, inter alia, that 誠通大豐海港開發有限公司 (Chengtong Dafeng Harbor Development Ltd.) has obtained the Certificate for the Use of State-owned Land for the property and has the right to occupy, transfer, lease, mortgage or dispose of by other legal means of the land use rights of the property during its residual land use term.

(4) The status of title and grant of major approvals and licences in accordance with the information provided to us are as follows:

Certificate for the Use of State owned Land	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2008
2.	Four pieces of land situated at Port Serviced Area, Dafeng Ocean Economic Development Area, Dafeng City, Jiangsu Province, The PRC	The property comprises four pieces of land with a total site area of 476,826 sq m. The land use rights of the property have been granted for terms of 70 years for residential use and 40 years for commercial use due to expire on 11 May 2077 and 11 May 2047 respectively.	A vacant site to be developed.	RMB180,000,000

Notes:

(1) According to 4 Certificates for the Use of State-owned Land Nos. (2007) 255, (2007) 256, (2007) 257 and (2007) 258 all dated 14 November 2007, the land use rights of the property comprising four pieces of land with a total site area of 476,826 sq m have been granted to 誠通大豐海港開發有限公司 (Chengtong Dafeng Harbor Development Ltd.) for terms of 70 years for residential use and 40 years for commercial use.

(2) According to the Contract for Grant of Land Use Rights entered into between Dafeng Land Resources Bureau (the Grantor) and 誠通大豐海港開發有限公司(Chengtong Dafeng Harbor Development Ltd) (the Grantee) on 11 May 2007, the land use rights of the property comprising a total site area of 476,826 sq m have been granted to the Grantee with details as follows:-

(i)	Site Area	:	476,826 sq m
(ii)	Usage	:	Commercial, Residential
(iii)	Land Use Term	:	40 years for commercial use, 70 years for residential use, commencing from the date of the land actually delivered.
(iv)	Plot Ratio	:	≤1.5
(v)	Land Premium	:	RMB86,000,000

(3) The legal opinion prepared by the legal adviser of the Group on the PRC laws states, inter alia, that 誠通大豐海港開發有限公司 (Chengtong Dafeng Harbor Development Ltd.) has obtained the Certificate for the Use of State-owned Land for the property and has the right to occupy, transfer, lease, mortgage or dispose of by other legal means of the land use rights of the property during its residual land use term.

(4) The status of title and grant of major approvals and licences in accordance with the information provided to us are as follows:

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2008
	Group II — Properties to be acquired by the Group for investment			
3.	Land and buildings situated at No. 147 Hailian East Road, Xinpu District, Lianyungang City, Jiangsu Province, The PRC	The property comprises several storage, office and ancillary buildings erected on a site with an area of approximately 363,705.20 sq m. There are various buildings with a total gross floor area of 32,481.28 sq m erected on the subject land, which were constructed during the period between 1977 and 2004. Building Ownership Certificates have been granted for the buildings with a total gross floor area of approximately 27,744.12 sq m. Building Ownership Certificates have not been granted for the remaining buildings with a total gross floor area of approximately 4,737.16 sq m. The land use rights of the property have been allocated for warehouse use without a definite expiry date.	The property is currently occupied for warehouse and office uses.	No commercial value

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2006) XP004244 dated 18 December 2006, the land use rights of the property, comprising a piece of land with a site area of 363,705.20 sq m have been allocated to 連雲港中儲物流中心 (Lianyungang Zhongchu Logistics Center) for warehouse use without a definite expiry date.

In the course of our valuation, we have ascribed no commercial value to the above mentioned land portion of the property with a site area of approximately 363,705.20 sq m as the land use rights of the property are of state allocated type. For reference purpose, had the Group obtained the valid Certificate for the Use of State-owned Land of granted type and the property could be freely transferable in the open market, the capital value of the land in existing state as at 31 October 2008 would be RMB153,000,000.

(2) According to 6 Building Ownership Certificates, the building ownership of the property comprising a total gross floor area of 31,065.11 sq m is vested in 連雲港中儲物流中心 (Lianyungang Zhongchu Logistics Center). The details of the said certificates are listed as follows:-

Certificate Nos.	Gross Floor Area (sq m)
X00161503	3,831.32
X00161503-1	2,558.87
X00161503-2	318.25
X00161503-3	9,775.11
X00161503-4	10,797.11
X00161503-5	3,784.45
Total:	31,065.11

As advised by the Group, part of the buildings with a total gross floor area of 3,320.99 sq m have been demolished. There are a number of buildings left with a total gross floor area of 27,744.12 sq m. For the purpose of the valuation, we had adopted 27,744.12 sq m as the basis of our valuation calculation.

In the course of our valuation, we have ascribed no commercial value to the above mentioned building portion of the property with a total gross floor area of approximately 27,744.12 sq m as the land use rights of the property are of state allocated type. However, on the assumption that these buildings were situated on the granted land and can be freely transferable in the open market, the capital value of the buildings in existing state as at 31 October 2008, would be RMB19,000,000.

(3) As advised by the Group, Building Ownership Certificate has not been issued for the buildings erected on the subject land with a total gross floor area of 4,737.16 sq m. We have assigned no commercial value to these buildings. For reference purpose, had the Group obtained the valid Building Ownership Certificates and the property can be freely transferable in the open market, the capital value of these buildings in existing state as at 31 October 2008 would be RMB1,800,000.

(4) The legal opinion prepared by the legal adviser of the Group on the PRC laws states, inter alia, that:

(i) 連雲港中儲物流中心 (Lianyungang Zhongchu Logistics Center) has lawfully owned the land use rights of the property;

(ii) 連雲港中儲物流中心 (Lianyungang Zhongchu Logistics Center) has the right to occupy and use the land but can only freely transfer, lease, mortgage or dispose of the land use rights of the allocated land after obtaining the relevant approval from the Government and land premium should be paid; and

(iii) Various buildings with a total gross floor area of 4,737.16 sq.m. are without title certificate. Lianyungang Zhongchu Logistics Center cannot freely transfer, lease, mortgage and dispose of these buildings.

(5) The status of title and grant of major approvals and licences in accordance with the information provided to us are as follows:

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes (partly)

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2008
4.	Land and buildings situated at No. 77 Qinglong West Road, Changzhou City, Jiangsu Province, The PRC	The property comprises several storage, office and ancillary buildings erected on a site with an area of approximately 89,613.50 sq m. There are various buildings with a total gross floor area of 25,309.11 sq m erected on the subject land, which were constructed during the period between 1992 and 2003. Building Ownership Certificates have been granted for the buildings with a total gross floor area of approximately 15,642.11 sq m. Building Ownership Certificates have not been granted for the remaining buildings with a total gross floor area of approximately 9,667 sq m. The land use rights of the property have been allocated for industrial use without a definite expiry date.	The property is currently occupied for warehouse and office uses.	No commercial value

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2008) 0278855 dated 24 September 2008, the land use rights of the property comprising a piece of land with a site area of 89,613.50 sq m have been allocated to 中國物流公司 (China Logistics Company) for industrial use without a definite expiry date.

In the course of our valuation, we have ascribed no commercial value to the above mentioned land portion of the property with a site area of approximately 89,613.50 sq m as the land use rights of the property are of state allocated type. For reference purpose, had the Group obtained the valid Certificate for the Use of State-owned Land of granted type and the property could be freely transferable in the open market, the capital value of the land in existing state as at 31 October 2008 would be RMB46,000,000.

(2) According to 4 Building Ownership Certificates, the building ownership of the property and comprising a total gross floor area of 15,642.11 sq m is vested in 中國物流公司 (China Logistics Company). The details of the area in the said certificates are summarized as follows:

Certificate Nos.	Gross Floor Area (sq m)
00051956	9,150.05
00051958	3,074.84
00051960	2,869.95
00051962	547.27
Total	15,642.11

In the course of our valuation, we have ascribed no commercial value to the above mentioned building portion of the property with a total gross floor area of approximately 15,642.11 sq m as the land use rights of the property are of state allocated type. However, on the assumption that the buildings were situated on granted land and could be freely transferable in the open market, the capital value of the buildings in existing state as at 31 October 2008, would be RMB11,000,000.

(3) As advised by the Group, Building Ownership Certificate has not been issued for the buildings erected on the subject land with a total gross floor area of 9,667 sq m. We have assigned no commercial value to these buildings. For reference purpose, on the assumption that the buildings were situated on granted land, the Group had obtained the valid Building Ownership Certificates and the property could be freely transferable in the open market, the capital value of these buildings in existing state as at 31 October 2008 would be RMB6,000,000.

(4) The legal opinion prepared by the legal adviser of the Group on the PRC laws states, inter alia, that:

(i) 中國物流公司 (China Logistics Company) has lawfully owned the land use rights of the property;

(ii) 中國物流公司 (China Logistics Company) has the right to occupy and use the land but can only freely transfer, lease, mortgage or dispose of the land use rights of the allocated land after obtaining the relevant approval from the Government and land premium should be paid; and

(iii) Five buildings with a total gross floor area of 9,667 sq.m. are without title certificate. 中國物流公司 (China Logistics Company) cannot freely transfer, lease, mortgage and dispose of these buildings.

(5) The status of title and grant of major approvals and licences in accordance with the information provided to us are as follows:

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes (partly)

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2008
5.	Land and buildings situated at No. 10, Kaifeng Road, Xiangshan District, Guilin City, Guangxi Zhuang Autonomous Region, The PRC	The property comprises several industrial buildings erected on a site with an area of approximately 55,412.30 sq m. There are various buildings with a total gross floor area of 22,282.96 sq m erected on the subject land, which were constructed during the period between 1965 and 2002. Building Ownership Certificates have been granted for the buildings with a total gross floor area of approximately 21,404.96 sq m. Building Ownership Certificates have not been granted for the remaining buildings with a total gross floor area of approximately 878 sq m. The land use rights of the property have been allocated for industrial uses without a definite expiry date.	The property is partially occupied for ancillary office and industrial uses and the rest is vacant.	No commercial value

Notes:

(1) According to Certificate for the Use of State-owned Land No. (1995) 000253 dated 31 May 2007, the land use rights of the property comprising a piece of land with a site area of 55,412.30 sq m have been allocated to 桂林普天通信設備廠 (Guilin Putian Communication & Equipment Factory) for industrial use without a definite expiry date.

In the course of our valuation, we have ascribed no commercial value to the above mentioned land portion of the property with a site area of approximately 55,412.30 sq m as the land use rights of the property are of state allocated type. For reference purpose, had the Group obtained the valid Certificate for the Use of State-owned Land of granted type and the property could be freely transferable in the open market, the capital value of the land in existing state as at 31 October 2008 would be RMB24,000,000.

(2) The location of the property appearing in Certificate for the Use of State-owned Land No. (1995) 000253 is at No.10 Kaifeng Road, Xiangshan District, Guilin City. However, we noted from our site inspection that the postal address has been changed to No.80 Kaifeng Road, Xiangshan District, Guilin City.

(3) According to 9 Building Ownership Certificates, the building ownership of the property, comprising a total gross floor area of 21,404.96 sq m is vested in 桂林普天通信設備廠 (Guilin Putian Communication & Equipment Factory). The details of the areas in the said certificates are summarized as follows:

Certificate Nos.	Gross Floor Area (sq m)
30039639	77.00
30046474	7,064.12
30039640	677.50
30039638	1,107.29
30039641	1,997.26
30069910	1,375.14
30069913	1,334.68
30069916	7,106.24
30039642	665.73
Total	21,404.96

In the course of our valuation, we have ascribed no commercial value to the above mentioned building portion of the property with a total gross floor area of approximately 21,404.96 sq m as the land use rights of the property are of state allocated type. However, on the assumption that the buildings were situated on the granted land and could be freely transferable in the open market, the capital value of the buildings in existing state as at 31 October 2008, would be RMB15,000,000.

(4) As advised by the Group, Building Ownership Certificate has not been issued for the buildings erected on the subject land with a total gross floor area of 878 sq m. We have assigned no commercial value to these buildings. For reference purpose on the assumption that the buildings were situated on the granted land, the Group had obtained the valid Building Ownership Certificates and the property could be freely transferable in the open market, the capital value of these buildings in existing state as at 31 October 2008 would be RMB170,000.

(5) The legal opinion prepared by the legal adviser of the Group on the PRC laws states, inter alia, that:

(i) 桂林普天通信設備廠 (Guilin Putian Communication & Equipment Factory) has lawfully owned the land use rights of the property;

(ii) 桂林普天通信設備廠 (Guilin Putian Communication & Equipment Factory) has the right to occupy and use the land but can only freely transfer, lease, mortgage or dispose of the land use rights of the allocated land after obtaining the relevant approval from the Government and land premium should be paid; and

(iii) Three buildings with a total gross floor area of 878 sq.m. are without title certificate. Guilin Putian Communication & Equipment Factory cannot freely transfer, lease, mortgage and dispose of these buildings.

(6) The status of title and grant of major approvals and licences in accordance with the information provided to us are as follows:

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes (Partly)

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2008
6.	Lands and buildings situated at west of railway in Hushitai Town, Shenbeixinqu, Shenyang City, Liaoning Province, The PRC	The property comprises several storages and ancillary buildings erected on two pieces of land with a total site area of approximately 247,759 sq m. There are various buildings with a total gross floor area of 29,016.84 sq m erected on the subject land, which were constructed during the period between 1956 and 1993. The land use rights of the property have been granted for a term of 50 years due to expire on 19 May 2058 for storage and traffic uses.	The storage portions are currently occupied for industrial and storage uses.	No commercial value

Notes:

(1) According to two Contracts for Grant of Land Use Rights entered into between Shenyang Land Resources Bureau (the Grantor) and 誠通實業投資有限公司(Chengtong Industrial Investment Ltd.) (the Grantee) on 20 May 2008, the land use rights of the property comprising a total site area of 247,759.00 sq m have been granted to the Grantee. The details of the said certificates are shown as follows:

Contract Nos.	Location	Land Usage	Site Area (sq m)	Land Use Rights Term
(2008)16	West of railway in Hushitai Town	Traffic	6,244.00	20 May 2008 to 19 May 2058
(2008)17	West of railway in Hushitai Town	Storage	241,515.00	20 May 2008 to 19 May 2058
	Total		247,759.00	

In the course of our valuation, we have ascribed no commercial value to the above mentioned land portion of the property with a site area of approximately 247,759.00 sq m as Certificate for the Use of State-owned Land has not been issued. For reference purpose, had the Group obtained the valid Certificate for the Use of State-owned Land and the property could be freely transferable in the open market, the capital value of the land in existing state as at 31 October 2008 would be RMB83,000,000.

(2) According to 40 Building Ownership Certificates, the building ownership of the property, comprising 40 buildings with a total gross floor area of 29,016.84 sq m is vested in 中國物資儲運總公司瀋陽公司虎石台一庫 (China National Materials Storage and Transportation Corporation—Shenyang Hushitai 1st Storage). The details of the areas in the said certificates are shown as follows:

Certificate Nos.	Gross Floor Area (sq m)
002722	144.00
002739	206.00
002735	884.00
002720	236.00
006829	2,138.84
002742	70.00
002750	38.00
002747	92.00
002744	20.00
002754	319.00
002741	92.00
002724	2,428.00
002725	2,911.00
002726	2,911.00
002727	2,428.00
002728	3,265.00
002729	3,265.00
002730	1,525.00
002751	1,075.00
006830	1,172.00
002763	39.00
002759	219.00
002756	9.00
002755	17.00
002752	90.00
002749	229.00
002746	125.00
002743	61.00
002740	230.00
002732	591.00
002731	229.00
002723	77.00
006831	115.00
002748	458.00
002745	1,006.00
002764	32.00
002760	216.00
002716	19.00
002718	18.00
002719	17.00
Total	29,016.84

In the course of our valuation, we have ascribed no commercial value to the above mentioned building portion of the property with a total gross floor area of approximately 29,016.84 sq m as the Certificate for the Use of State-owned land has not been issued.

For reference purpose, had Chengtong Industrial Investment Limited obtained the valid Certificate for the Use of State-owned Land, upon the change of name of owner in the Building Ownership Certificates to Chengtong Industrial Investment Ltd. has been completed and the property could be freely transferable in the open market, the capital value of these buildings in existing state as at 31 October 2008 would be RMB6,700,000.

(3) The legal opinion prepared by the legal adviser of the Group on the PRC laws states, inter alia, that:

(i) 誠通實業投資有限公司 (Chengtong Industrial Investment Ltd.) will be the sole legal land user of the property after obtaining the relevant title certificates and entity approval from the government and the land premium is fully settled;

(ii) 誠通實業投資有限公司 (Chengtong Industrial Investment Ltd.) will have the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights of the property after the procedure of changing the name of the owner stated in the Building Ownership Certificate to Chengtong Industrial Investment Limited has been completed, the valid Certificate for the Use of State-owned Land is obtained and the land premium is fully settled; and

(iii) There is no material legal obstacle for 誠通實業投資有限公司 (Chengtong Industrial Investment Ltd.) to obtain the relevant title certificates.

(4) The status of title and grant of major approvals and licences in accordance with the information provided to us are as follows:

Contract for Grant of Land Use Rights	Yes
Building Ownership Certificate	Yes

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 inclusion in this circular in connection with its valuation of the property interest of the Group prepared by DTZ Debenham Tie Leung Limited.

DTZ 戴德梁行

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

29 November 2008

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

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 and its subsidiary (hereinafter referred to as the "Group") in the People's Republic of China (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 30 September 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 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 adviser, Hylands Law Firm, on the PRC laws, 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.

As advised by the Group, the tax liabilities for disposal of the property mainly comprise stamp duty (0.05% on the transaction amount), business tax (5% on the transaction amount), profit tax (25% on the profit gain), and land appreciation tax (30% to 60% on the net appreciated amount less deductibles). The potential tax liabilities are estimated to be approximately RMB1.2 million. There is likelihood of such tax liability being crystallized as they are held for sale. The above amounts are for indicative purposes and are calculated based on prevailing rules and information available as at the Latest Practicable Date as defined in the Group's Circular.

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 Practice Note 12 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.

Source of Information

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 adviser, Hylands Law Firm, on the 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 not, however, 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
K. K. Chiu
Registered Professional Surveyor (GP)
Registered China Real Estate Appraiser
F.R.I.C.S., F.H.K.I.S.
Managing Director
Valuation and Advisory Services, North Asia

Note: Mr. K. K. Chiu is a Registered Professional Surveyor who has over 24 years' experience in the valuation of properties in the PRC.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2008
Property held by the Group for sale in the PRC			
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 composite 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 and 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.	RMB23,700,000

Portion	Gross floor area	
	sq m	*sq ft*
Commercial	1,368.64	14,732
Storage	701.44	7,550
Basement car park	2,193.75	23,614
Refuge	378.24	4,071
Total:	4,642.07	49,967

The land use rights of the property have been granted for terms of 70 years for residential use due to expire on 20 June 2073, 50 years for car park use due to expire on 20 June 2053 and 40 years for ancillary use due to expire 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) (a wholly-owned subsidiary of the Group) for terms of 70 years for residential use due to expire on 20 June 2073, 50 years for car park use due to expire on 20 June 2053 and 40 years for ancillary use due to expire on 20 June 2043.

(2) According to Building Ownership Certificate No. 159657 dated 24 March 2006, the building ownership 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	849.22 sq m
Commercial	B1	519.42 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:	**4,642.07 sq m**

In the course of our valuation, we have assigned no commercial value to the refuge portion.

As further advised by the Group, as at the date of valuation, No. 202 on Level 2 with a gross floor area of 341.65 sq m was entered into a "Beijing Completed Commodity House Sale and Purchase Contract" between Zhongshi Investment Company Limited and Zhang Zi-rong (張子榮) and Chen Huang-xian (陳黃仙) dated 18 January 2008 at a consideration of RMB4,270,625.

Retail unit No. 02 on the Level 2 with a gross floor area of 507.57 sq m was entered into a "Beijing Completed Commodity House Agreement (《北京市商品房認購書》)" No. 070912 between Zhongshi Investment Company Limited and Hu Feng-yun (胡風雲) dated 12 September 2007 at a consideration of RMB6,885,000.

Storage on Level B2 with a gross floor area of 344 sq m was entered into various "Beijing Completed Commodity House Agreements (《北京市商品房認購書》)" on various dates at a total consideration of RMB1,090,800.

Retail Unit No. 101 on Level B1 with a gross floor area of 519.42 sq m was entered into a "Beijing Completed Commodity House Agreement (《北京市商品房認購書》)" No. 070419 between Zhongshi Investment Company Limited and Cai Qing-fa (蔡青法) dated 19 April 2007 at a consideration of RMB1,804,800.

Storage on Level B3 with a gross floor area of 134.46 sq m was entered into a "Beijing Completed Commodity House Agreement (《北京市商品房認購書》)" between Zhongshi Investment Company Limited and Zhang Zi-rong (張子榮) dated 3 March 2007 at a consideration of RMB403,380.

In the course of our valuation, we have taken into account the aforesaid sale and purchase contracts and agreements and included the contractual consideration pursuant to the said sale and purchase contract and agreement, We have assumed that the sale and purchase contract and 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 for an operation period from 11 April 1997 to 10 April 2034.

(5) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, 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 (excluding refuge portion).

(iii) No. 202 on Level 2 with a gross floor area of 341.65 sq m was entered into a "Beijing Completed Commodity House Sale and Purchase Contract (《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) dated 18 January 2008.

(iv) Retail unit No. 02 on the Level 2 with a gross floor area of 507.57 sq m was entered into a "Beijing Completed Commodity House Agreement (《北京市商品房認購書》)".

(v) Storage on Level B2 with a gross floor area of 344 sq m was entered into various "Beijing Completed Commodity House Agreements (《北京市商品房認購書》)".

(vi) Retail Unit No. 101 on Level B1 with a gross floor area of 519.42 sq m was entered into a "Beijing Completed Commodity House Agreements (《北京市商品房認購書》)".

(vii) Storage on Level B3 with a gross floor area of 134.46 sq m was entered into a "Beijing Completed Commodity House Agreements (《北京市商品房認購書》)".

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

(ix) Except for the contents disclosed by this legal opinion, the property is not subject to any seizures, distrainment, or any other disputes or controversies.

(6) 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

The following is the text of the letter, summary of values and valuation certificate received from B.I. Appraisals Limited, an independent property valuer, prepared for the purpose of inclusion in this circular in connection with their valuation of the property interests of the Group prepared by B.I. Appraisals Limited.

B.I.
To Know Your Strength Better

B. I. Appraisals Limited
保柏國際評估有限公司
Registered Professional Surveyors, Valuers & Property Consultants
Unit 1301, 13/F, Tung Wai Commercial Building,
Nos. 109-111 Gloucester Road, Wanchai, Hong Kong
Tel: (852) 2127 7762 Fax: (852) 2137 9876
Email: info@biappraisals.com.hk
Website: www.bisurveyors.com.hk

29 November 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) held by the Company and or its subsidiaries (hereinafter collectively referred to as the "Group"), 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 properties as at 31 October 2008 (hereinafter referred to as the "Date of Valuation").

It is our understanding that this valuation document is to be used for reference purpose; 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 valuing Property No. 1 in Group I, 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 valuing Property No. 2 in Group I, 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 valuing the property in Group II, which is held under development, 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.

In valuing the properties in Group III, which are held for future development, we have adopted the Direct Comparison Approach assuming each of such properties 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.

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 of the properties in Group I to Group II, 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, 浙江銀湖律師事務所 (unofficial translation Zhejiang Yin Hu Law Office) and Hylands Law Firm, 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.

In the event that the properties are disposed of, the tax liabilities arising from the disposal of the properties may include stamp duty (0.05% on the transaction amount), business tax (5% on the transaction amount), profit tax (25% on the profit gain), and land appreciation tax (30% to 60% on the net appreciated amount less deductibles). The basis and definition of market value dose not allow for any taxation that may be incurred in effecting sales, therefore, we have not considered such tax liabilities in our valuations.

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 Group, 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 October 2008 *(RMB)*
Group I — Properties 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 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	895,000,000
Group III — Properties held for future development in the PRC		
4.	A parcel of land (designated as Lot No. 2008-10-01) located on the northern side of Mizhou West Road, Zhucheng City, Shandong Province, the PRC	130,000,000
5.	The southern portion of a parcel of land (designated as Lot No. 2008-10-02) located on the eastern side of Heping North Street, Zhucheng City, Shandong Province, the PRC	60,000,000
6.	A parcel of land (designated as Lot No. 2008-10-03) located on the northern side of Fanrong West Road, Zhucheng City, Shandong Province, the PRC	70,000,000
7.	A parcel of land (designated as Lot No. 2008-11-01) located on the northern side of Mizhou West Road, Zhucheng City, Shandong Province, the PRC	12,000,000
	Total:	1,246,000,000

VALUATION CERTIFICATE

Group I — Properties held for investment in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 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 RMB37,500.00 for a term of one year from 1 October 2008.	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 Yong (2007) Nos. 05000414 - 05000416) 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 Stock Co., Ltd. Luoyang Branch Company) ("Party B") on 30 September 2008, Party A agreed to let the assets (including land use rights, buildings (except the premises with a gross floor area of 60.00 sq.m. in the building stated in the Certificate of Building Ownership Luo Shi Fang Quan Zheng (2008) Zi No. X423949), machines and equipment) in the property, the ownership and use rights of which are held by Party A, to Party B for use, operation and management at a monthly rent of RMB37,500 for a term of one year from 1 October 2008. The said contract stated explicitly that Party B would be responsible for the routine repairs, management and maintenance of the assets.

(4) As advised by the Company, in the event that the property is disposed of, the transaction may be subject to potential tax liabilities (including stamp duty, business tax, profit tax, and land appreciation tax). The Company further confirmed that the Group has neither immediate plan nor intention to dispose of the property, therefore, the likelihood of any tax liabilities being crystallized is remote.

(5) The opinion of Han Kun Law Offices dated 17 October 2008 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.

(6) 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 fo1lows:

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

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 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 right 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 RMB88,594.95, 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. together with the land use right thereof 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 between 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) As advised by the Company, in the event that the property is disposed of, the transaction may be subject to potential tax liabilities (including stamp duty, business tax, profit tax, and land appreciation tax). The Company further confirmed that the Group has neither immediate plan nor intention to dispose of the property, therefore, the likelihood of any tax liabilities being crystallized is remote.

(5) The opinion of Guangdong Guangkai Law Office dated 16 October 2008 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 the interests thereof are not subject to any seizure, mortgage, sale or involved in other dispute or contention; and are not subject to any unusual contracts, terms or conditions.

(6) 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 Guangdong Guangkai Law Office are as fo1lows:

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

VALUATION CERTIFICATE

Group II — Property held under development by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 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, completed in about October 2008, is a mixed residential/commercial complex comprising 92 blocks of multi-storey residential building with commercial, parking and other ancillary facilities built on 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.). The property provides, 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 subject 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:	The property is currently vacant.	RMB895,000,000

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 Yong (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 67.08% 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) (this condition has been subsequently revised by the supplementary agreement dated 4 November 2007, please also see Note 7 below); 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, 29 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 is a mixed residential/commercial complex completed in about October 2008 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.

(7) We have been advised that the property will be sold to the government upon completion and the consideration of which will be based on the aggregate of investment capital, financing costs and investment return for this project to be finalized after audit of the project accounts as according to the supplementary agreement entered into between 浙江湖州經濟開發區管理委員會 (Administration Commission of Zhejiang Huzhou Economic Development Zone) and Huzhou Land Company on 4 November 2007.

(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 October 2008 amounted to approximately RMB780 million.

(9) As advised by the Company, in the event that the property is disposed of, the transaction may be subject to potential tax liabilities including stamp duty (0.05% on the transaction amount), profit tax (25% on the profit gain), and land appreciation tax (30% to 60% on the net appreciated amount less deductibles). The potential tax liabilities are estimated to be approximately RMB23.1 million. There is likelihood of such tax liabilities being crystallized as the property is agreed to be sold back to the government upon completion. The above amount is for indicative purposes and is calculated based on prevailing rules and information available as at the Latest Practicable Date as defined in the Group's Circular.

(10) The opinion of Zhejiang Yin Hu Law Office dated 22 October 2008 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. However, adjustments to the national macro land policy have affected the execution of the original agreed terms and conditions in selling back the property. Huzhou Land Company has entered into a supplementary agreement (mentioned in Note 7 above) with Administration Commission of Zhejiang Huzhou Economic Development Zone in this regard. In addition, 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) The subject project has passed the relevant completion inspections conducted by relevant government authorities.

(f) Huzhou Land Company has obtained the relevant approvals, notices, permits, etc. and has proceed with the relevant completion inspection procedure for the subject project. There did not exist any incident that would constitute to a breach of contract during the execution of the contract. There should not be any legal impediment for Huzhou Land Company to obtain the respective real estate ownership certificates for such buildings.

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

(h) 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.

(11) Pursuant to the agreement dated 28 March 2008 and entered into between Huzhou Land Company, Great Royal International Limited (an indirect wholly owned subsidiary of the Company), 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 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 Zhejiang Yunxia Group

Limited); 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 Zhejiang Yunxia Group Limited).

(12) 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 design and construction of the property are in compliance with the local planning regulations and have been approved by relevant government authorities.

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

(c) Based on Note 10 (f) above, the relevant Completion Certificate and Certificates of Building/Real Estate Ownership will be granted by the relevant government authorities.

(13) In the course our valuation, we have considered the following:

(a) The property is a newly completed development project with Certificate of State-owned Land Use obtained. According to the opinion of Zhejiang Yin Hu Law Office, due to the fact that relevant approvals, notices, permits, etc, have been obtained for the implementation of the development process, that relevant completion inspections by the authorities have been carried out after its completion, and that there did not exist any incident that would constitute to a breach of contract, there should not be any legal impediment in obtaining the Certificate of Building/Real Estate Ownership for the project.

(b) The property is classified as a "property held under development", it is normal for such type of property to be valued on existing state basis by taking into account the value for the improvements (i.e. construction works or building) that have been made on the land as at the date of valuation even though the Certificate of Building/Real Estate Ownership for such improvements has not yet obtained.

(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 Zhejiang Yin Hu Law Office are as fo1lows:

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

VALUATION CERTIFICATE

Group III — Properties held for future development by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2008
4.	A parcel of land (designated as Lot No. 2008-10-01) located on the northern side of Mizhou West Road, Zhucheng City, Shandong Province, the PRC	The property comprises a parcel of land with a site area of approximately 133,333.00 sq.m. (1,435,196 sq.ft.) located on the northern side of Mizhou West Road in Zhucheng City. The property is permitted to be developed for residential use with a maximum gross floor area of approximately 333,332.50 sq.m. (3,587,991 sq.ft.). The land use rights of the property will be granted for a term of 70 years from the date of signing the Contract for Grant of State State-owned Land Use Rights.	The property is currently a site to be developed.	RMB130,000,000

Notes:

(1) Pursuant to the Confirmation Letter on State-owned Land Use Right Transaction (hereinafter referred to as the "Confirmation Letter") dated 21 July 2008 signed by 諸城市國有資產經營總公司 (unofficial translation as Zhucheng City State Asset Operation Company), 諸城市土地儲備中心 (unofficial translation as Zhucheng City Land Reserve Centre) and 于炳瀚 (unofficial translation as Yu Bing Han), the land use right of the land designated as Lot No. 2008-10-01 has been confirmed to be acquired by Yu Bing Han. Details of the said Confirmation Letter are summarized as follows:

(a)	Site Area	:	133,333.00 sq.m.;
(b)	Permitted uses	:	Residential;
(c)	Land grant premium	:	RMB114,000,000;
(d)	Plot ratio	:	≦ 2.5;
(e)	Site coverage	:	≦ 25%;
(f)	Green land ratio	:	> 35%;
(g)	Payment term	:	60% of the land grant premium to be paid on the date of signing the Confirmation Letter and the remainder shall be settled in full within a one-month period.

(2) Pursuant to the Supplementary Agreement of the Confirmation Letter dated 25 August 2008 entered into amongst Zhucheng City State Asset Operation Company, Zhucheng City Land Reserve Centre, Yu Bing Han and 諸城鳳凰置地有限公司 (unofficial translation as Zhucheng Phoenix Landmark Company Limited, hereinafter referred to as "Zhucheng Phoenix"), it was agreed that Zhucheng Phoenix would be responsible for the development of the said parcel of land stated in Note 1 and that the ownership of the land use right would be vested in Zhucheng Phoenix upon full settlement of the land grant premium.

(3) Pursuant to the Co-operative Agreement dated 4 July 2008 entered into amongst 中實投資有限責任公司 (unofficial translation as Zhongshi Investment Company Limited, hereinafter referred to as "Zhongshi"), 北京世紀尊博投資有限公司 (unofficial translation as Beijing Century Zun Bo Investment Co., Ltd., hereinafter referred to as "Century Zun Bo") and Yu Bing Han, all three parties agreed to take part in the tender of land use rights of three parcels of land (including the subject property) in Zhucheng City. Major terms and conditions of the Co-operative Agreement are summarized as follows:

(a) Zhongshi and Century Zun Bo agreed to engage Yu Bing Han to act as their agent to bid the land use rights of the relevant parcels of land.

(b) Yu Bing Han agreed to take part in the bidding of the land use rights of the relevant parcels of land in accordance with the work arrangements and instructions of Zhongshi and Century Zun Bo.

(c) Zhongshi shall have the right of ultimate decision (which shall not be detrimental to Century Zun Bo's interest).

(d) The total capital investment will be RMB250,000,000 to be contributed respectively by Zhongshi (80%) and Century Zun Bo (20%).

(e) Upon successful bidding of the land use right (of the property), Yu Bing Han shall not have any actual interest therein and shall not demand for any fee payment.

(f) The interest in the property shall be shared by Zhongshi and Century Zun Bo at a ratio of 87% and 13% respectively.

(g) Upon obtaining the land use right (of the property), Zhongshi and Century Zun Bo shall set up a company to undertake the development project. The capital investment shall be in cash and shall be in a ratio of 80% (Zhongshi) and 20% (Century Zun Bo).

(4) Pursuant to the Supplementary Agreement of Co-operative Agreement dated 17 July 2008 entered into between Zhongshi and Century Zun Bo, both parties agreed to the following terms and conditions:

(a) To inject the necessary capital in the method and timing as stated in the Co-operative Agreement;

(b) To inject the capital timely in accordance with the payment schedule for the land transaction; and

(c) A compensation of RMB5,000,000, apart from the corresponding late payment penalty, will have to be paid by any party who fails to inject the relevant capital timely to its counter.

(5) We have been advised that Zhongshi is an indirect wholly owned subsidiary of the Company and that Century Zun Bo and Yu Bing Han are independent third parties.

(6) Pursuant to the Land Development Agreement entered into amongst Zhongshi, Century Zun Bo and Zhucheng Phoenix on 19 August 2008, all three parties agreed the terms and conditions for the development of the property, the details of which are summarized as follows:

(a) Zhucheng Phoenix will obtain the land use rights of the property by entering into the relevant Contract for Grant of State-owned Land Use Rights and will be responsible for the investment and development of the property.

(b) The relevant portions of the land grant premium paid respectively by Zhongshi and Century Zun Bo will become the amounts payable by Zhucheng Phoenix (hereinafter referred to as the "Payable") upon the issue of the relevant Certificate of State-owned Land Use to Zhucheng Phoenix.

(c) The equity interest in the property held by Zhongshi and Century Zun Bo are 87% and 13% respectively and hence the relevant portions of land grant premium to be paid by the respective parties are RMB99,180,000.00 and RMB14,820,000.00.

(d) The Payable shall be settled by Zhucheng Phoenix in full within three years from the date of issue of the Certificate of State-owned Land Use.

(e) Interests shall be charged to the Payable before its settlement. The interest rate for the 1st year shall be 10% and those for the subsequent years shall to be agreed between the relevant parties but at a rate of not less than 10%.

(7) We have been advised that the Group owned 80% interest in Zhucheng Phoenix and 87% interest in the property.

(8) Pursuant to four official receipts, the land grant premium of RMB114,000,000 for the property has been settled in full.

(9) As the relevant Contract for Grant of State-owned Land Use Rights, which will state in more details the building covenants (in addition to those mentioned in Note 1), time limits for completion of the development and other conditions affecting the development of the property, has yet to be signed between the relevant land administration department and Zhucheng Phoenix, we are therefore not able to report further details in this respect. Our valuation is prepared on the assumption that there will not be any extraordinary conditions affecting the development of the property.

(10) As advised by the Company, in the event that the property is disposed of, the transaction may be subject to potential tax liabilities (including stamp duty, business tax, profit tax, and land appreciation tax). The Company further confirmed that the Group has neither immediate plan nor intention to dispose of the property, therefore, the likelihood of any tax liabilities being crystallized is remote.

(11) The opinion of Hylands Law Firm dated 24 October 2008 is summarized as below:

(a) Zhucheng Phoenix is a duly formed limited company in the PRC.

(b) The Supplementary Agreement of the Confirmation Letter (mentioned in Note 2 above), the Co-operative Agreement and its supplementary agreement (mentioned in Notes 3 and 4 above) and the Land Development Agreement (mentioned in Note 6 above) are in compliance with the PRC.

(c) Zhucheng Phoenix has executed the relevant obligations in relation to the settlement of the land grant premium.

(d) The proper legal title to the land use right of the property will be granted to Zhucheng Phoenix upon completion of the following procedures:

(i) The signing the Contract for Grant of State-owned Land Use Rights with the relevant government land administration department; and

(ii) The hand-over of the property and the issue of the relevant Certificate of State-owned Land Use by the relevant government land administration department.

(e) There was no legal impediment that would substantially affect the implementation of the procedures stated in Note 11(d) above.

(f) As advised by Zhucheng Phoenix, it is expected to obtain the Certificate of State-owned Land Use of the property not later than February 2009.

(g) Upon obtaining the Certificate of State-owned Land Use, Zhucheng Phoenix will be entitled to develop the property in accordance with the relevant procedure and conditions.

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

(a) Zhucheng Phoenix will obtain the proper legal title to the property and is entitled to transfer the property with the residual term of its land use rights at no extra land premium or other onerous payment payable to the government.

(b) The property may be disposed of freely to third party purchaser.

The above assumptions are adopted based on our understanding of the relevant PRC laws and past experience in dealing with similar PRC properties and on the opinion of Hylands Law Firm which states that there was no legal impediment that would substantially affect the implementation of the procedures to obtain the land use right of the property.

Although the chance that the land use right will not be granted cannot be completely ruled out, we are of the opinion that the possibility for the government to forfeit Zhucheng Phoenix's interest in the property will be very low on the ground that the land grant premium has been settled in full and that as long as Zhucheng Phoenix will act in accordance with the Confirmation Letter and its Supplementary Agreement.

(13) The market value reported above is arrived at after considering the following:

(a) The land use right of the property is acquired from the government by way of public auction with the Confirmation Letter and its Supplementary Agreement, which can be treated as an evidence of a grantee's pending title to the land to be granted, properly signed/entered into by the parties involved.

(b) The land grant premium for the transaction of the land use right has been settled in full as evidenced by the official receipts issued by the relevant authorities.

(c) The opinion of Hylands Law Firm states that there was no legal impediment that would substantially affect the implementation of the procedures to obtain the land use right of the property concerned.

(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 Hylands Law Firm are as fo1lows:

Confirmation Letter on State-owned Land Use Right Transaction and its Supplementary Agreement	Yes
Contract of Grant of State-owned Land Use Rights	No
Certificate of State-owned Land Use	No
Certificate of Building/Real Estate Ownership	No

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2008
5.	The southern portion of a parcel of land (designated as Lot No. 2008-10-02) located on the eastern side of Heping North Street, Zhucheng City, Shandong Province, the PRC	The subject parcel of land designated as Lot No. 2008-10-02, which has a site area of approximately 100,000.00 sq.m. (1,076,400 sq.ft.) and which is sub-divided into the northern and the southern portions with respective site areas of 26,669.00 sq.m. (287,065 sq.ft.) and 73,331.00 sq.m. (789,335 sq.ft.). It is located on the eastern side of Heping North Street in Zhucheng City. The property comprises the southern portion of the subject parcel of land with a site area of approximately 73,331.00 sq.m. (789,335 sq.ft.). It is permitted to be developed for residential use with a maximum gross floor area of approximately 205,326.80 sq.m. (2,210,138 sq.ft.). The land use rights of the property will be granted for residential use for a term of 70 years from the date of signing the Contract for Grant of State State-owned Land Use Rights.	The property is currently a site to be developed.	RMB60,000,000

Notes:

(1) Pursuant to the Confirmation Letter on State-owned Land Use Right Transaction (hereinafter referred to as the "Confirmation Letter") dated 21 July 2008 signed by Zhucheng City State Asset Operation Company, Zhucheng City Land Reserve Centre and Yu Bing Han, the land use right of the land designated as Lot No. 2008-10-02 has been confirmed to be acquired by Yu Bing Han. Details of the said Confirmation Letter are summarized as follows:

(a)	Site Area	:	100,000.00 sq.m.;
(b)	Permitted uses	:	Hotel (26,669.00 sq.m.) and Residential (73,331.00 sq.m.);
(c)	Land grant premium	:	RMB75,000,000;
(d)	Plot ratio	:	≦ 2.0 for hotel portion and ≦ 2.8 for residential portion;
(e)	Site coverage	:	≦ 25%;
(f)	Green land ratio	:	> 40% for hotel portion and > 35% for residential portion;
(g)	Payment term	:	60% of the land grant premium to be paid on the date of signing the Confirmation Letter and the remainder shall be settled in full within a one-month period.

(2) Pursuant to the Supplementary Agreement of the Confirmation Letter dated 25 August 2008 entered into amongst Zhucheng City State Asset Operation Company, Zhucheng City Land Reserve Centre, Yu Bing Han and 諸城港龍置地有限公司 (unofficial translation as Zhucheng Dragon Landmark Company Limited, hereinafter referred to as "Zhucheng Dragon"), it was agreed that Zhucheng Dragon would be responsible for the development of the residential portion of the said parcel of land stated in Note 1 and that the ownership of the land use right would be vested in Zhucheng Dragon upon full settlement of the land grant premium.

(3) Pursuant to the Co-operative Agreement dated 4 July 2008 entered into amongst Zhongshi Investment Company Limited ("Zhongshi"), Beijing Century Zun Bo Investment Co., Ltd. ("Century Zun Bo") and Yu Bing Han, all three parties agreed to take part in the tender of land use rights of three parcels of land (including the subject property) in Zhucheng City. Major terms and conditions of the Co-operative Agreement are summarized as follows:

(a) Zhongshi and Century Zun Bo agreed to engage Yu Bing Han to act as their agent to bid the land use rights of the relevant parcels of land.

(b) Yu Bing Han agreed to take part in the bidding of the land use rights of the relevant parcels of land in accordance with the work arrangements and instructions of Zhongshi and Century Zun Bo.

(c) Zhongshi shall have the right of ultimate decision (which shall not be detrimental to Century Zun Bo's interest).

(d) The total capital investment will be RMB250,000,000 to be contributed respectively by Zhongshi (80%) and Century Zun Bo (20%).

(e) Upon successful bidding of the land use right (of the property), Yu Bing Han shall not have any actual interest therein and shall not demand for any fee payment.

(f) The interest in the property shall be shared by Zhongshi and Century Zun Bo at a ratio of 87% and 13% respectively.

(g) Upon obtaining the land use right (of the property), Zhongshi and Century Zun Bo shall set up a company to undertake the development project. The capital investment shall be in cash and shall be in a ratio of 80% (Zhongshi) and 20% (Century Zun Bo).

(4) Pursuant to the Supplementary Agreement of Co-operative Agreement dated 17 July 2008 entered into between Zhongshi and Century Zun Bo, both parties agreed to the following terms and conditions:

(a) To inject the necessary capital in the method and timing as stated in the Co-operative Agreement;

(b) To inject the capital timely in accordance with the payment schedule for the land transaction; and

(c) A compensation of RMB5,000,000, apart from the corresponding late payment penalty, will have to be paid by any party who fails to inject the relevant capital timely to its counter.

(5) We have been advised that Zhongshi is an indirect wholly owned subsidiary of the Company and that Century Zun Bo and Yu Bing Han are independent third parties.

(6) Pursuant to the Land Development Agreement entered into amongst Zhongshi, Century Zun Bo and Zhucheng Dragon on 19 August 2008, all three parties agreed the terms and conditions for the development of the property, the details of which are summarized as follows;

(a) Zhucheng Dragon will obtain the land use rights of the property by entering into the relevant Contract for Grant of State-owned Land Use Rights and will be responsible for the investment and development of the property.

(b) The relevant portions of the land grant premium paid respectively by Zhongshi and Century Zun Bo will become the amounts payable by Zhucheng Dragon (hereinafter referred to as the "Payable") upon the issue of the relevant Certificate of State-owned Land Use to Zhucheng Dragon.

(c) The equity interest in the property held by Zhongshi and Century Zun Bo are 87% and 13% respectively and hence the relevant portions of land grant premium to be paid by the respective parties are RMB47,850,000.00 and RMB7,150,000.00.

(d) The Payable shall be settled by Zhucheng Dragon in full within three years from the date of issue of the Certificate of State-owned Land Use.

(e) Interests shall be charged to the Payable before its settlement. The interest rate for the 1st year shall be 10% and those for the subsequent years shall to be agreed between the relevant parties but at a rate of not less than 10%.

(7) We have been advised that the Group owned 80% interest in Zhucheng Dragon and 87% interest in the property.

(8) Pursuant to three official receipts, the land grant premium of RMB55,000,000 for the property has been settled in full.

(9) As the relevant Contract for Grant of State-owned Land Use Rights, which will state in more details the building covenants (in addition to those mentioned in Note 1), time limits for completion of the development and other conditions affecting the development of the property, has yet to be signed between the relevant land administration department and Zhucheng Dragon, we are therefore not able to report further details in this respect. Our valuation is prepared on the assumption that there will not be any extraordinary conditions affecting the development of the property.

(10) As advised by the Company, in the event that the property is disposed of, the transaction may be subject to potential tax liabilities (including stamp duty, business tax, profit tax, and land appreciation tax). The Company further confirmed that the Group has neither immediate plan nor intention to dispose of the property, therefore, the likelihood of any tax liabilities being crystallized is remote.

(11) The opinion of Hylands Law Firm dated 24 October 2008 is summarized as below:

(a) Zhucheng Dragon is a duly formed limited company in the PRC.

(b) The Supplementary Agreement of the Confirmation Letter (mentioned in Note 2 above), the Co-operative Agreement and its supplementary agreement (mentioned in Notes 3 and 4 above) and the Land Development Agreement (mentioned in Note 6 above) are in compliance with the PRC laws.

(c) Zhucheng Dragon has executed the relevant obligations in relation to the settlement of the land grant premium.

(d) The proper legal title to the land use right of the property will be granted to Zhucheng Dragon upon completion of the following procedures:

(i) The signing the Contract for Grant of State-owned Land Use Rights with the relevant government land administration department; and

(ii) The hand-over of the property and the issue of the relevant Certificate of State-owned Land Use by the relevant government land administration department.

(e) There was no legal impediment that would substantially affect the implementation of the procedures stated in Note 11(d) above.

(f) As advised by Zhucheng Dragon, it is expected to obtain the Certificate of State-owned Land Use of the property not later than February 2009.

(g) Upon obtaining the Certificate of State-owned Land Use, Zhucheng Dragon will be entitled to develop the property in accordance with the relevant procedure and conditions.

(h) The sub-division of the subject parcel of land into the hotel portion (to be owned and developed by諸城合興置地有限公司) and the residential portion (to be owned and developed by Zhucheng Dragon) in accordance with the relevant agreement is in compliance with the relevant PRC laws.

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

(a) Zhucheng Dragon will obtain the proper legal title to the property and is entitled to transfer the property with the residual term of its land use rights at no extra land premium or other onerous payment payable to the government.

(b) The property, whether as a whole or in part, may be disposed of freely to third party purchaser.

The above assumptions are adopted based on our understanding of the relevant PRC laws and past experience in dealing with similar PRC properties and on the opinion of Hylands Law Firm which states that there was no legal impediment that would substantially affect the implementation of the procedures to obtain the land use right of the property and that the arrangement for the subdivision of Lot No. 2008-10-02 into the residential portion and the hotel portion is not in violation to the relevant to the PRC laws.

Although the chance that the land use right will not be granted cannot be completely ruled out, we are of the opinion that the possibility for the government to forfeit Zhucheng Dragon's interest in the property will be very low on the ground that the land grant premium has been settled in full and that as long as Zhucheng Dragon will act in accordance with the Confirmation Letter and its Supplementary Agreement.

(13) The market value reported above is arrived at after considering the following:

a) The land use right of the property is acquired from the government by way of public auction with the Confirmation Letter and its Supplementary Agreement, which can be treated as an evidence of a grantee's pending title to the land to be granted, properly signed/entered into by the parties involved.

b) The land grant premium for the transaction of the land use right has been settled in full as evidenced by the official receipts issued by the relevant authorities.

c) The opinion of Hylands Law Firm states that there was no legal impediment that would substantially affect the implementation of the procedures to obtain the land use right of the property concerned.

(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 Hylands Law Firm are as fo1lows:

Confirmation Letter on State-owned Land Use Right Transaction and its Supplementary Agreement	Yes
Contract of Grant of State-owned Land Use Rights	No
Certificate of State-owned Land Use	No
Certificate of Building/Real Estate Ownership	No

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2008
6.	A parcel of land (designated as Lot No. 2008-10-03) located on the northern side of Fanrong West Road, Zhucheng City, Shandong Province, the PRC	The property comprises a parcel of land designated as Lot No. 2008-10-03, which has a site area of approximately 99,599.00 sq.m. (1,072,083 sq.ft.) and which is sub-divided into two portions designated as A-1 and A-2 with a respective site area of 31,774.00 sq.m. (342,015 sq.ft.) and 67,825.00 sq.m. (730,068 sq.ft.). It is located on the northern side of Fanrong West Road in Zhucheng City. A-1 is permitted to be developed for residential use with a maximum gross floor area of approximately 47,661.00 sq.m. (513,023 sq.ft.); whereas A-2 is permitted for commercial and residential uses with with a maximum gross floor area of approximately 135,650.00 sq.m. (1,460,137 sq.ft.). The land use rights of the property will be granted for residential and commercial uses for terms of 70 and 40 years from the date of signing the Contract for Grant of State State-owned Land Use Rights.	The property is currently a site to be developed.	RMB70,000,000

Notes:

(1) Pursuant to the Confirmation Letter on State-owned Land Use Right Transaction (hereinafter referred to as the "Confirmation Letter") dated 21 July 2008 signed by Zhucheng City State Asset Operation Company, Zhucheng City Land Reserve Centre and Yu Bing Han, the land use right of the land designated as Lot No. 2008-10-03 has been confirmed to be acquired by Yu Bing Han. Details of the said Confirmation Letter are summarized as follows:

(a)	Site Area	:	99,599.00 sq.m.;
(b)	Permitted uses	:	Residential for A-1 and Commercial and Residential for A-2;
(c)	Land grant premium	:	RMB59,759,400;
(d)	Plot ratio	:	≦ 1.5 for A-1 and ≦ 2.0 for A-2;
(e)	Site coverage	:	≦ 25% for A-1 and ≦ 25% for A-2;
(f)	Green land ratio	:	> 35% for A-1 and > 30% for A-2;
(g)	Payment term	:	60% of the land grant premium to be paid on the date of signing the Confirmation Letter and the remainder shall be settled in full within a one-month period.

(2) Pursuant to the Supplementary Agreement of the Confirmation Letter dated 25 August 2008 entered into amongst Zhucheng City State Asset Operation Company, Zhucheng City Land Reserve Centre, Yu Bing Han and 諸城泰豐置地有限公司 (unofficial translation as Zhucheng Prosperity Landmark Company Limited, hereinafter referred to as "Zhucheng Prosperity"), it was agreed that Zhucheng Prosperity would be responsible for the development of the said parcel of land stated in Note 1 and that the ownership of the land use right would be vested in Zhucheng Prosperity upon full settlement of the land grant premium.

(3) Pursuant to the Co-operative Agreement dated 4 July 2008 entered into amongst Zhongshi Investment Company Limited ("Zhongshi"), Beijing Century Zun Bo Investment Co., Ltd. ("Century Zun Bo") and Yu Bing Han, all three parties agreed to take part in the tender of land use rights of three parcels of land (including the subject property) in Zhucheng City. Major terms and conditions of the Co-operative Agreement are summarized as follows:

(a) Zhongshi and Century Zun Bo agreed to engage Yu Bing Han to act as their agent to bid the land use rights of the relevant parcels of land.

(b) Yu Bing Han agreed to take part in the bidding of the land use rights of the relevant parcels of land in accordance with the work arrangements and instructions of Zhongshi and Century Zun Bo.

(c) Zhongshi shall have the right of ultimate decision (which shall not be detrimental to Century Zun Bo's interest).

(d) The total capital investment will be RMB250,000,000 to be contributed respectively by Zhongshi (80%) and Century Zun Bo (20%).

(e) Upon successful bidding of the land use right (of the property), Yu Bing Han shall not have any actual interest therein and shall not demand for any fee payment.

(f) The interest in the property shall be shared by Zhongshi and Century Zun Bo at a ratio of 87% and 13% respectively.

(g) Upon obtaining the land use right (of the property), Zhongshi and Century Zun Bo shall set up a company to undertake the development project. The capital investment shall be in cash and shall be in a ratio of 80% (Zhongshi) and 20% (Century Zun Bo).

(4) Pursuant to the Supplementary Agreement of Co-operative Agreement dated 17 July 2008 entered into between Zhongshi and Century Zun Bo, both parties agreed to the following terms and conditions:

(a) To inject the necessary capital in the method and timing as stated in the Co-operative Agreement;

(b) To inject the capital timely in accordance with the payment schedule for the land transaction; and

(c) A compensation of RMB5,000,000, apart from the corresponding late payment penalty, will have to be paid by any party who fails to inject the relevant capital timely to its counter.

(5) We have been advised that Zhongshi is an indirect wholly owned subsidiary of the Company and that Century Zun Bo and Yu Bing Han are independent third parties.

(6) Pursuant to the Land Development Agreement entered into amongst Zhongshi, Century Zun Bo and Zhucheng Prosperity on 19 August 2008, all three parties agreed the terms and conditions for the development of the property, the details of which are summarized as follows:

(a) Zhucheng Prosperity will obtain the land use rights of the property by entering into the relevant Contract for Grant of State-owned Land Use Rights and will be responsible for the investment and development of the property.

(b) The relevant portions of the land grant premium paid respectively by Zhongshi and Century Zun Bo will become the amounts payable by Zhucheng Prosperity (hereinafter referred to as the "Payable") upon the issue of the relevant Certificate of State-owned Land Use to Zhucheng Prosperity.

(c) The equity interest in the property held by Zhongshi and Century Zun Bo are 87% and 13% respectively and hence the relevant portions of land grant premium to be paid by the respective parties are RMB51,990,678.00 and RMB7,768,722.00.

(d) The Payable shall be settled by Zhucheng Prosperity in full within three years from the date of issue of the Certificate of State-owned Land Use.

(e) Interests shall be charged to the Payable before its settlement. The interest rate for the 1st year shall be 10% and those for the subsequent years shall to be agreed between the relevant parties but at a rate of not less than 10%.

(7) We have been advised that the Group owned 80% interest in Zhucheng Prosperity and 87% interest in the property.

(8) Pursuant to three official receipts, the land grant premium of RMB59,759,400 for the property has been settled in full.

(9) As the relevant Contract for Grant of State-owned Land Use Rights, which will state in more details the building covenants (in addition to those mentioned in Note 1), time limits for completion of the development and other conditions affecting the development of the property, has yet to be signed between the relevant land administration department and Zhucheng Prosperity, we are therefore not able to report further details in this respect. Our valuation is prepared on the assumption that there will not be any extraordinary conditions affecting the development of the property.

(10) As advised by the Company, in the event that the property is disposed of, the transaction may be subject to potential tax liabilities (including stamp duty, business tax, profit tax, and land appreciation tax). The Company further confirmed that the Group has neither immediate plan nor intention to dispose of the property, therefore, the likelihood of any tax liabilities being crystallized is remote.

(11) The opinion of Hylands Law Firm dated 24 October 2008 is summarized as below:

(a) Zhucheng Prosperity is a duly formed limited company in the PRC.

(b) The Supplementary Agreement of the Confirmation Letter (mentioned in Note 2 above), the Co-operative Agreement and its supplementary agreement (mentioned in Notes 3 and 4 above) and the Land Development Agreement (mentioned in Note 6 above) are in compliance with the PRC laws.

(c) Zhucheng Prosperity has executed the relevant obligations in relation to the settlement of the land grant premium.

(d) The proper legal title to the land use right of the property will be granted to Zhucheng Prosperity upon completion of the following procedures:

(i) The signing the Contract for Grant of State-owned Land Use Rights with the relevant government land administration department; and

(ii) The hand-over of the property and the issue of the relevant Certificate of State-owned Land Use by the relevant government land administration department.

(e) There was no legal impediment that would substantially affect the implementation of the procedures stated in Note 11(d) above.

(f) As advised by Zhucheng Prosperity, it is expected to obtain the Certificate of State-owned Land Use of the property not later than February 2009.

(g) Upon obtaining the Certificate of State-owned Land Use, Zhucheng Prosperity will be entitled to develop the property in accordance with the relevant procedure and conditions.

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

(a) Zhucheng Prosperity will obtain the proper legal title to the property and is entitled to transfer the property with the residual term of its land use rights at no extra land premium or other onerous payment payable to the government.

(b) The property may be disposed of freely to third party purchaser.

The above assumptions are adopted based on our understanding of the relevant PRC laws and past experience in dealing with similar PRC properties and on the opinion of Hylands Law Firm which states that there was no legal impediment that would substantially affect the implementation of the procedures to obtain the land use right of the property.

Although the chance that the land use right will not be granted cannot be completely ruled out, we are of the opinion that the possibility for the government to forfeit Zhucheng Prosperity's interest in the property will be very low on the ground that the land grant premium has been settled in full and that as long as Zhucheng Prosperity will act in accordance with the Confirmation Letter and its Supplementary Agreement.

(13) The market value reported above is arrived at after considering the following:

(a) The land use right of the property is acquired from the government by way of public auction with the Confirmation Letter and its Supplementary Agreement, which can be treated as an evidence of a grantee's pending title to the land to be granted, properly signed/entered into by the parties involved.

(b) The land grant premium for the transaction of the land use right has been settled in full as evidenced by the official receipts issued by the relevant authorities.

(c) The opinion of Hylands Law Firm states that there was no legal impediment that would substantially affect the implementation of the procedures to obtain the land use right of the property concerned.

(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 Hylands Law Firm are as follows:

Confirmation Letter on State-owned Land Use Right Transaction and its Supplementary Agreement	Yes
Contract of Grant of State-owned Land Use Rights	No
Certificate of State-owned Land Use	No
Certificate of Building/Real Estate Ownership	No

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2008
7.	A parcel of land (designated as Lot No. 2008-11-01) located on the northern side of Mizhou West Road, Zhucheng City, Shandong Province, the PRC	The property comprises a parcel of land designated as Lot No. 2008-11-01 with a site area of approximately 12,673.00 sq.m. (136,412 sq.ft.). It is located on the northern side of Mizhou West Road in Zhucheng City. The property is permitted to be developed for residential use with a maximum gross floor area of approximately 31,682.50 sq.m. (341,030 sq.ft.). The land use rights of the property will be granted for a term of 70 years from the date of signing the Contract for Grant of State State-owned Land Use Rights.	The property is currently a site to be developed.	RMB12,000,000

Notes:

(1) Pursuant to the Confirmation Letter on State-owned Land Use Right Transaction (hereinafter referred to as the "Confirmation Letter") dated 8 August 2008 signed by Zhucheng City State Asset Operation Company, Zhucheng City Land Reserve Centre and Yu Bing Han, the land use right of the land designated as Lot No. 2008-11-01 has been confirmed to be acquired by Yu Bing Han. Details of the said Confirmation Letter are summarized as follows:

(a)	Site Area	:	12,673.00 sq.m.;
(b)	Permitted uses	:	Residential
(c)	Land grant premium	:	RMB10,835,415;
(d)	Plot ratio	:	≦ 2.5;
(e)	Site coverage	:	≦ 25%;
(f)	Green land ratio	:	> 35%;
(g)	Payment term	:	60% of the land grant premium to be paid on the date of signing the Confirmation Letter and the remainder shall be settled in full within a one-month period.

(2) Pursuant to the Supplementary Agreement of the Confirmation Letter dated 25 August 2008 entered into amongst Zhucheng City State Asset Operation Company, Zhucheng City Land Reserve Centre, Yu Bing Han and Zhucheng Phoenix Land Company Limited ("Zhucheng Phoenix"), it was agreed that Zhucheng Phoenix would be responsible for the development of the said parcel of land stated in Note 1 and that the ownership of the land use right would be vested in Zhucheng Phoenix upon full settlement of the land grant premium.

(3) Pursuant to the Supplementary Agreement II (supplement to Co-operative Agreement dated 4 July 2008) dated 17 July 2008 entered into amongst Zhongshi Investment Company Limited ("Zhongshi"), Beijing Century Zun Bo Investment Co., Ltd. ("Century Zun Bo") and Yu Bing Han, all three parties agreed to take part in the tender of land use right of the subject parcel of land. Major terms and conditions of the Supplementary Agreement are summarized as follows:

(a) Zhongshi and Century Zun Bo agreed to engage Yu Bing Han to act as their agent to bid the land use right of the subject parcel of land.

(b) Yu Bing Han agreed to take part in the bidding of the land use right of the subject parcel of land in accordance with the work arrangements and instructions of Zhongshi and Century Zun Bo.

(c) Zhongshi shall have the right of ultimate decision (which shall not be detrimental to Century Zun Bo's interest).

(d) The total capital investment will be RMB10,850,000 to be contributed respectively by Zhongshi (80%) and Century Zun Bo (20%).

(e) Upon successful bidding of the land use right (of the property), Yu Bing Han shall not have any actual interest therein and shall not demand for any fee payment.

(f) The interest in the property shall be shared by Zhongshi and Century Zun Bo at a ratio of 80% and 20% respectively.

(g) Upon obtaining the land use right (of the property), Zhongshi and Century Zun Bo shall inject their respective interests in the property into Zhucheng Phoenix in the form of shareholders' loan at a interest rate of not less than 10%.

(4) We have been advised that Zhongshi is an indirect wholly owned subsidiary of the Company and that Century Zun Bo and Yu Bing Han are independent third parties.

(5) Pursuant to the Land Development Agreement (re: Lot Nos. 2008-10-01 and 2008-11-01) entered into amongst Zhongshi, Century Zun Bo and Zhucheng Phoenix on 19 August 2008, all three parties agreed the terms and conditions for the development of the relevant properties, the details of which are summarized as follows:

(a) Zhucheng Phoenix will obtain the land use rights of the parcels of land by entering into the relevant Contracts for Grant of State-owned Land Use Rights and will be responsible for the investment and development of the relevant parcels of land.

(b) The relevant portions of the land grant premium paid respectively by Zhongshi and Century Zun Bo for the property will become the amounts payable by Zhucheng Phoenix (hereinafter referred to as the "Payable") upon the issue of the relevant Certificate of State-owned Land Use to Zhucheng Phoenix.

(c) The equity interest in the property held by Zhongshi and Century Zun Bo are 80% and 20% respectively and hence the relevant portions of land grant premium paid by the respective parties are RMB8,668,332.00 and RMB2,167,083.00.

(d) The Payable shall be settled by Zhucheng Phoenix in full within three years from the date of issue of the Certificate of State-owned Land Use.

(e) Interests shall be charged to the Payable before its settlement. The interest rate for the 1st year shall be 10% and those for the subsequent years shall to be agreed between the relevant parties but at a rate of not less than 10%.

(6) We have been advised that the Group owned 80% interest in Zhucheng Phoenix and 80% interest in the property.

(7) Pursuant to three official receipts, the land grant premium of RMB10,835,415 for the property has been settled in full.

(8) As the relevant Contract for Grant of State-owned Land Use Rights, which will state in more details the building covenants (in addition to those mentioned in Note 1), time limits for completion of the development and other conditions affecting the development of the property, has yet to be signed between the relevant land administration department and Zhucheng Phoenix, we are therefore not able to report further details in this respect. Our valuation is prepared on the assumption that there will not be any extraordinary conditions affecting the development of the property.

(9) As advised by the Company, in the event that the property is disposed of, the transaction may be subject to potential tax liabilities (including stamp duty, business tax, profit tax, and land appreciation tax). The Company further confirmed that the Group has neither immediate plan nor intention to dispose of the property, therefore, the likelihood of any tax liabilities being crystallized is remote.

(10) The opinion of Hylands Law Firm dated 24 October 2008 is summarized as below:

(a) Zhucheng Phoenix is a duly formed limited company in the PRC.

(b) The Supplementary Agreement of the Confirmation Letter (mentioned in Note 2 above), the Supplementary Agreement of the Co-operative Agreement and its (mentioned in Note 3 above) and the Land Development Agreement (mentioned in Note 5 above) are in compliance with the PRC laws.

(c) Zhucheng Phoenix has executed the relevant obligations in relation to the settlement of the land grant premium.

(d) The proper legal title to the land use right of the property will be granted to Zhucheng Phoenix upon completion of the following procedures:

(i) The signing the Contract for Grant of State-owned Land Use Rights with the relevant government land administration department; and

(ii) The hand-over of the property and the issue of the relevant Certificate of State-owned Land Use by the relevant government land administration department.

(e) There was no legal impediment that would substantially affect implementation of the procedures stated in Note 10(d) above.

(f) As advised by Zhucheng Phoenix, it is expected to obtain the Certificate of State-owned Land Use of the property not later than February 2009.

(g) Upon obtaining the Certificate of State-owned Land Use, Zhucheng Phoenix will be entitled to develop the property in accordance with the relevant procedure and conditions.

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

(a) Zhucheng Phoenix will obtain the proper legal title to the property and is entitled to transfer the property with the residual term of its land use rights at no extra land premium or other onerous payment payable to the government.

(b) The property may be disposed of freely to third party purchaser.

The above assumptions are adopted based on our understanding of the relevant PRC laws and past experience in dealing with similar PRC properties and on the opinion of Hylands Law Firm which states that there was no legal impediment that would substantially affect the implementation of the procedures to obtain the land use right of the property.

Although the chance that the land use right will not be granted cannot be completely ruled out, we are of the opinion that the possibility for the government to forfeit Zhucheng Phoenix's interest in the property will be very low on the ground that the land grant premium has been settled in full and that as long as Zhucheng Phoenix will act in accordance with the Confirmation Letter and its Supplementary Agreement.

(12) The market value reported above is arrived at after considering the following:

a) The land use right of the property is acquired from the government by way of public auction with the Confirmation Letter and its Supplementary Agreement, which can be treated as an evidence of a grantee's pending title to the land to be granted, properly signed/entered into by the parties involved.

b) The land grant premium for the transaction of the land use right has been settled in full as evidenced by the official receipts issued by the relevant authorities.

c) The opinion of Hylands Law Firm states that there was no legal impediment that would substantially affect the implementation of the procedures to obtain the land use right of the property concerned.

(13) 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 Hylands Law Firm are as fo1lows:

Confirmation Letter on State-owned Land Use Right Transaction and its Supplementary Agreement	Yes
Contract of Grant of State-owned Land Use Rights	No
Certificate of State-owned Land Use	No
Certificate of Building/Real Estate Ownership	No

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 jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than information relating to CCHK and CCHG) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statements in this circular misleading.

The directors of CCHK jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than information relating to the Group and CCHG) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statements in this circular misleading.

The directors of CCHG jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than information relating to the Group and CCHK) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statements in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

Authorised share capital:		*HK$*
5,000,000,000 Shares		**500,000,000.00**
Issued and fully paid share capital or credited as fully paid:		
2,678,905,570	Shares in issue as at the Latest Practicable Date	267,890,557.00
1,523,471,697	Shares of HK$0.10 each to be issued upon completion of the First SP Agreement (assuming no adjustment to the consideration)	152,347,169.70
587,949,631	Shares of HK$0.10 each to be issued upon completion of the Second SP Agreement (assuming no adjustment to the consideration)	58,794,963.10
1,828,166,034	Shares of HK$0.10 each to be issued upon completion of the First SP Agreement (assuming the consideration is adjusted to its maximum extent)	182,816,603.40

705,539,557	Shares of HK$0.10 each to be issued upon completion of the Second SP Agreement (assuming the consideration is adjusted to its maximum extent)	70,553,955.70

All the issued shares in the capital of the Company rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital. The Company had no debt securities in issue as at the Latest Practicable Date.

Since 31 December 2007, the date of which the latest audited financial statement of the Company was made up, and up to the Latest Practicable Date, the Company allotted and issued 6,885,026 new Shares upon the exercise of the subscription rights attaching to the options granted under the share option scheme of the Company.

Save as disclosed above, the Company has not issued any Shares since 31 December 2007 and no share or loan capital of the Company has been put under option or agreed conditionally or unconditionally to be put under option and no warrant or conversion right affecting the Shares has been issued or granted or agreed conditionally or unconditionally to be issued or granted.

3. MARKET PRICES

The table below shows the closing price of the Shares on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the period commencing six months preceding the date of the date of the Announcement; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	**Closing price per Share** *HK$*
30 April 2008	1.040
30 May 2008	0.940
30 June 2008	0.650
31 July 2008	0.580
29 August 2008	0.430
30 September 2008	0.375
31 October 2008	0.350
Last Trading Day	0.360
Latest Practicable Date	0.580

The highest and lowest closing prices per Share recorded on the Stock Exchange during the Relevant Period were HK$1.160 and HK$0.300 on 6 May 2008 and 18 September 2008 respectively.

4. 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:

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage of interest
Zhang Guotong	Beneficial owner	365	0.00001%
Gu Laiyun	Beneficial owner	3,867,707	0.144%
Xu Zhen	Beneficial owner	725,196	0.027%

(b) Save as disclosed in sub-paragraph (a) above, as at the Latest Practicable Date, none of the Directors nor 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 or their respective associates was interested in any business apart from the business of the Enlarged Group, which competed or was likely to compete, either directly or indirectly, with that of the Enlarged Group.

5. 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	beneficial owner *(Note 2)*	791,814,913(L)	29.56%
CCHK	controlled corporation *(Note 2)*	791,814,913(L)	29.56%
	beneficial owner	2,533,705,591(L) *(Note 3)*	94.58%
CCHG	controlled corporation *(Note 2)*	3,325,520,504(L)	124.14%

Notes:

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

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

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

(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/Registered capital	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%
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%
諸城鳳凰置地有限公司 (unofficial translation as Zhucheng Phoenix Landmark Company Ltd)	北京世紀尊博投資有限公司 (unofficial translation as Beijing Century Zun Bo Investment Co., Ltd)	RMB20,000,000	20%
諸城港龍置地有限公司 (unofficial translation as Zhucheng Dragon Landmark Company Ltd)	北京世紀尊博投資有限公司 (unofficial translation as Beijing Century Zun Bo Investment Co., Ltd)	RMB20,000,000	20%
諸城泰豐置地有限公司 (unofficial translation as Zhucheng Prosperity Landmark Company Ltd)	北京世紀尊博投資有限公司 (unofficial translation as Beijing Century Zun Bo Investment Co., Ltd)	RMB20,000,000	20%
DFG Company	大豐市大豐港開發建設有限公司 (unofficial translation as Defeng Harbour Development Construction Limited)	RMB50,000,000	33.33%

(c) Save as disclosed in sub-paragraphs (a) and (b) above, 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.

6. DIRECTORS' SERVICE CONTRACTS

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

None of the Directors has a service contract with the Company or any of its subsidiaries or associated companies which:

(a) (including both continuous and fixed term contracts) have been entered into or amended within 6 months before the commencement of the date of the Announcement;

(b) are continuous contracts with a notice period of 12 months or more; or

(c) are fixed term contracts with more than 12 months to run irrespective of the notice period.

7. 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 were made up, 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 date of this circular and which is significant in relation to the business of the Enlarged Group taken as a whole;

(iii) none of B.I. Appraisals Limited, DTZ Debenham Tie Leung Limited, CIMB-GK and Deloitte Touche Tohmatsu 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 were made up, 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 B.I. Appraisals Limited, DTZ Debenham Tie Leung Limited, CIMB-GK and Deloitte Touche Tohmatsu 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 date of this circular and which is significant in relation to the business of the Enlarged Group taken as a whole.

8. ADDITIONAL DISCLOSURE OF SHAREHOLDING AND DEALINGS PURSUANT TO THE TAKEOVERS CODE

(a) The shareholdings of the Concert Group in the Company as at the Latest Practicable Date are set out in the paragraphs headed "Directors' Interest" and "Substantial Shareholders' Interest" in this appendix and in the paragraph headed "Changes in Shareholding Structure" in the "Letter from the Board" in this circular. None of CCHK or CCHG or any member of the Concert Group had dealt for value in any Shares or securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period, save for the Consideration Shares. As at the Latest Practicable Date, the Company had no shareholding interest in CCHK or CCHG nor had the Company dealt for value in any shares or other securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in CCHK or CCHG during the Relevant Period.

(b) Save as set out in the paragraphs headed "Directors' Interest" and "Substantial Shareholders Interest" in this appendix and in the paragraph headed "Changes in Shareholding Structure" in the "Letter from the Board" in this circular, as at the Latest Practicable Date, none of the directors of CCHK or CCHG was interested in any securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company nor had the directors of CCHK or CCHG dealt for value in any shares or other securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company, CCHK or CCHG during the Relevant Period, save for the Consideration Shares.

(c) Save as set out in the paragraphs headed "Directors' Interest" and "Substantial Shareholders Interest" in this appendix and in the paragraph headed "Changes in Shareholding Structure" in the "Letter from the Board" in this circular, as at the Latest Practicable Date, none of the members of the Concert Group owned or controlled any Shares or other securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company. Save for entering into of the First SP Agreement and the Second SP Agreement, none of the members of the Concert Group had dealt for value in relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) during the Relevant Period.

(d) As at the Latest Practicable Date, none of the members of the Concert Group had any arrangement of the kind described in Note 8 to Rule 22 of the Takeovers Code with any person.

(e) As at the Latest Practicable Date, save for the First SP Agreement and the Second SP Agreement, there was no agreement, arrangement or understanding (including any compensation arrangement) between any member of the Concert Group and any Director, recent Director, shareholder or recent shareholder of the Company which had any connection with or dependence upon the Acquisition or the Whitewash Waiver.

(f) As at the Latest Practicable Date, save as disclosed in the paragraphs headed "Directors' Interest" and "Substantial Shareholders Interest" in this appendix, none of the Directors was interested in any Shares or other securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company, CCHK or CCHG.

(g) As at the Latest Practicable Date, no shareholding in the Company was owned or controlled by a subsidiary of the Company or by a pension fund of any member of the Group or by the Independent Financial Adviser and none of the advisers to the Company as specified in class (2) of the definition of associate in the Takeovers Code owned or had any interest in any Shares or other securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

(h) As at the Latest Practicable Date, no person had any arrangement of the kind as described to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code.

(i) As at the Latest Practicable Date, no shareholding in the Company was managed on a discretionary basis by fund managers connected with the Company.

(j) As at the Latest Practicable Date, no benefit would be given to any Director as compensation for loss of office or otherwise in connection with the Acquisition or the Whitewash Waiver.

(k) As at the Latest Practicable Date, save for the First SP Agreement and the Second SP Agreement, there was not agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Acquisition, the Whitewash Waiver or otherwise connected with it.

(l) As at the Latest Practicable Date, save for the First SP Agreement and the Second SP Agreement, there was no material contracts have been entered into by the Concert Group in which any Director has any a material personal interest.

(m) No Shares acquired by the Concert Group in pursuance of the Acquisition will be transferred, charged or pledged to any other persons.

(n) Save for the entering into of the First SP Agreement and the Second SP Agreement, none of the member of the Concert Group has acquired any Shares or had any dealings in the relevant securities of the Company (as defined under Note 4 to Rule 22 of the Takeovers Code) during the period commencing on the date falling six months prior to the date of the First SP Agreement and the Second SP Agreement and up to the date of the Announcement and during the Relevant Period.

(o) As at the Latest Practicable Date, there was no shareholding in the Company which the Concert Group has borrowed or lent, and there was no dealings in the Shares or other securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company by person which the Concert Group has borrowed or lent the Shares or other securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period.

(p) As at the Latest Practicable Date, there was no shareholding in the Company which the Company or the Directors has/have borrowed or lent, and there was no dealings in the Shares or other securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company by person which the Company or the Directors has/have borrowed or lent the Shares or other securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period.

(q) As at the Latest Practicable Date, there was no shareholding in the Company owned or controlled by any persons who, prior to the posting of this circular, have irrevocably committed themselves to vote for or against the Whitewash Waiver.

9. LITIGATION

In July 2008, an independent contractor has commenced two legal actions in the PRC against 中實投資有限責任公司 (unofficial translation being Zhongshi Investment Company Limited), a wholly-owned subsidiary of the Company, to recover certain unpaid contract fee for certain construction projects and interests accrued thereon in the aggregate sum of RMB4,721,971.85.

Save as disclosed above, 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.

10. 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 the Announcement and up to the Latest Practicable Date which are or may be material:

(a) an extension agreement dated 20 December 2006 entered into by the same parties to the 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**"), extending the date for fulfillment of the conditions for completion of subscription of shares in the JV Company from 31 December 2006 to 30 June 2007;

(b) an extension agreement dated 20 December 2006 entered into by the same parties to the 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 subsidiaries, as vendors and the JV Company as purchaser for the transfer of the entire issued share capital of Sea-Land Mining Limited extending the date for fulfillment of the conditions for completion of the Sea-Land Group Sale Agreement from 31 December 2006 to 30 June 2007;

(c) 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 of the Company of not less than 601,057,490 rights Shares and not more than 619,141,490 rights Shares of HK$0.1 at HK$0.33 per rights Share payable in full on acceptance in the proportion of three rights Shares for every ten Shares held on record date (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);

(d) 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 CCPGL of 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 was 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;

(e) 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;

(f) a letter of undertaking dated 11 January 2007 entered into by 嘉成企業發展有限公司 (unofficial English name, Jiacheng Enterprise Development Company Limited) ("**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 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**") relating to the acquisition ("**Xian Acquisition**") of 52% of the registered capital of Xian PRC Company;

(g) an equity transfer agreement dated 15 January 2007 entered into between Xian Vendor and Zhongshi relating to the Xian Acquisition at a consideration of RMB25,600,000;

(h) 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;

(i) 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;

(j) 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;

(k) 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;

(l) 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;

(m) 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;

(n) the agreement dated 28 March 2008 and entered into among Great Royal International Limited, Hong Kong Wanshan Holdings Limited, 浙江雲廈集團有限公司 (unofficial translation as Zhejiang Yunxia Group Limited) and Huzhou Land Company in relation to the increase in the registered capital of Huzhou Land Company in the amount of RMB104,800,000 contributed by Great Royal International Limited;

(o) a completion confirmation letter dated 21 July 2008 and signed by 于炳瀚 (Yu Binghan) ("**Agent**"), an individual who is an independent third party (acting on behalf of Zhongshi and 北京世紀尊博投資有限公司 (unofficial translation as Beijing Century Zun Bo Investment Co., Ltd.), an independent third party ("**JV Partner**")), 諸城市國有資產經營總公司 (unofficial translation as Zhucheng City State Asset Operation Company) ("**Zhucheng State Asset**") and 諸城市土地儲備中心 (unofficial translation as Zhucheng City Land Reserves Centre) ("**Zhucheng Land Reserves**") confirming the winning of the tender of a piece of land located at Zhucheng City, Shandong Province, the PRC ("**Land A**") at a consideration of RMB59,759,400 (as supplemented by a letter dated 25 August 2008 and signed by the same parties and 諸城泰豐置地有限公司 (unofficial translation as Zhucheng Prosperity Landmark Company Ltd.) ("**Zhuncheng Prosperity**") for clarifying certain terms of tender and development of Land A);

(p) a completion confirmation letter dated 21 July 2008 and signed by the Agent (acting on behalf of Zhongshi and the JV Partner), Zhucheng State Asset and Zhucheng Land Reserves confirming the winning of the tender of a piece of land located at Zhucheng City, Shandong Province, the PRC ("**Land B**") at a consideration of RMB114,000,000 (as supplemented by a letter dated 25 August 2008 and signed by the same parties and 諸城鳳凰置地有限公司 (unofficial translation as Zhucheng Phoenix Landmark Company Ltd.) ("**Zhuncheng Phoenix**") for clarifying certain terms of tender and development of Land B);

(q) a completion confirmation letter dated 21 July 2008 and signed by the Agent (acting on behalf of Zhongshi and the JV Partner), Zhucheng State Asset and Zhucheng Land Reserves confirming the winning of the tender of a piece of land located at Zhucheng City, Shandong Province, the PRC ("**Land C**") at a consideration of RMB75,000,000 (as supplemented by a letter dated 25 August 2008 and signed by the same parties and 諸城港龍置地有限公司 (unofficial translation as Zhucheng Dragon Landmark Company Ltd.) ("**Zhuncheng Dragon**") for clarifying certain terms of tender and development of Land C);

(r) the joint venture contracts and articles of Zhucheng Prosperity, Zhucheng Phoenix and Zhucheng Dragon formed by Zhongshi and the JV Partner for the purposes of holding and developing Land A, Land B and Land C respectively, each dated 31 July 2008 and entered into by Zhongshi and the JV Partner;

(s) a completion confirmation letter dated 8 August 2008 signed by the Agent (acting on behalf of Zhongshi and the JV Partner), Zhucheng State Asset and Zhucheng Land Reserves confirming the winning of the tender of a piece of land located at Zhucheng City, Shandong Province, the PRC ("**Land D**") at a consideration of RMB10,835,415 (as supplemented by a letter dated 25 August 2008 and signed by the same parties and Zhucheng Phoenix for clarifying certain terms of tender and development of Land D);

(t) the Original First SP Agreement;

(u) the Original Second SP Agreement;

(v) the First Supplemental Agreement to the First SP Agreement; and

(w) the First Supplemental Agreement to the Second SP Agreement.

11. QUALIFICATIONS OF EXPERTS

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

Name	Qualification
B.I. Appraisals Limited	Registered Professional Surveyors
DTZ Debenham Tie Leung Limited	Registered Professional Surveyors

CIMB-GK	a corporation licensed to carry on type 1 (dealings in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants

As at the Latest Practicable Date, none of B.I. Appraisals Limited, DTZ Debenham Tie Leung Limited , CIMB-GK and Deloitte Touche Tohmatsu 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.

12. CONSENTS

B.I. Appraisals Limited, DTZ Debenham Tie Leung Limited, CIMB-GK and Deloitte Touche Tohmatsu 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 references to their names, opinions or letters in the form and context in which they respectively appear.

13. 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.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (other than Saturdays, Sundays and public holidays in Hong Kong) at (i) the office of the Company in Hong Kong at Suite 6406, 64th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong; (ii) on the website of the SFC (www.sfc.hk) and (iii) the Company's website at www.irasia.com/listco/hk/chengtong during the period from 29 November 2008 up to and including the date of the EGM:

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

(2) the memorandum and articles of association of each of CCHK and CCHG;

(3) the letter from the Independent Board Committee containing its advice to the Independent Shareholders, the text of which is set out in the section headed "Letter form the Independent Board Committee" in this circular;

(4) the letter from CIMB-GK containing its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from CIMB-GK" in the circular;

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

(6) the interim report of the Group for the six months ended 30 June 2008;

(7) 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 years ended 31 December 2007 as set out in Appendix II to this circular;

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

(9) the accountants' report of CT Industrial prepared by Deloitte Touche Tohmatsu for the period from 15 June 2007 (date of establishment) to 31 December 2007 and the eight months ended 31 August 2008 as set out in Appendix IV to this circular;

(10) the accountants' report of DFG Company prepared by Deloitte Touche Tohmatsu for the period from 29 December 2005 (date of establishment) to 31 December 2005, the two years ended 31 December 2007 and the eight months ended 31 August 2008 as set out in Appendix V to this circular;

(11) the report issued by Deloitte Touche Tohmatsu in connection with the unaudited pro forma balance sheet of the Enlarged Group as set out in Appendix VI to this circular;

(12) the property valuation report issued by DTZ Debenham Tie Leung Limited in relation to the properties interests to be acquired by the Group as set out in Appendix VII to this circular;

(13) the property valuation report issued by DTZ Debenham Tie Leung Limited in relation to the properties interests of the Group as set out in Appendix VIII to this circular;

(14) the property valuation report issued by B.I. Appraisals Limited in relation to the property interests of the Group as set out in Appendix IX to this circular;

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

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

(17) the circular of the Company dated 29 May 2008;

(18) the circular of the Company dated 21 August 2008; and

(19) this circular.

15. 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 of the Company is Ms. Lei Ching, an associate member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries and also a fellow member of the Association of Chartered Certified Accountants.

(4) The qualified accountant of the Company is Ms. Chan Yuet Kwai, *FCPA FCCA*.

(5) The registered address of CCHK is situated at Room 1507, 15th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong and the registered address of CCHG is situated at Building 17, Section 6, No. 188 Western Road of South 4th Ring Road, Fengtai District, Beijing, the PRC. CCHK is a wholly-owned subsidiary of CCHG, whereas CCHG is a state-owned enterprise directly owned by the State-owned Assets Supervision and Administration Commission of the State Council on behalf of the Central People's Government of the PRC. The directors of CCHK are Mr. Ma Zhengwu and Mr. Zhang Guotong, and the directors of CCHG are Mr. Ma Zhengwu, Mr. Hong Shuikun, Mr. Li Yaoqiang, Mr. Wang Wenze, Mr. Du Changtao, Mr. Tao Rui, Mr. Dong Zhihua, Mr. Zhang Qiusheng and Mr. Tang Guoliang.

(6) The registered address of CIMB-GK is situated at 25th Floor, Central Tower, 28 Queen's Road Central, Hong Kong.

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, 16 December 2008 at Plaza Room 1-3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong at 10:30 a.m., for the purpose of considering and, if thought fit, passing the following resolutions each of which will be proposed as an Ordinary Resolution of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**

(a) the sale and purchase agreement dated 15 October 2008 and entered into between the Company as purchaser, China Chengtong Hong Kong Company Limited ("**CCHK**") as vendor and China Chengtong Holdings Group Limited ("**CCHG**") as vendor's warrantor, as supplemented by the supplemental agreement dated 27 October 2008 and entered into between the Company, CCHK and CCHG ("**First SP Agreement**") in relation to the acquisition by the Company of the entire issued share capital of two companies to be incorporated in the British Virgin Islands prior to the completion of the First SP Agreement (copy of which has been produced to the meeting marked "A" and initialed by the chairman of the meeting for the purpose of identification) and all transactions contemplated thereby be and are hereby approved;

(b) the issue of the Consideration Shares (as defined in the circular of the Company dated 29 November 2008 ("**Circular**") (a copy of which has been produced to the meeting marked "B" and initialed by the chairman of the meeting for the purpose of identification)) upon completion of the First SP Agreement as set out in the Circular on and subject to the terms of the First SP Agreement, be and is hereby approved;

(c) the directors of the Company ("**Directors**") be and are hereby authorised, for and on behalf of the Company, to take all steps necessary or expedient in their opinion to implement and/or give effect to the terms of the First SP Agreement; and

(d) the Directors be and are hereby authorised, for and on behalf of the Company, to execute all such other documents, instruments and agreements and to do all such acts or things deemed by them to be incidental to, ancillary to or in connection with the matters contemplated under the First SP Agreement and to agree to any amendment to any of the terms of the First SP Agreement which in the opinion of the Directors is not of a material nature and is in the interests of the Company."

2. "**THAT**

(a) the sale and purchase agreement dated 15 October 2008 and entered into between the Company as purchaser, CCHK as vendor and CCHG as vendor's warrantor, as supplemented by the supplemental agreement dated 27 October 2008 and entered into between the Company, CCHK and CCHG ("**Second SP Agreement**") in relation to the acquisition by the Company of the entire issued share capital of a company to be incorporated in the British Virgin Islands prior to the completion of the Second SP Agreement (copy of which has been produced to the meeting marked "C" and initialed by the chairman of the meeting for the purpose of identification) and all transactions contemplated thereby be and are hereby approved;

(b) the issue of the Consideration Shares (as defined in the Circular (a copy of which has been produced to the meeting marked "B" and initialed by the chairman of the meeting for the purpose of identification)) upon completion of the Second SP Agreement as set out in the Circular on and subject to the terms of the Second SP Agreement, be and is hereby approved;

(c) the Directors be and are hereby authorised, for and on behalf of the Company, to take all steps necessary or expedient in their opinion to implement and/or give effect to the terms of the Second SP Agreement; and

(d) the Directors be and are hereby authorised, for and on behalf of the Company, to execute all such other documents, instruments and agreements and to do all such acts or things deemed by them to be incidental to, ancillary to or in connection with the matters contemplated under the Second SP Agreement and to agree to any amendment to any of the terms of the Second SP Agreement which in the opinion of the Directors is not of a material nature and is in the interests of the Company."

3. "**THAT** subject to the Executive (as defined in the Circular) granting to the Concert Group (as defined in the Circular) the Whitewash Waiver (as defined in the Circular) and the satisfaction of any condition(s) attached to the Whitewash Waiver imposed by the Executive, the waiver pursuant to Note 1 on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers ("**Takeovers Code**") waiving any obligation on the Concert Group to make a mandatory general offer to the holders of securities of the Company to acquire securities in the Company other than those already owned by the Concert Group which would otherwise arise under Rule 26.1 of the Takeovers Code as a result of the allotment and issue of the Consideration Shares (as defined in the Circular) to CCHK (as defined in resolution number 1 above) pursuant to the First SP Agreement (as defined in resolution number 1 above) and the Second SP Agreement (as defined in resolution number 2 above) be and is hereby approved."

4. "**THAT** the authorised share capital of the Company be and hereby increased from HK$500,000,000 to HK$600,000,000 by the creation of 1,000,000,000 new shares of HK$0.10 each."

By order of the Board
China Chengtong Development Group Limited
Wang Hongxin
Managing Director

Hong Kong, 29 November 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 of the Company, Computershare Hong Kong Investor Services Limited at Rooms 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.