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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

CHINA CHENGTONG DEVELOPMENT GROUP LIMITED

中國誠通發展集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 217)

VERY SUBSTANTIAL DISPOSAL — DISPOSAL OF HUZHOU GROUP AND NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening the extraordinary general meeting of the Company to be held at 3:15 p.m. on Monday, 29 June 2009 at Boardroom 3 & 4, Mezzanine Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time of the meeting to the office of the Company's registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting in person should you so wish.

13 June 2009

CONTENTS

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

"Board"	the board of Directors
"CCHG"	China Chengtong Holdings Group Limited, the holding company of CCHK
"CCHK"	China Chengtong Hong Kong Company Limited, a substantial Shareholder
"Company"	China Chengtong Development Group Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
"Conditions"	the conditions precedent to the completion of the Disposal as set out in the paragraph headed "Conditions precedent" under the section headed "Sale and Purchase Agreement" in the "Letter from the Board" in this circular
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the terms of the Sale and Purchase Agreement
"EGM"	the extraordinary general meeting of the Company convened to be held at 3:15 p.m. on Monday, 29 June 2009 at Boardroom 3 & 4, Mezzanine Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong for the purposes of considering, and if thought fit, approving the Sale and Purchase Agreement
"Great Royal"	Great Royal International Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company
"Group"	the Company and its subsidiaries from time to time
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huzhou Company"	湖州萬港聯合置業有限公司 (unofficial translation as Huzhou Wangang United Estate Company Limited), a sino-foreign equity joint venture established in the PRC

"Huzhou Group"	Great Royal and Huzhou Company
"Huzhou Project"	the property project known as 清河嘉園 (unofficial translation as Qing He Jia Yuan) developed by Huzhou Company which is located at Nos. 19, 20A of West Southern District of Huzhou City of the Zhejiang Province, the PRC（中國浙江省湖州市西南分區19號、20A號）
"Independent Third Party"	a party who is a third party independent of the Company and connected persons of the Company and its subsidiaries
"JV Partners"	Hong Kong Wanshan Holdings Limited and 浙江雲廈集團有限公司 (unofficial translation as Zhejiang Yunxia Group Limited), both being joint venture partners of the Group in Huzhou Company
"Latest Practicable Date"	11 June 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Longstop Date"	the date falling upon the expiry of 90 days from the date of the Sale and Purchase Agreement (or such later date as the Vendor and the Purchaser may agree in writing)
"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
"Purchaser"	Fantastic Era International Limited, a company incorporated in Hong Kong and the Purchaser named in the Sale and Purchase Agreement
"Remaining Group"	the group of companies comprising the present members of the Group other than Great Royal and Huzhou Company, and for the purpose of presentation in Appendices II and III to this circular, as if the Disposal had taken place on 1 January 2008 for consolidated income statement and consolidated cash flow statement, and on 31 December 2008 for consolidated balance sheet
"Sale and Purchase Agreement"	the sale and purchase agreement dated 26 May 2009 and entered into between the Vendor and the Purchaser in relation to the Disposal
"Sale Shares"	100 shares of HK$1 each of Great Royal, representing 100% of the issued share capital of Great Royal

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	share(s) of the Company of HK$0.10 each
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Vendor"	Talent Dragon Limited, a wholly-owned subsidiary of the Company and the vendor named in the Sale and Purchase Agreement
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

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

13 June 2009

To the Shareholders

Dear Sir or Madam

VERY SUBSTANTIAL DISPOSAL — DISPOSAL OF HUZHOU GROUP

INTRODUCTION

On 1 June 2009, the Company announced that the Vendor (a wholly-owned subsidiary of the Company) and the Purchaser on 26 May 2009 entered into the Sale and Purchase Agreement for the sale and purchase of 100% interest in Great Royal at a consideration of HK$272,104,000. The Disposal constitutes a very substantial disposal for the Company and is subject to approval by the Shareholders pursuant to the Listing Rules.

The purpose of this circular is to provide you with details of the Disposal and further information of the Group and to give you notice of the EGM.

SALE AND PURCHASE AGREEMENT

Date

26 May 2009

Parties

Vendor: Talent Dragon Limited, a wholly-owned subsidiary of the Company.

Purchaser: Fantastic Era International Limited. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, (i) the principal activity of the Purchaser is investment holding and (ii) the Purchaser and its ultimate beneficial owners are Independent Third Parties.

Assets to be disposed of under the Sale and Purchase Agreement

The Sale Shares to be disposed of by the Vendor represent 100% of the issued share capital of Great Royal which, in turn, is interested in approximately 67.08% of the registered capital of Huzhou Company.

Conditions precedent

Completion of the Sale and Purchase Agreement is conditional upon the following matters:

(1) Huzhou Group and the Vendor have obtained all necessary approvals for the Disposal;

(2) the Purchaser has paid the First Deposit (as defined below) and the Second Deposit (as defined below) in accordance with the terms of the Sale and Purchase Agreement; and

(3) the Shareholders have approved the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

If the Conditions shall not have been fulfilled in full on or before the Longstop Date, all rights and obligations of the parties hereunder shall cease and terminate, save for the claim (if any) in respect of any antecedent breach of the Sale and Purchase Agreement.

As at the Latest Practicable Date, Condition (2) has been fulfilled.

Consideration

The consideration of HK$272,104,000 for the Sale Shares shall be payable by the Purchaser to the Vendor in the following manner:

(1) within five business days after the signing of the Sale and Purchase Agreement:

— the Purchaser shall pay HK$5,000,000 ("**First Deposit**") (in Hong Kong dollars or in such other currency as the Vendor may agree) to the Vendor or its nominee by way of cashier order issued by a bank in Hong Kong or in such other manner as may be agreed between the Vendor and the Purchaser as deposit and part payment of the consideration;

— the Purchaser shall pay HK$141,504,000 ("**Second Deposit**") (in Hong Kong dollars or in such other currency as the Vendor and the Purchaser may agree) to the Vendor or its nominee as part payment of the consideration; and

(2) upon completion of the Disposal, the Purchaser shall pay HK$125,600,000 (in Hong Kong dollars or in such other currency as the Vendor may agree) to the Vendor or its nominee by way of cashier order issued by a bank in Hong Kong or in such other manner as may be agreed between the Vendor and the Purchaser.

If the Conditions shall not have been fulfilled on or before the Longstop Date, the Vendor shall refund, without interest, the First Deposit and the Second Deposit to the Purchaser within five business days after the Longstop Date.

If the Conditions have been fulfilled on or before the Longstop Date but completion of the Sale and Purchase Agreement fails to take place by reason of the non-compliance of the provisions of the Sale and Purchase Agreement by the Purchaser, the Vendor (i) is entitled to forfeit the First Deposit and (ii) shall return the Second Deposit (without interest) to the Purchaser within five business days after the date for which completion of the Sale and Purchase Agreement is scheduled.

If the Conditions have been fulfilled on or before the Longstop Date but completion of the Sale and Purchase Agreement fails to take place NOT by reason of the non-compliance of the provisions of the Sale and Purchase Agreement by the Purchaser, the Vendor shall return the First Deposit (without interest) and the Second Deposit (without interest) to the Purchaser within five business days after the date for which completion of the Sale and Purchase Agreement is scheduled.

The Directors confirm that the consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser and taking account of (i) the Group's investment cost in Huzhou Group (approximately HK$215.8 million) and (ii) the net asset value of Huzhou Group attributable to the Group as at 31 December 2008 (as adjusted as a result of a waiver of a shareholder's loan of approximately HK$216.0 million (after the repayment of the amount due to a fellow subsidiary, i.e. a subsidiary of the Company, of approximately HK$0.5 million by Huzhou Group) took place after the balance sheet date) of approximately HK$267.7 million.

A portion of the proceeds from the Disposal of an amount equivalent to RMB125.2 million (equivalent to approximately HK$141.5 million) has been applied towards the settlement of the inter-company balance between Huzhou Group and other members of the Group in full. The remaining proceeds will be used as general working capital of the Group and should the opportunities arise, for future investment.

Completion

Completion of the Sale and Purchase Agreement will take place on the fifth business day after the fulfillment of all Conditions (or such later date as the Vendor and the Purchase may agree in writing).

INFORMATION ON HUZHOU GROUP

Great Royal is a company incorporated in Hong Kong with limited liability and acts as the holding company of approximately 67.08% of Huzhou Company. Other than its investment in Huzhou Company, Great Royal is not engaged in any other business activity.

Huzhou Company is a sino-foreign equity joint venture established in the PRC on 2 December 2005 which is engaged in the development, construction and operation of residential flats. During the period from 1 January 2007 to late June 2008, Huzhou Company was a jointly-controlled entity of Great Royal. Since late June 2008, Huzhou Company became a non wholly-owned subsidiary of the Company and as at the Latest Practicable Date, the registered capital of Huzhou Company was RMB306.8 million (equivalent to approximately HK$315.0 million (translated at the actual exchange rates at the time of investment)) and was owned as to approximately 67.08% by Great Royal and approximately 32.92% by the two JV Partners (in the proportion of 20.41% and 12.51%).

Huzhou Company is a project company for the development of Huzhou Project. The construction of Huzhou Project was completed in 2008 and all units of Huzhou Project have been sold in 2008 and the Group's share of its corresponding profit had been recorded in accordance with Hong Kong Financial Reporting Standards in the Group's financial results for the year ended 31 December 2008.

The unaudited consolidated total assets value and the net assets value of Great Royal (prepared in accordance with Hong Kong Financial Reporting Standards) as at 31 December 2008 were approximately HK$649.0 million and approximately HK$174.7 million respectively. As at 31 December 2008, the principal assets of Huzhou Company were trade receivables in the amount of approximately HK$376.7 million and other receivables of approximately HK$123.5 million. The unaudited net profit/(loss) (both before and after taxation and extraordinary items) of Great Royal (prepared in accordance with Hong Kong Financial Reporting Standards) for the two years ended 31 December 2008 are as follows:

	Year ended 31 December 2007	**Year ended 31 December 2008**
	HK$'000	*HK$'000*
Net (loss)/profit before taxation and extraordinary items	(1,478)	98,047
	(equity accounted)	*(consolidated)*
Net (loss)/profit after taxation and extraordinary items	(1,478)	70,620
	(equity accounted)	*(consolidated)*

FINANCIAL EFFECT OF THE DISPOSAL

Upon completion of the Disposal, the Company will no longer have any interest in each of Great Royal and Huzhou Company and each of them will cease to be a subsidiary of the Company.

It is expected that the Group will record a book gain of approximately HK$18.5 million as a result of the Disposal which represents the difference between the consideration after the estimated expenses to be incurred for the Disposal and the net asset value of Huzhou Group attributable to the Group as at 31 December 2008 (as adjusted as a result of a waiver of a shareholder's loan of approximately HK$216.0 million (after the repayment of the amount due to a fellow subsidiary, i.e. a subsidiary of the Company, of approximately HK$0.5 million by Huzhou Group) took place after the balance sheet date), together with the realisation of the Group's share of exchange reserve relating to Huzhou Group in the consolidated income statement upon Disposal.

After completion of the Disposal, the Group ceased to have any interest in Huzhou Group. The Disposal will not bring any material impact on the earnings of the Group, except the book gain as a result of the Disposal will be recorded upon the Disposal because Huzhou Group does not have any business after delivery and sale of Huzhou Project in 2008. It is expected that the net asset value of the Group will be increased by the difference between the consideration after the expenses to be incurred for the Disposal and the Group's share of the net asset value of Huzhou Group attributable to the Group, and the assets and liabilities of Huzhou Group will no longer be consolidated into the Group's financial statements upon the completion of the Disposal.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is currently principally engaged in property development, property investment and land resources exploitation.

After completion of Huzhou Project, the Group has increased its investment to Huzhou Company by way of capital injection of additional RMB104.8 million in June 2008. At that time, the capital injection by the Group to Huzhou Company was in contemplation of the potential investment and development opportunities of new property project(s) in Zhejiang Province, the PRC. However, Huzhou Company has not identified any suitable property projects in Zhejiang Province and in view of the uncertainty of the global and domestic economic environment triggered by the sub-prime crisis in the United States, the Board has decided to take a prudent approach in its investment for a better risk control. The Disposal represents a good opportunity for the Group to realise its investment.

A portion of the proceeds from the Disposal of an amount equivalent to RMB125.2 million (equivalent to approximately HK$141.5 million) has been applied towards the settlement of the inter-company balance between Huzhou Group and other members of the Group in full. The remaining proceeds will strengthen the cash position of the Group in preparation for future investment should the opportunities arise. In the meantime, the remaining proceeds will be tentatively allocated for working capital purpose.

The Directors (including the non-executive Directors and the independent non-executive Directors) believe that the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

In October 2008, the Group entered into two sale and purchase agreements with its substantial Shareholder, CCHK, and its holding company, CCHG to indirectly acquire through CCHK plots of land from CCHG. Such plots of land include 1.3 million square metres of storage and office land located in Shenyang of Liaoning Province, Guilin of Guangxi Province, Lianyungang, Changzhou and Dafeng of Jiangsu Province, which could be zoned into commercial development area, and 480,000 square metres of residential and commercial land in Dafeng of Jiangsu Province. Details of such proposed acquisitions are set out in the Company's announcement dated 30 October 2008 and the Company's circular dated 29 November 2008. In view of such proposed acquisitions and other projects on hand, the Directors believe that the Group has a sufficient level of operations to warrant a continued listing of the Shares on the Stock Exchange.

REQUIREMENTS OF THE LISTING RULES

The Disposal constitutes a very substantial disposal for the Company and is subject to approval by the Shareholders pursuant to the Listing Rules.

EGM

The EGM will be held at 3:15 p.m. on Monday, 29 June 2009 at Boardroom 3 & 4, Mezzanine Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong, the notice of which is set out on pages EGM-1 to EGM-2 of this circular, for the Shareholders to consider and, if thought fit, to approve the Sale and Purchase Agreement.

In compliance with the Listing Rules, the resolution will be voted on by way of a poll at the EGM. Any Shareholder with a material interest in the Acquisition and his associate shall abstain from voting on the resolution approving the Sale and Purchase Agreement at the EGM. The Company has confirmed with the Vendor that none of the Vendor nor any of its associates (as defined in the Listing Rules) is holding any Shares. The Directors also confirm that so far as they are aware, no Shareholder has a material interest (which is different from the other Shareholders) in the Disposal. As such, no Shareholder is required to abstain from voting at the EGM.

You will find enclosed a form of proxy for use at the EGM. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time of the meeting to the office of the Company's registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM in person should you so wish.

RECOMMENDATION

The Directors consider that the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Shareholders as a whole and recommend the Shareholders to vote in favour of the resolution set out in the notice of the EGM.

ADDITIONAL INFORMATION

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

By order of the board of directors of
China Chengtong Development Group Limited
Wang Hongxin
Managing Director

1. INDEBTEDNESS OF THE GROUP

At the close of business on 30 April 2009, being the latest practicable date prior to the printing of this circular, the Group had outstanding bank loan of approximately HK$135,600,000, which was guaranteed by a minority shareholder of a subsidiary. Included in the bank loan balance, an amount of approximately HK$109,610,000 was secured by the land use rights of the Group of the completed properties which were sold to the Huzhou local government. As at 30 April 2009, the Group also had unsecured and unguaranteed loans including other loans of HK$3,260,000, loans from a minority shareholder of subsidiaries of approximately HK$36,054,000, amounts due to minority shareholders of subsidiaries of approximately of HK$3,979,000 and amounts due to wholly-owned subsidiaries of a minority shareholder of a subsidiary of approximately HK$8,995,000.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the group did not have outstanding at the close of business on 30 April 2009 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.

2. WORKING CAPITAL STATEMENT

Taking into account the Remaining Group's internal resources, the estimated net proceeds from the Disposal and in the absence of unforeseen circumstances, the Directors are of the opinion that the Remaining Group will have sufficient working capital to meet its present requirement for the next twelve months from the date of this circular.

3. FINANCIAL AND BUSINESS PROSPECTS

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

The Directors consider that the fundamentals and long-term promising prospects of China remain unchanged even in the global financial crisis. As China government rolls out domestic demand stimulus package with the progresses of restructuring, deepening reform and improving livelihood, China's economy is likely to lead the recovery. The amplitude of adjustment in real estate industry is closely related with the recovery of China's macro economy. Measures to facilitate healthy development of real estate sector have been launched by the government, and the urbanization process is not yet over in China where supply still falls short of effective residential demand, all these pumping vitality into the growth of real estate. Therefore, in spite of the uncertainties and challenges in macro economy and the industry, the Group holds full confidence in its prospects and the real estate industry. On land resource exploitation, the Group in 2009 will focus on the execution of the signed agreements regarding acquisition of certain land assets from its substantial shareholder. Upon completion of the two transactions as announced by the Company in its announcement dated 30 October 2008 (and further details of the transactions are set out in the Company's circular dated 29 November 2008), net assets value of the Group will increase drastically. Together with existing reserves, the Group will own 1.39 million square metres of land for storage and office which could be zoned into commercial development area in respect of land resources reserve and exploitation, and approximately 800,000 square metres of residential and commercial land which could be used to construct at least 1.23 million square metres of properties in respect of property investment and development. The Group will seek progresses in land reserves and will continue to identify opportunities for acquiring land resources from CCHG and/ or other parties. On property investment and development, apart from the existing projects, the Group will carry on asset restructuring and increase cash reserve and identify new sources. While actively expanding the land resources exploitation business where the Group's edges rest on and exploring various profitable modes for the usage of industrial land, the Group will keep close watch on opportunities in merger and acquisition. Backed by the strength of our controlling shareholder, the Group is well positioned to seize opportunities from the structural adjustment of central government controlled enterprises and the restructuring of the industry.

The following are the unaudited pro forma statements of pro forma income statement, balance sheet and cash flow statement of the Remaining Group and the text of the accountants' report thereon from the reporting accountant, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, prepared for the purpose of inclusion in this circular.

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following pro forma consolidated balance sheet, consolidated income statement and consolidated cash flow statement of the Group have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Disposal as if it had taken place on 31 December 2008 for the pro forma consolidated balance sheet and as at 1 January 2008 for the pro forma consolidated income statement and consolidated cash flow statement for the year ended 31 December 2008. This pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Disposal been completed as at 31 December 2008 or at any future date or the financial results and cash flows of the Group for the year ended 31 December 2008 had the Disposal been completed as at 1 January 2008 or for any future period.

I. Unaudited Pro Forma Consolidated Balance Sheet

	Unadjusted Audited Consolidated Balance Sheet of the Group as at 31 December 2008		Pro Forma Adjustments		Adjusted Audited Consolidated Balance Sheet of Pro Forma Remaining Group as at 31 December 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(note 1)	*(note 2)*	*(note 3)*	*(note 4)*	
Non-current assets					
Property, plant and equipment	4,338	(887)			3,451
Investment properties	89,270				89,270
Interests in associates	50,768				50,768
Amount due from an associate	117,415				117,415
Restricted bank balance	4,200				4,200
	265,991				265,104

	Unadjusted Audited Consolidated Balance Sheet of the Group as at 31 December 2008		Pro Forma Adjustments		Adjusted Audited Consolidated Balance Sheet of Pro Forma Remaining Group as at 31 December 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(note 1)	*(note 2)*	*(note 3)*	*(note 4)*	
Current assets					
Properties held for sale	25,259				25,259
Properties held for development	270,742				270,742
Amount receivable from sales of properties	376,654	(376,654)			—
Trade and other receivables	130,278	(123,527)			6,751
Amount due from a fellow subsidiary	—	(135,826)	135,826		—
Amounts due from associates	72				72
Bank balances and cash	95,590	(12,124)	(135,312)	271,104	219,258
	898,595				522,082
Current liabilities					
Trade and other payables	119,527	(78,712)			40,815
Provisions for claims	4,487				4,487
Deposits received on sale of properties	10,553				10,553
Amount due to a fellow subsidiary	—	(194,756)	194,756		—
Amount due to immediate holding company	—	(21,739)	21,739		—
Amounts due to related companies	354				354
Amounts due to minority shareholders of subsidiaries	3,979	(1)			3,978
Amount due to a substantial shareholder	5,752				5,752
Tax payable	15,620	(12,300)			3,320
Bank loan	164,980	(164,980)			—
Unsecured other loans	3,260				3,260
Loans from a minority shareholder of subsidiaries	36,053				36,053
	364,565				108,572
Net current assets	534,030				413,510
Total assets less current liabilities	800,021				678,614

	Unadjusted Audited Consolidated Balance Sheet of the Group as at 31 December 2008		Pro Forma Adjustments		Adjusted Audited Consolidated Balance Sheet of Pro Forma Remaining Group as at 31 December 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(note 1)	*(note 2)*	*(note 3)*	*(note 4)*	
Non-current liabilities					
Deferred tax liabilities	6,846	(1,867)			4,979
	793,175				673,635
Capital and reserves					
Share capital	267,891				267,891
Reserves	395,668	(51,762)	(215,981)	271,104	399,029
Equity attributable to shareholders of the Company	663,559				666,920
Minority interests	129,616	(122,901)			6,715
	793,175				673,635

Notes:

1. The unadjusted audited consolidated balance sheet of the Group as at 31 December 2008 is extracted from the Accountants' Report in Appendix IV to this Circular.

2. The adjustment reflects the de-consolidation of the assets and liabilities of the Great Royal International Limited and its subsidiary (the "**Disposal Group**") as at 31 December 2008, assuming that the Disposal had taken place on 31 December 2008.

   The adjusted amount of the minority interests of the Disposal Group as at 31 December 2008 is extracted from the Accountants' Report in Appendix IV to this Circular.

3. The adjustment reflects (i) the repayment of approximately HK$135.8 million (assuming repayment immediately after the receipts of estimated cash proceeds from the Disposal); (ii) the repayment for the amount due to a fellow subsidiary of approximately HK$0.514 million by the Disposal Group to the Remaining Group; and (iii) the waiver of the inter-company balances of approximately HK$216.0 million between the Remaining Group and the Disposal Group.

4. The adjustment reflects the estimated net cash proceeds of approximately HK$271.1 million which is calculated by deducting the estimated legal and professional fee for the current transaction of approximately HK$1.0 million from the estimated gross cash proceeds of approximately HK$272.1 million, as provided in the Sale and Purchase Agreement entered into by the Group and Fantastic Era International Limited, an independent third party, in relation to the disposal of the Disposal Group (the "**Sale and Purchase Agreement**").

   The estimated gain of approximately HK$18.5 million which is calculated by (i) deducting the net asset value of the Disposal Group of approximately HK$51.7 million; (ii) deducting the waiver of inter-company balances between the Remaining Group and the Disposal Group of approximately HK$216.0 million; (iii) releasing the exchange reserves of approximately HK$15.1 million upon the Disposal; and (iv) deducting the estimated legal and professional fees for this transaction of approximately HK$1.0 million from the estimated proceeds of approximately HK$272.1 million.

   The final amount of proceeds would be subjected to the terms and conditions of the Sale and Purchase Agreement, assets and liabilities of the Disposal Group and the gain on the Disposal may be different from the amount described above.

II. Unaudited Pro Forma Consolidated Income Statement

	Unadjusted Audited Consolidated Income Statement of the Group for the year ended 31 December 2008		Pro Forma Adjustments		Adjusted Consolidated income Statement of Pro Forma Remaining Group for the year ended 31 December 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(note 1)	*(note 2)*	*(note 3)*	*(note 4)*	
Turnover	987,954		(976,845)		11,109
Cost of sales	(881,029)		874,761		(6,268)
Gross profit	106,925		(102,084)		4,841
Other income	6,674		(148)		6,526
Selling expenses	(236)				(236)
Administrative expenses	(42,242)		3,517		(38,725)
Gain on disposals of subsidiaries	12			56,709	56,721
Provisions for claims	(4,487)				(4,487)
Finance costs	(829)				(829)
Share of results of associates	4,188				4,188
Share of result of a jointly controlled entity	(668)	668			—
Profits before taxation	69,337	668	(98,715)	56,709	27,999
Taxation charge	(27,074)		27,427		353
Profit for the year	42,263				28,352
Attributable to:					
Shareholders of the Company	5,778	668	(34,740)	56,709	28,415
Minority Interests	36,485		(36,548)		(63)
	42,263				28,352

Notes:

1. The unadjusted audited consolidated income statement of the Group for the year ended 31 December 2008 is extracted from the Accountants' Report in Appendix IV to this Circular.

2. The adjustment reflects the exclusion of the share of results of a 50% equity interest jointly controlled entity ("**JCE**") for the period from 1 January 2008 to 30 June 2008, assuming the Disposal had taken place on 1 January 2008. The share of results of JCE represented the results generated from the major component of the Disposal Group, Huzhou Wangang United Estate Limited ("**Huzhou Wangang**"), which was a JCE of the Company for the abovementioned period. Note 3 below describes the exclusion of the results of the Disposal Group for the remaining 6-month period of the year.

3. The adjustment reflects the de-consolidation of the results of the Disposal Group for the period from 1 July 2008 to 31 December 2008 when Huzhou Wangang has become a 67.08% equity interest subsidiary from 1 July 2008 onwards after the Group obtained control over Huzhou Wangang through the additional capital injection.

4. The adjustment reflects the estimated gain of approximately HK$56.7 million resulting from the Disposal, assuming that the Disposal had taken place on 1 January 2008. The adjustments also assumes that the additional capital injection for the Disposal Group of approximately HK$118.4 million at 30 June 2008 had taken place on 1 January 2008.

   The estimated gain is calculated by (i) deducting the net asset value of the Disposal Group of approximately HK$103.9 million at 1 January 2008, which mainly comprised of the interests in the JCE; (ii) releasing the exchange reserve of approximately HK$7.9 million upon the Disposal; (iii) deducting the additional capital injection for the Disposal Group of approximately HK$118.4 million; and (iv) deducting the estimated legal and professional fee for the current transaction of approximately HK$1.0 million from the estimated gross cash proceeds of approximately HK$272.1 million.

   The final amount of the proceeds is subjected to the terms and conditions of the Sale and Purchase Agreement, assets and liabilities of the Disposal Group and the gain on the Disposal may be different from the amount described above.

III. Unaudited Pro Forma Consolidated Cash Flow Statement

	Unadjusted Audited Consolidated Cash Flow Statement of the Group for the year ended 31 December 2008		Pro Forma Adjustments		Adjusted Consolidated Cash Flow Statement of Pro Forma Remaining Group for the year ended 31 December 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(note 1)	*(note 2)*	*(note 3)*	*(note 4)*	
Cash flow from operating activities					
Profit before taxation	69,337	(98,047)	56,709		27,999
Adjustments for:					
Interest income	(2,569)	148			(2,421)
Interest expense	829				829
Gain on disposal of subsidiaries	(12)		(56,709)		(56,721)
Share of results of associates	(4,188)				(4,188)
Share of result of a jointly controlled entities	668	(668)			—
Gain on disposal of property, plant and equipment	(67)				(67)
Depreciation of property, plant and equipment	1,224	(109)			1,115
Provisions for claims	4,487				4,487
Allowance for amount due from related companies	607				607
Allowance for other receivables	506				506
Reversal of temporary receipts	(966)				(966)
Operating cash flows before working capital changes	69,856				(28,820)
Decrease in properties under development	780,196	(780,196)			—
Decrease in properties held for sale	5,828				5,828
Increase in amounts receivable from sale of properties	(376,654)	376,654			—
Decrease in trade and other receivables	77,107	(76,738)			369
Decrease in bills receivables	8,758	(3,390)			5,368
Decrease in trade and other payables	(18,363)	10,513			(7,850)
Decrease in deposits received on sale of properties	(462,750)	465,062			2,312

	Unadjusted Audited Consolidated Cash Flow Statement of the Group for the year ended 31 December 2008	Pro Forma Adjustments			Adjusted Consolidated Cash Flow Statement of Pro Forma Remaining Group for the year ended 31 December 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(note 1)	*(note 2)*	*(note 3)*	*(note 4)*	
Cash flows from (used in) operations	83,978				(22,793)
The People's Republic of China Enterprise Income Tax Paid	(9,157)	74			(9,083)
Net cash from (used in) operating activities	74,821				(31,876)
Cash flows from investing activities					
Acquisition of subsidiaries	14,693	(14,693)			—
Capital contribution to a jointly controlled entity	(5,895)	5,895			—
Disposal of subsidiaries	481			271,104	271,585
Increase in amount due from a fellow subsidiary	—	135,826		(135,826)	—
Repayment from related companies	4,407				4,407
Proceeds from disposals of property, plant and equipment	76				76
Purchase of property, plant and equipment	(1,211)	6			(1,205)
Purchase of properties held for development	(234,689)				(234,689)
Repayment from an associate	33,058				33,058
Interest received	2,258	(148)			2,110
Transferring fund from strike off of an associate	264				264
Net cash (used in) from investing activities	(186,558)				75,606

	Unadjusted Audited Consolidated Cash Flow Statement of the Group for the year ended 31 December 2008		Pro Forma Adjustments		Adjusted Consolidated Cash Flow Statement of Pro Forma Remaining Group for the year ended 31 December 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(note 1)	*(note 2)*	*(note 3)*	*(note 4)*	
Cash flows from financing activities					
Increase in amount due to a fellow subsidiary	—	(123,030)			(123,030)
Issue of shares upon exercise of share options	1,598				1,598
Dividend paid to minority shareholders of a subsidiary	(28,250)	28,250			—
Repayment of loan from a related company	(17,858)				(17,858)
Increase in amount due to a minority shareholder	1	(1)			—
Repayment to minority shareholders of a subsidiary	(2,261)	2,261			—
Repayment of bank loan	(53,017)	53,017			—
Interest paid	(8,733)	8,003			(730)
Loan from a substantial shareholder	5,650				5,650
Capital contribution from minority shareholders of subsidiaries	6,780				6,780
Net cash used in financing activities	(96,090)				(127,590)
Net decrease in cash & cash equivalents	(207,827)				(83,860)
Cash & cash equivalents at beginning of year	298,626	(46)		46	298,626
Effect of foreign exchange rate changes	4,791	(767)			4,024
Cash & cash equivalents at end of year, representing bank balances and cash	95,590	(12,124)	—	135,324	218,790

Notes:

1. The unadjusted audited consolidated cash flow statement of the Group for the year ended 31 December 2008 is extracted from the Accountants' Report in Appendix IV to this Circular.

2. The adjustment reflects the exclusion of the cash flows of the Disposal Group for the year ended 31 December 2008, assuming that the Disposal had taken place on 1 January 2008.

3. The adjustment reflects the estimated gain of approximately HK$56.7 million resulting from the Disposal, assuming that the Disposal had taken place on 1 January 2008. Please refer to note 4 of the unaudited pro forma consolidated income statement for details.

4. The adjustment reflects (i) the estimated net cash proceeds of approximately HK$271.1 million received from the Disposal which is calculated by deducting the estimated legal and professional fee for the current transaction of approximately HK$1.0 million from the estimated gross cash proceeds of approximately HK$272.1 million. The final amount of proceeds is subjected to the terms and conditions of the Sale and Purchase Agreement, assets and liabilities of the Disposal Group and the gain on the Disposal may be different from the amount described above; (ii) the repayment of approximately HK$135.8 million (assuming repayment immediately after the receipts of estimated cash proceeds from the Disposal); and (iii) the repayment for the amount due to a fellow subsidiary of approximately HK$0.046 million by the Disposal Group to the Remaining Group.

2. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

Deloitte.
德勤

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**"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the disposal of 100% equity interest in Great Royal International Limited and its subsidiary (the "**Proposed Disposal**") might have affected the financial information presented, for inclusion in Appendix II of the circular dated 13 June 2009 (the "**Circular**"). The basis of preparation of the unaudited pro forma financial information is set out on page II-1 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 ("**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 judgements 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 future and may not be indicative of:

- the financial position of the Group as at 31 December 2008 or any future date; or
- the results and cash flows of the Group for the year ended 31 December 2008 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
13 June 2009

Management discussion and analysis for the year ended 31 December 2008

I. FINANCIAL RESULTS

For the year ended 31 December 2008, the Remaining Group's turnover and net profit attributable to shareholders amounted to approximately HK$11 million and HK$28 million respectively.

II. BUSINESS REVIEW

Segmental Information

For the year ended 31 December 2008, the revenue and loss before taxation of the Remaining Group attributed to property development business were approximately HK$9,421,000 and HK$11,932,000 respectively while the revenue and profits before taxation attributable to the Remaining Group's property investment business were approximately HK$1,688,000 and HK$300,000 respectively. Also, the segment assets attributed to businesses of property development and property investment were approximately HK$303 million and HK$96 million respectively.

1. Property development

(1) Beijing

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

(2) Zhucheng, Shandong

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

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

2. Property investment

(1) Guangzhou

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

(2) Price Sales Limited

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

3. Land Resource Exploitation

Luoyang

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

4. Strategic Investment

Cement

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

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

III. OUTLOOK

1. Projects Injected

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

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

2. Macro Economic Environment

Property price in major cities of China started to fall since early 2008. Turmoil in global financial markets and credit crisis in second half of 2008 had further crippled real estate developers' fund raising capacity, and led to the drop in land and property price and fluctuating market in Mainland China. However, in view of China's long-term growth and economic prosperity, continued urbanization policy and wealth growth, the Remaining Group is optimistic about China's real estate market in the long run. The measures launched by the PRC government are helping to stabilize the real estate market in China.

The Remaining Group will keep close watch on changes in economic environment and scrutinize market conditions. Leveraging on relative advantages in the changing circumstance, we are to seize opportunities to adjust asset restructure and explore investment and development possibilities. In 2009, the Remaining Group will strive to control cost, optimize process and improve operational efficiency.

GEARING RATIO

As at 31 December 2008, the Remaining Group's gearing ratio calculated on the basis of loan from minority shareholders of subsidiaries, loan from substantial shareholder and other loans of approximately HK$49.04 million and total assets of approximately HK$787.19 million, was 6%.

LIQUIDITY AND CAPITAL RESOURCES

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

At 31 December 2008, the Remaining Group had cash and bank balances amounting to approximately HK$219.26 million, and current assets and current liabilities of approximately HK$522.08 million and HK$108.57 million respectively. Out of the cash and bank balances of approximately HK$219.26 million at 31 December 2008, a sum of HK$4.2 million was deposited in a segregated bank deposit account which sum is held on trust for those creditors of the Company who have not given their consents to the capital reduction of the Company as at the effective date of 21 June 2006.

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

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

FOREIGN EXCHANGE RISK MANAGEMENT

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

HUMAN RESOURCES AND EMOLUMENT POLICY

At 31 December 2008, the Remaining Group employed a total of 35 employees, of which 11 were based in Hong Kong and 24 were based in Mainland China. Employee's remunerations are determined in accordance with their experiences, competence, qualifications and nature of duties, and remain competitive under current market trend. Apart from the basic salary, discretionary bonus and other incentives are offered to employees to reward their performance and contributions. The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's corporate goals, their individual performance and comparable market statistics. The Company has adopted a share option scheme under which the Company may grant options to directors and eligible employees to subscribe the shares of the Company. A summary of the share option scheme is set out in note 41 to the accountants' report set forth in Appendix IV of this circular.

PLEDGE OF ASSET

As at 31 December 2008, the Remaining Group did not have any pledge of asset.

With reference to the financial information in 2008, if Huzhou Group was excluded, (i) the revenue of the Remaining Group would have decreased from approximately HK$988 million to approximately HK$11 million representing a 98.9% decrease; (ii) the profit attributable to shareholder of the Remaining Group would have increased from approximately HK$6 million to approximately HK$28 million, representing a 366.7% increase; (iii) the total assets and total liabilities reduced from approximately HK$1,165 million and HK$371 million to approximately HK$787 million and HK$114 million respectively, representing corresponding 32.4% and 69.3% decreases.

Management discussion and analysis for the year ended 31 December 2007

A. FINANCIAL RESULTS

The Remaining 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 Remaining 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 Remaining Group completed a rights issue to raise fund of approximately HK$200 million for general working capital and future investment opportunities. The Remaining Group's current financial position is healthy and has a low debt-equity ratio, strong balance sheet and assets of high liquidity.

The Remaining Group recorded a net profit attributable to shareholders of approximately HK$37 million for the year ended 31 December 2007.

Turnover from the Remaining Group's continuing operation for the year ended 31 December 2007 was approximately HK$25 million, which 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 Remaining 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 Remaining Group. It became a well start for its participating in the asset and business reorganization of CCHG. The reorganization of cement asset has already been fully completed and resulted in an expansion of production capacity. Meanwhile, the Remaining Group is actively looking for new projects for the preparation for future growth.

To strengthen its capital base, the Remaining 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.

Segmental Information

For the year ended 31 December 2007, the revenue and profit/(loss) before taxation of the Remaining Group attributed to property development business were approximately HK$23 million and approximately (HK$0.95 million) respectively, attributed to property investment business were approximately HK$2 million and approximately HK$2 million respectively, attributed to trading and manufacturing of cement business were approximately HK$27 million and approximately HK$5,000 respectively. Also, the segment assets attributed to business of property development, property investment, and trading and manufacturing of cement were approximately HK$143 million, HK$86 million and nil respectively.

1. Property Development

1) Xian

In 2007, the Remaining Group acquired 52% of the equity interest in the 西安富祥房地產開發有限公司(unofficial English name, Xian Fuxiang Real Estate Development Limited) ("**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 Remaining Group.

2) 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 Remaining 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 Remaining 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 Remaining 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 Remaining Group. In May 2007, the Remaining 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 Remaining Group.

2) Price Sales Limited

Price Sales Limited, the wholly-owned subsidiary of the Remaining 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 Remaining 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 Remaining 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 Remaining 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 Remaining Group transferred its entire interest in Sea-Land Mining Limited 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 Remaining 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 Remaining 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 Remaining Group are property investment and development, land resource exploitation and strategy investment. We believe that the Remaining 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 Remaining Group with certain opportunities for acquisition. In respect of land resource exploitation, the Remaining 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 Remaining 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 macrofactor, 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 Remaining Group, and in 2008, the Remaining Group will jointly accelerate the cement investment and merger in the Eastern China with the cement group of Portugal. The Remaining 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 Remaining 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 Remaining 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$7 million and total assets of approximately HK$735 million, was 1%.

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, and current assets and current liabilities of approximately HK$359 million and HK$97 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$3 million are unsecured, repayable on demand and interest-free, except for a loan of HK$2.1 million which carried interest at fixed interest rate. The Group anticipates that it has adequate financial resources to meet its commitments and obligations for the coming year.

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

F. FOREIGN EXCHANGE RISK MANAGEMENT

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

G. HUMAN RESOURCES

As at 31 December 2007, the Remaining 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.

The Company has a share option scheme under which the Company may grant options to eligible employees to subscribe for shares in the Company. A summary of the share option scheme is set out in note 41 to the accountants' report set forth in Appendix IV of this circular.

H. PLEDGE OF ASSET

As at 31 December 2007, the Remaining Group did not have pledge of asset.

Management discussion and analysis for the year ended 31 December 2006

A. FINANCIAL RESULTS

The Remaining Group recorded a turnover of approximately HK$247 million for the year ended 31 December 2006, which was mainly resulted from the sale revenue of the property development project in Beijing, the PRC of Zhongshi Investment Company Limited ("**Zhongshi**"), its subsidiary.

The Remaining Group recorded a net profit attributable to shareholders of approximately HK$27 million for the year ended 31 December 2006.

B. BUSINESS REVIEW

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

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

Segmental Information

For the year ended 31 December 2006, the revenue and profit/(loss) before taxation of the Remaining Group attributed to property development business were approximately HK$247 million and approximately HK$55 million respectively, attributed to property investment business were approximately HK$0.13 million and approximately (HK$0.79 million) respectively, and attributed to trading and manufacturing of cement business were approximately HK$44 million and approximately (HK$16 million) respectively. Also, the segment assets attributed to business of property development, property investment, trading and manufacturing of cement and other goods were approximately HK$122 million, HK$45 million and HK$51 million respectively.

1. Property Development

1) Zhongshi

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

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

2) Acquisitions of Xian and Luoyang PRC Companies

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

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

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

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

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

2. Property Investments

1) Li Wan Plaza

During the year under review, the Remaining Group entered into two settlement agreements with Guangzhou Sui Nan Building Development Limited putting an end to the disputes and ensuing litigations between them in relation to Zone A ("**Property A**") and Zone C ("**Property C**") both of Level 3, Li Wan Plaza, No. 9 Dexing Lu, Li Wan District, Guangzhou City, Guangdong Province, the PRC. The entering into of the two settlements agreements enables the Remaining Group to retain retail area of 5,370 square metres in Property C. It started to contribute rental income to the Remaining Group since September 2006.

2) Price Sales Limited

In January, 2006, the Remaining Group entered into a conditional disposal agreement ("**Disposal Agreement**") for the disposal of a wholly owned subsidiary of the Remaining Group, Price Sales Limited, and the shareholder's loan to that subsidiary to an independent third party. Price Sales Limited owns 32% interest in Goodwill (Overseas) Limited. The disposal has terminated, the reason for that has already announced. Other than the non-recognition of the gain on the disposal of approximately HK$31.6 million previously expected to have had upon completion of the disposal, it is expected that the termination of the disposal will not have a material adverse financial and operational impact on the Remaining Group. Goodwill (Overseas) Limited contributed a net cash income of approximately HK$12 million to the Remaining Group in 2006.

3. Strategic Investments

Suzhou Nanda, a subsidiary that the Remaining Group held 71.03% interest and principally engaged in trading and production of cement, had turnover of approximately HK$44 million and loss of approximately HK$1.8 million for the year ended 31 December 2006.

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

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

C. RIGHTS ISSUE

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

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

D. OUTLOOK

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

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

E. PLEDGE OF ASSETS

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

F. GEARING RATIO

As at 31 December 2006, the Group's gearing ratio calculated on the basis of total bank loans, loans from minority interests and other loans of approximately HK$16 million and total assets of approximately HK$530 million, was 3%.

G. LIQUIDITY AND CAPITAL RESOURCES

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

At 31 December 2006, the Group had cash and bank balances amounting to approximately HK$122 million, and current assets and current liabilities of approximately HK$230 million and approximately HK$115 million respectively. Out of the cash and bank balances of approximately HK$122 million at 31 December 2006, a sum of HK$4.2 million was deposited in a new and segregated bank deposit account which sum is held on trust for those creditors of the Company who have not given their consents to the capital reduction of the Company as at its effective date.

At 31 December 2006, the Group's secured borrowings amounted to approximately HK$9 million, which is repayable within one year with interest at commercial rate and were secured by the Group's plant and machinery with aggregate carrying value of approximately HK$3.6 million. 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$3 million are unsecured, repayable on demand and interest-free, except for a loan of HK$2.1 million which carried interest at fixed interest rate. The Group anticipates that it has adequate financial resources to meet its commitments and obligations for the coming year.

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

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

H. FOREIGN EXCHANGE RISK MANAGEMENT

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

I. EMPLOYEES AND REMUNERATION POLICIES

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

The Company has a share option scheme under which the Company may grant options to eligible employees to subscribe for shares in the Company. A summary of the share option scheme is set out in note 41 to the accountants' report set forth in Appendix IV of this circular.

The following is the full text of the accountants' report from the reporting accountant, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, prepared for the purpose of inclusion in this circular.

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

13 June 2009

The Directors
China Chengtong Development Group Limited

Dear Sirs,

We set out below our report on the financial information (the "**Financial Information**") relating to China Chengtong Development Group Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") for the three years ended 31 December, 2006, 2007 and 2008 (the "**Relevant Periods**") for inclusion in the circular issued by the Company dated 13 June 2009 in connection with the proposed disposal of 100% equity interest in Great Royal International Limited and its subsidiary ("**Great Royal Group**") (the "**Circular**").

The Company was incorporated in Hong Kong with limited liability. The Company is an investment holding company.

As at the date of this report, the Company has the following principal subsidiaries:

Name of company	Place and date of incorporation/ registration	Issued and full paid up share capital/ registered capital	Equity interest owned by the Group 2006	2007	2008	as at report date	Principal activity
Directly held:							
Galactic Investment Limited ("**Galactic**")	Hong Kong 22 November 1994	2 ordinary shares of HK$1 each	100%	100%	100%	100%	Investment holding
Key Asset Limited ("**Key Asset**")	Hong Kong 19 May 2006	100 ordinary shares of HK$1 each	100%	100%	100%	100%	Investment holding
Merry World Associates Limited ("**Merry World**")	British Virgin Islands ("**BVI**") 15 October 1997	1 ordinary share of US$1 each	100%	100%	100%	100%	Property investment
Indirectly held:							
Boxhill Limited ("**Boxhill**")	BVI 5 January 1994	1 ordinary share of US$1 each	100%	100%	100%	100%	Investment holding
China Chengtong Properties Group Limited ("**Chengtong Properties**")	Hong Kong 19 June 1987	10,000 ordinary shares of HK$1 each	100%	100%	100%	100%	Investment holding

Name of company	Place and date of incorporation/ registration	Issued and full paid up share capital/ registered capital	Equity interest owned by the Group 2006	2007	2008	as at report date	Principal activity
Indirectly held:							
Great Royal International Limited ("**Great Royal**")	Hong Kong 21 May 2005	100 ordinary shares of HK$1 each	100%	100%	100%	100%	Investment holding
Price Sales Limited ("**Price Sales**")	Hong Kong 9 April 1991	10,000 ordinary shares of HK$1 each	100%	100%	100%	100%	Investment holding
Sea-Land Mining Limited ("**Sea-Land**")	Hong Kong 10 April 1973	1,000,000 ordinary shares of HK$10 each	100%	*(note 2)*	*(note 2)*	*(note 2)*	Investment holding
蘇州南達水泥有限公司 Suzhou Nanda Cement Company Limited ("**Suzhou Nanda**") *(note 1)*	The People's Republic of China (the "**PRC**") 18 December 1992	RMB101,262,000	71.03%	*(note 2)*	*(note 2)*	*(note 2)*	Trade and manufacture of cement
中實投資有限責任公司 Zhongshi Investment Company Limited ("**Zhongshi**") *(note 1)*	PRC 11 April 1997	RMB100,000,000	70%	100% *(note 3)*	100%	100%	Property development
洛陽城南中儲物流有限公司 Luoyang Southern City CMST Logistics Limited (「**洛陽城南**」) *(note 4)*	PRC 13 February 2007	RMB26,680,000	N/A	100%	100%	100%	Property investment
湖州萬港聯合置業有限公司 Huzhou Wangang United Estate Company Limited ("**Huzhou Wangang**") *(note 4)*	PRC 2 December 2005	RMB306,800,000	*(note 5)*	*(note 5)*	67.08%	67.08%	Property development
諸城港龍置地有限公司 ("**諸城港龍**") *(note 4)*	PRC 12 August 2008	RMB10,000,000	N/A	N/A	80%	80%	Property development
諸城泰豐置地有限公司 ("**諸城泰豐**") *(note 4)*	PRC 12 August 2008	RMB10,000,000	N/A	N/A	80%	80%	Property development
諸城鳳凰置地有限公司 ("**諸城鳳凰**") *(note 4)*	PRC 12 August 2008	RMB10,000,000	N/A	N/A	80%	80%	Property development

As at the date of this report, the Company has the following significant associates:

Name of company	Place and date of incorporation/ registration	Issued and full paid up share capital/ registered capital	Equity interest owned by the Group 2006	2007	2008	as at report date	Principal activity
Indirectly held:							
Goodwill (Overseas) Limited ("**Goodwill**")	BVI 3 December 1992	50,000 ordinary shares of US$1 each	32%	32%	32%	32%	Investment holding
Success Project Investments Limited ("**Success Project**") *(note 6)*	BVI 30 March 1994	52,000 ordinary shares of US$1 each	35%	35%	*(note 6)*	*(note 6)*	Investment holding
CIMPOR Chengtong Cement Corporation Limited ("**CIMPOR Chengtong**") *(note 7)*	Hong Kong 10 July 2006	245,380,100 ordinary shares of HK$1 each	20%	20%	20%	*(note 7)*	Investment holding

Notes:

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

(2) On 20 June 2007, Sea-Land and Suzhou Nanda has became the indirectly held associate of the Company, details per note 12.

(3) 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, Chengtong Properties, at a consideration of RMB20,610,000 (equivalent to approximately HK$21,847,000). The transaction was completed in December 2007 and Zhongshi has became a foreign-owned enterprise.

(4) A limited liability company was established in the PRC.

(5) Huzhou Wangang was a jointly controlled entity of the Group as at 31 December 2006 and 2007. In June 2008, Huzhou Wangang has became a non-wholly owned subsidiary of the Group, details per note 44.

(6) Success Project was struck off during the year ended 31 December 2008.

(7) On 14 April 2009, the 20% equity interest in CIMPOR Chengtong and its subsidiaries was disposed of.

No audited financial statements have been prepared for Boxhill, Merry World, 諸城港龍, 諸城泰豐 and 諸城鳳凰 since their respective dates of incorporation/establishment either as they were incorporated in countries where there is no statutory requirement of preparing audited financial statements or they have not carried on business. For the purpose of this report, we have reviewed all the relevant transactions of these companies during the Relevant Periods or since the respective dates of incorporation/establishment to the date of this report, where this is a shorter period.

We have acted as the auditor of Great Royal, Chengtong Properties, Galactic, Key Asset, Price Sales and Sea-Land during the Relevant Periods.

The statutory financial statements of the following subsidiaries were prepared in accordance with the applicable accounting principles and financial regulations in the PRC and were audited by certified public accountants registered in the PRC where these companies are established as follows:

Name of company	Auditors	Financial year ended
Huzhou Wangang	湖州匯豐創業會計師事務所有限公司	Year ended 31 December 2008
Suzhou Nanda	蘇州建信會計師事務所有限公司	Year ended 31 December 2006
Zhongshi	北京創紀會計師事務所有限公司	Year ended 31 December 2006
	北京中逸興盛會計師事務所	Year ended 31 December 2007
	北京森和光會計師事務所有限責任公司	Year ended 31 December 2008
洛陽城南	河南匯通聯合會計師事務所	Year ended 31 December 2007
	洛陽威信聯合會計師事務所	Year ended 31 December 2008

We have performed an independent audit on the consolidated financial statements of the Group and the Company for the Relevant Periods (the "**Underlying Financial Statements**"), which were prepared in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), in accordance with Hong Kong Standards on Auditing issued by the HKICPA and for the purpose of this report, have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group and the Company for the Relevant Periods as set out in this report has been prepared based on the Underlying Financial Statements for the Relevant Periods without making any adjustments for the purpose of inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of the Company. The directors of the Company are also 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, 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 the Group and the Company as at 31 December 2006, 2007 and 2008 and of the consolidated results and cash flows of the Group for the Relevant Periods.

A. FINANCIAL INFORMATION

Consolidated Income Statements

		Year ended 31 December		
	Notes	**2006**	**2007**	**2008**
		HK$'000	*HK$'000*	*HK$'000*
		(Restated)		
Continuing operations				
Turnover	8	247,263	25,365	987,954
Cost of sales		(185,444)	(20,344)	(881,029)
Gross profit		61,819	5,021	106,925
Other income	9	18,965	21,099	6,674
Selling expenses		(6,655)	(800)	(236)
Administrative expenses		(19,722)	(29,159)	(42,242)
Fair value changes of investment properties	19	(1,782)	1,460	—
Gain on disposal of a subsidiary	45	—	19,724	12
Provisions for claims	31	—	—	(4,487)
Finance costs	10	(140)	(1,296)	(829)
Share of results of associates	21	1	(697)	4,188
Share of result of a jointly controlled entity	22	(728)	(1,475)	(668)
Profits before taxation		51,758	13,877	69,337
Taxation charge	11	(17,424)	(9,109)	(27,074)
Profits for the year from continuing operations		34,334	4,768	42,263
Discontinued operations				
(Loss)profit for the year from discontinued operations	12	(1,853)	32,011	—
Profits for the year	13	32,481	36,779	42,263

	Note	2006	2007	2008
		Year ended 31 December		
		HK$'000	*HK$'000*	*HK$'000*
		(Restated)		
Attributable to:				
Shareholders of the Company		25,795	35,945	5,778
Minority interests		6,686	834	36,485
		32,481	36,779	42,263
Earnings per share	16			
From continuing and discontinued operations				
— Basic		HK1.18 cent	HK1.39 cent	HK0.22 cent
— Diluted		HK1.17 cent	HK1.37 cent	HK0.22 cent
From continuing operations				
— Basic		HK1.29 cent	HK0.15 cent	HK0.22 cent
— Diluted		HK1.28 cent	HK0.14 cent	HK0.22 cent

Consolidated Balance Sheets

	Notes	At 31 December 2006	2007	2008
		HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)	
Non-current assets				
Property, plant and equipment	18	1,404	3,232	4,338
Investment properties	19	45,000	83,740	89,270
Interests in associates	21	264	41,599	50,768
Amount due from an associate	21	148,605	139,874	117,415
Interest in a jointly controlled entity	22	99,740	103,881	—
Restricted bank balance	23	4,200	4,200	4,200
		299,213	376,526	265,991
Current assets				
Properties held for sale		50,415	32,678	25,259
Properties held for development	24	—	—	270,742
Amount receivable from sale of properties	25	—	—	376,654
Trade and other receivables	26	7,769	7,959	130,278
Bills receivables	27	—	5,035	—
Amounts due from associates	21	—	9,724	72
Amounts due from related companies	28	4,507	4,741	—
Bank balances and cash	29	117,372	298,626	95,590
		180,063	358,763	898,595
Assets classified as held for sale	12	50,483	—	—
		230,546	358,763	898,595

	Notes	At 31 December 2006 HK$'000 (Restated)	2007 HK$'000 (Restated)	2008 HK$'000
Current liabilities				
Trade and other payables	30	53,564	48,919	119,527
Provisions for claims	31	—	—	4,487
Deposits received on sale of properties		1,055	11,410	10,553
Amounts due to related companies	32	—	17,084	354
Amounts due to minority shareholders of subsidiaries	33	3,978	3,978	3,979
Amount due to a substantial shareholder	33	—	—	5,752
Tax payable		17,347	12,505	15,620
Bank loan	34	—	—	164,980
Unsecured other loans	35	3,260	3,260	3,260
Secured other loan	36	—	—	—
Loans from a minority shareholder of subsidiaries	37	—	—	36,053
		79,204	97,156	364,565
Liabilities associated with assets classified as held for sale	12	35,721	—	—
		114,925	97,156	364,565
Net current assets		115,621	261,607	534,030
Total assets less current liabilities		414,834	638,133	800,021
Non-current liability				
Deferred tax liabilities	38	3,937	4,737	6,846
Net assets		410,897	633,396	793,175

	Note	At 31 December 2006 HK$'000 (Restated)	2007 HK$'000 (Restated)	2008 HK$'000
Capital and reserves				
Share capital	40	202,350	267,202	267,891
Reserves		180,304	366,194	395,668
Equity attributable to shareholders of the Company		382,654	633,396	663,559
Minority interests		28,243	—	129,616
Total equity		410,897	633,396	793,175

Balance Sheets

		At 31 December		
	Notes	**2006**	**2007**	**2008**
		HK$'000	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	18	882	590	269
Interests in subsidiaries	20	1	1	1
Amount due from an associate	21	517	517	517
Amount due from a subsidiary	39	144,873	131,440	107,010
		146,273	132,548	107,797
Current assets				
Other receivables		1,258	1,426	1,414
Amounts due from subsidiaries	39	166,912	371,167	381,042
Bank balances and cash		133	1,237	1,466
		168,303	373,830	383,922
Current liabilities				
Other payables		7,062	7,243	8,449
Amounts due to subsidiaries	39	57,317	59,591	59,591
		64,379	66,834	68,040
Net current assets		103,924	306,996	315,882
		250,197	439,544	423,679
Capital and reserves				
Share capital	40	202,350	267,202	267,891
Reserves	42	47,847	172,342	155,788
		250,197	439,544	423,679

Consolidated Statements of Changes in Equity

	Attributable to shareholders of the Company											
	Share capital	Share premium	Capital redemption reserve	Special capital reserve	Capital reserve	Exchange reserve	Legal surplus	Share options reserve	Accumulated (losses) profits	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Note a)	*(Note b)*							
At 1 January 2006	168,710	939,273	402	—	—	1,936	565	8,711	(866,531)	253,066	32,266	285,332
Exchange realignment and net income recognised directly in equity	—	—	—	—	—	4,702	—	—	—	4,702	1,247	5,949
Profit for the year (Restated)	—	—	—	—	—	—	—	—	25,795	25,795	6,686	32,481
Total recognised income for the year	—	—	—	—	—	4,702	—	—	25,795	30,497	7,933	38,430
Capital Reduction *(Note a)*	—	(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 lapsed	—	—	—	—	—	—	—	(916)	916	—	—	—
Dividend paid to minority shareholder of a subsidiary	—	—	—	—	—	—	—	—	—	—	(11,956)	(11,956)
At 31 December 2006 and 1 January 2007 (Restated)	202,350	67,145	402	—	—	6,638	565	7,066	98,488	382,654	28,243	410,897
Exchange realignment and 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

	Attributable to shareholders of the Company											
	Share capital	Share premium	Capital redemption reserve	Special capital reserve	Capital reserve	Exchange reserve	Legal surplus	Share options reserve	Accumulated (losses) profits	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Note a)	*(Note b)*							
Total recognised income and expense for the year	—	—	—	—	—	7,922	(565)	—	36,822	44,179	2,627	46,806
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	24,420	24,420
Release upon acquisition of additional interests in a subsidiary	—	—	—	—	—	—	—	—	—	—	(28,799)	(28,799)
Release upon disposals of subsidiaries	—	—	—	—	—	—	—	—	—	—	(26,491)	(26,491)
Deemed contribution from substantial shareholder	—	—	—	—	2,814	—	—	—	—	2,814	—	2,814
Rights issue of shares	60,706	139,622	—	—	—	—	—	—	—	200,328	—	200,328
Capitalisation of share issue expenses	—	(6,738)	—	—	—	—	—	—	—	(6,738)	—	(6,738)
Issue of shares upon exercise of share options	4,146	12,067	—	—	—	—	—	(6,054)	—	10,159	—	10,159
At 31 December 2007 and 1 January 2008 (Restated)	267,202	212,096	402	—	2,814	14,560	—	1,012	135,310	633,396	—	633,396
Exchange realignment and net income recognised directly in equity	—	—	—	—	—	22,787	—	—	—	22,787	(1,024)	21,763
Profit for the year	—	—	—	—	—	—	—	—	5,778	5,778	36,485	42,263
Total recognised income and expense for the year	—	—	—	—	—	22,787	—	—	5,778	28,565	35,461	64,026
Deemed acquisition of a subsidiary by acquiring additional interest in a jointly controlled entity	—	—	—	—	—	—	—	—	—	—	115,625	115,625
Capital contribution from minority interests of newly established subsidiaries	—	—	—	—	—	—	—	—	—	—	6,780	6,780
Dividend paid to minority shareholders of a subsidiary	—	—	—	—	—	—	—	—	—	—	(28,250)	(28,250)
Share options lapsed	—	—	—	—	—	—	—	(31)	31	—	—	—
Issue of shares upon exercise of share options	689	1,869	—	—	—	—	—	(960)	—	1,598	—	1,598
At 31 December 2008	267,891	213,965	402	—	2,814	37,347	—	21	141,119	663,559	129,616	793,175

Notes:

(a) 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.

(b) Capital reserve represented the deemed contribution from a substantial shareholder of the Company in 2007 arising from acquisition of a subsidiary, 洛陽城南, from a subsidiary of the substantial shareholder of the Company.

Consolidated Cash Flow Statements

		Year ended 31 December		
	Note	**2006**	**2007**	**2008**
		HK$'000	*HK$'000*	*HK$'000*
Cash flows from operating activities				
Profits before taxation		49,905	45,888	69,337
Adjustments for:				
Interest income		(2,889)	(5,029)	(2,569)
Interest expense		1,210	1,296	829
Gain on dissolution/disposal of subsidiaries	45	(9,842)	(51,727)	(12)
Share of results of associates		(1)	697	(4,188)
Share of result of a jointly controlled entity		728	1,475	668
Loss (gain) on disposal of property, plant and equipment		4,811	—	(67)
Depreciation of property, plant and equipment		3,524	1,871	1,224
Fair value change of an investment property		1,782	(1,460)	—
Provisions for claims		—	—	4,487
Allowance for amounts due from related companies		—	—	607
Allowance for other receivables		—	—	506
Allowance for property held for sale		—	8,283	—
Reversal of temporary receipts		—	—	(966)
Impairment loss recognised in respect of property, plant and equipment		7,840	—	—
Gain on waiver of secured other loan and interest		(14,842)	—	—

	Year ended 31 December		
	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Operating cash flows before working capital changes	42,226	1,294	69,856
Increase in inventories	(655)	(1,882)	—
(Increase) decrease in properties under development	—	(765)	780,196
Decrease in properties held for sale	179,747	7,547	5,828
Decrease (increase) in trade and other receivables	17,409	(10,630)	77,107
Increase in amount receivable from sale of properties	—	—	(376,654)
(Increase) decrease in bills receivables	(856)	(4,035)	8,758
(Decrease) increase in trade and other payables	(37,778)	7,004	(18,363)
(Decrease) increase in deposits received on sale of properties	(188,380)	10,355	(462,750)
Cash flows from operations	11,713	8,888	83,978
Hong Kong Profits Tax refunded	284	—	—
The People's Republic of China Enterprise Income Tax paid	—	(14,993)	(9,157)
Net cash from (used in) operating activities	11,997	(6,105)	74,821

	Notes	2006	2007	2008
		Year ended 31 December		
		HK$'000	HK$'000	HK$'000
Cash flows from investing activities				
Acquisition of investment in a jointly controlled entity		(26,594)	—	—
Acquisition of subsidiaries	44	—	(39,725)	14,693
Acquisition of additional interest in a subsidiary		—	(17,808)	—
Capital contribution to a jointly controlled entity		(71,580)	—	(5,895)
Disposal of subsidiaries	45	—	44,090	481
Increase in restricted bank balance		(4,200)	—	—
Repayment from related companies		775	—	4,407
Proceeds from disposals of property, plant and equipment		6,097	—	76
Purchases of property, plant and equipment		(1,244)	(1,632)	(1,211)
Purchase of properties held for development		—	—	(234,689)
Advance to associates		—	(9,724)	—
Purchase of an investment property		—	(436)	—
Repayment from an associate		12,475	9,189	33,058
(Advance to) repayment from a minority shareholder of a subsidiary		(57)	1,416	—
Interest received		2,889	4,571	2,258
Transferring fund from strike off of an associate		—	—	264
Net cash used in investing activities		(81,439)	(10,059)	(186,558)

	Notes	2006	2007	2008
		Year ended 31 December		
		HK$'000	*HK$'000*	*HK$'000*
Cash flows from financing activities				
Proceeds from rights issue	40(c)	—	200,328	—
Issue of new shares	40(b)	99,600	—	—
Share issue expenses paid		(1,659)	(6,738)	—
Issue of shares upon exercise of share options		1,150	10,159	1,598
Dividend paid to minority shareholders of subsidiaries		(11,956)	—	(28,250)
Repayment of loan from a related company		(15,000)	(4,953)	(17,858)
Increase in amounts due to related companies		—	3,705	—
Repayment to minority shareholders of a subsidiary		—	—	(2,260)
Repayment of bank loan		—	(9,000)	(53,017)
Interest paid		(140)	(1,296)	(8,733)
Loan from a substantial shareholder		—	—	5,650
Capital contribution from minority shareholders of subsidiaries		—	—	6,780
Net cash from (used in) financing activities		71,995	192,205	(96,090)
Net increase (decrease) in cash and cash equivalents		2,553	176,041	(207,827)
Cash and cash equivalents at beginning of year		115,058	118,539	298,626
Effect of foreign exchange rate changes		928	4,046	4,791
Cash and cash equivalents at end of year, representing bank balances and cash		118,539	298,626	95,590

NOTES TO THE FINANCIAL INFORMATION

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 and the principal place of business of the Company is Suite 6406, 64/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 20.

The Financial Information is 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 NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has adopted all the new and revised standards, amendments and interpretations (new HKFRSs) issued by the HKICPA, which are effective for the Group's financial periods beginning on or after 1 January 2006 in the preparation of its Financial Information throughout the Relevant Periods.

The directors of the Company have considered the following standards, amendments or interpretations but do not expect that will have a material impact on the results and the financial position of the Group.

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible Hedged Items[4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
HKFRS 3 (Revised)	Business Combination[4]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segment[3]
HK(IFRIC) - INT 9 & HKAS 39 (Amendments)	Embedded Derivatives[5]
HK(IFRIC) - INT 13	Customer Loyalty Programmes[6]
HK(IFRIC) - INT 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC) - INT 16	Hedges of a Net Investment in a Foreign Operation[7]
HK(IFRIC) - INT 17	Distributions of Non-cash Assets to Owners[4]
HK(IFRIC) - INT 18	Transfer of Assets from Customer[8]

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

2 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate

3 Effective for annual periods beginning on or after 1 January 2009

4 Effective for annual periods beginning on or after 1 July 2009

5 Effective for annual periods ending on or after 30 June 2009

6 Effective for annual periods beginning on or after 1 July 2008

7 Effective for annual periods beginning on or after 1 October 2008

8 Effective for transfers 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. HKAS 23 (Revised) requires borrowing costs related to qualifying assets of the Group to be capitalised prospectively. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and financial positions of the Group.

3. PRIOR YEAR ADJUSTMENT

During the year ended 31 December 2008, 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 Financial Information 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 31 December 2006 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 impact on the profit for the year ended 31 December 2006 for HK$9,842,000. There was no significant impact on the profits for the year ended 31 December 2007 and 2008.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

Basis of consolidation

The Financial Information incorporates 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 or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

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

Acquisition of additional interests in subsidiaries

On acquisition of additional interests in subsidiaries, goodwill is measured at the excess of the consideration over aggregate of the carrying amounts of identified assets and liabilities of the subsidiaries acquired.

Business combinations

The acquisition of subsidiaries 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, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

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 at 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 units, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investments in subsidiaries and associates

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

Investments in associates

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

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

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

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

Jointly controlled entity

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

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

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

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

Non-current assets held for sale

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 disposal group is available for immediate sale in its present condition.

Disposal groups classified as held for sale are measured at the lower of the disposal groups' previous carrying amount and fair value less costs to sell.

Revenue recognition

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

Revenue from sale of properties in the ordinary course of business (including revenue from pre-completion contracts for the sale of development properties) is recognised when all of the following criteria are met:

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

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

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

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

Service income is recognised when services are provided.

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

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

Investment properties

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

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

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

Property, plant and equipment

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

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

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

Properties held for sales and property held for development

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

Borrowing costs

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

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

Taxation

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information 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 jointly controlled entity, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited to the consolidated 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 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.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are recognised in the consolidated income statement in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in the consolidated income statement in the year in which the foreign operation is disposed of.

Leases

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

The Group as lessor

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

The Group as lessee

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

Financial assets

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

Effective interest method

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

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

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, amount receivable from sale of properties, trade and other receivables, bills receivables, amounts due from associates/related companies 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).

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

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

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, 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 the consolidated income statement when there is objective evidence that the asset is impaired, and is measured as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables and amounts due from associates/related companies, 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 the consolidated income statement. When a trade and other receivable and amounts due from an associate and related companies is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the consolidated income statement.

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 the consolidated income statement to the extent that the carrying amount of the financial assets 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 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, amounts due to related companies/minority shareholders of subsidiaries, amount due to a substantial shareholder, bank loan, unsecured other loans, secured other loans and loans from a minority shareholder of subsidiaries are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

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

Derecognition

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

Provisions

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

Retirement benefits costs

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to directors and employees

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

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

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

Impairment losses on assets other than goodwill (see the accounting policy in respect of goodwill above)

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, 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.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 4, management has made various estimates based on past experience, expectations of the future and other information. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Provisions for claims

Note 4 describes that provision are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Provisions for claims (see note 31) represent provisions made for the probably obligations in two legal claims against a subsidiary of the Company. For the year ended 31 December 2008, the directors provide HK$3,500,000 and HK$987,000 (2006 and 2007: nil) respectively for the two claims, which are recognised directly through the consolidation income statement in the year ended 31 December 2008.

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

6. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in notes 34, 35, 36 and 37, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated profits.

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

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	THE GROUP		
	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
	(Restated)	(Restated)	
Financial assets			
Loans and receivables			
(including cash and cash equivalents)	281,883	467,583	722,727
Financial liabilities			
Amortised costs	42,016	68,435	234,076

	THE COMPANY		
	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Loans and receivables			
(including cash and cash equivalents)	313,311	505,277	490,952
Financial liabilities			
Amortised costs	58,291	60,614	60,544

Financial risk management objectives and policies

The Group's and the Company's major financial instruments include restricted bank balance, amount receivable from sale of properties, trade and other receivables, bills receivables, amounts due from associates/related companies, bank balances, trade and other payables, amounts due to related companies/minority shareholders of subsidiaries, amount due to a substantial shareholder, bank loan, unsecured other loans, secured other loans and loans from a minority shareholder of subsidiaries. Details of those financial instruments are disclosed in respective notes. The risks associated with the financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

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

Interest rate risk

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

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

Credit risk

The Group's credit risk is primarily attributable to amount receivables from sale of properties, trade and other receivables, bills receivables and amounts due from associates/related companies. The maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2006, 2007 and 2008 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has reviewed the recoverable amount of each individual trade debt, amounts due from associates and related companies at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

During the year ended 31 December 2008, the Group has significant concentration of credit risk with a major customer for the year, with an amount of balance receivable from sales of properties of HK$376,654,000. Also, the Group has another significant concentration on an amount due from an associate of HK$148,605,000, HK$139,874,000 and HK$117,415,000 for the years ended 31 December 2006, 2007 and 2008 respectively. The management of the Group has closely monitored and reviewed the recoverability of the amounts and the directors of the Company consider such risk is significantly reduced.

The Company also has significant concentration of credit risk which has amounts due from subsidiaries of HK$311,785,000, HK$502,607,000 and HK$488,052,000 for the years ended 31 December 2006, 2007 and 2008 respectively. The management of the Company has closely monitored and reviewed the recoverability of the amounts and the directors of the Company consider such risk is significantly reduced.

Liquidity risk

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

Liquidity and interest risk tables

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities as at 31 December 2006, 2007 and 2008. The tables below have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The tables include both undiscounted cash flows and principal cash flows.

THE GROUP

	Weighted average effective interest rate	Within 1 year	Total undiscounted cash flows	Carrying amount at balance sheet date
	%	*HK$'000*	*HK$'000*	*HK$'000* (Restated)
2006				
Trade and other payables	—	34,778	34,778	34,778
Amounts due to minority shareholders of subsidiaries	—	3,978	3,978	3,978
Unsecured other loans — interest bearing	20.000	2,520	2,520	2,100
Unsecured other loans — interest-free	—	1,160	1,160	1,160
		42,436	42,436	42,016

THE COMPANY

	Within 1 year	Total undiscounted cash flows and carrying amount at balance sheet date
	HK$'000	*HK$'000*
2006		
Other payables	974	974
Amounts due to subsidiaries	57,317	57,317
	58,291	58,291

THE GROUP

	Weighted average effective interest rate	Within 1 year	Total undiscounted cash flows	Carrying amount at balance sheet date
	%	*HK$'000*	*HK$'000*	*HK$'000*
				(Restated)
2007				
Trade and other payables	—	44,113	44,113	44,113
Amounts due to related companies	—	17,084	17,084	17,084
Amounts due to minority shareholders of subsidiaries	—	3,978	3,978	3,978
Unsecured other loans - interest bearing	20.000	2,520	2,520	2,100
Unsecured other loans - interest-free	—	1,160	1,160	1,160
		68,855	68,855	68,435

THE COMPANY

	Within 1 year	Total undiscounted cash flows and carrying amount at balance sheet date
	HK$'000	*HK$'000*
2007		
Other payables	1,023	1,023
Amounts due to subsidiaries	59,591	59,591
	60,614	60,614

THE GROUP

	Weighted average effective interest rate	Within 1 year	Total undiscounted cash flows	Carrying amount at balance sheet date
	%	*HK$'000*	*HK$'000*	*HK$'000*
2008				
Trade and other payables	—	19,698	19,698	19,698
Amounts due to related companies	—	354	354	354
Amounts due to minority shareholders of subsidiaries	—	3,979	3,979	3,979
Loans from a minority shareholder of subsidiaries	—	36,053	36,053	36,053
Amount due to a substantial shareholder	5.000	6,040	6,040	5,752
Bank loan	8.316	178,700	178,700	164,980
Unsecured other loans - interest bearing	20.000	2,520	2,520	2,100
Unsecured other loans - interest-free	—	1,160	1,160	1,160
		248,504	248,504	234,076

THE COMPANY

	Within 1 year	Total undiscounted cash flows and carrying amount at balance sheet date
	HK$'000	*HK$'000*
2008		
Other payables	953	953
Amounts due to subsidiaries	59,591	59,591
	60,544	60,544

Fair value of financial instruments

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

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

8. SEGMENT INFORMATION

Business segments

The Group's principal activities are trade and manufacturing of cement, trade of goods, property investment and property development. For management purposes, the Group is currently organised into four mentioned operating divisions for the Relevant Periods. These divisions are the basis on which the Group reports its primary segment information. During the year ended 31 December 2006, the Group had discontinued the trade of goods business and signed an agreement to transfer all the Group's interest in the trade and manufacture of cement business (see note 12). During the year ended 31 December 2007, the Group discontinued its business of trade and manufacture of cement (see note 12). Accordingly, the business of trade and manufacture of cement and trade of goods are classified as discontinued operations in the year ended 31 December 2006 and the trade and manufacture of cement are classified as discontinued operations in the year ended 31 December 2007. Segment information about the Group's businesses is presented as below:

	Continuing operations				Discontinued operations				
	Property investment	Property development	Unallocated	Total	Trade and manufacture of cement	Trade of goods	Unallocated	Total	Consolidated
	HK$'000	*HK$'000*	*HK$'000* (Restated)	*HK$'000* (Restated)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Restated)
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 result of a jointly controlled entity				(728)				—	(728)
Unallocated other income				16,083				14,849	30,932
Unallocated corporate expenses				(17,210)				(2)	(17,212)
Finance costs				(140)				(1,070)	(1,210)
Profit (loss) before taxation				51,758				(1,853)	49,905
Taxation charge				(17,424)				—	(17,424)
Profit (loss) for the year/period				34,334				(1,853)	32,481
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)
Loss on disposal of property, plant and equipment	—	—	(766)	(766)	(4,045)	—	—	(4,045)	(4,811)
Depreciation of property, plant and equipment	—	(104)	(278)	(382)	(3,142)	—	—	(3,142)	(3,524)

	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*
					(Restated)
At 31 December 2006					
Balance sheet					
Assets					
Segment assets	45,309	122,140	50,483	546	218,478
Interests in associates					264
Amount due from an associate					148,605
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					(43,890)
Consolidated total liabilities					(118,862)

	Continuing operations				Discontinued operations		
	Property investment	Property development	Unallocated	Total	Trade and manufacture of cement	Total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2007							
Turnover							
Segment turnover	1,868	23,497		25,365	27,454	27,454	52,819
Result							
Segment result	2,185	(949)		1,236	5	5	1,241
Gain on disposal of subsidiaries				19,724		32,003	51,727
Share of results of associates				(697)		—	(697)
Share of result of a jointly controlled entity				(1,475)		—	(1,475)
Unallocated other income				18,024		3	18,027
Unallocated corporate expenses				(21,639)		—	(21,639)
Finance costs				(1,296)		—	(1,296)
Profit before taxation				13,877		32,011	45,888
Taxation charge				(9,109)		—	(9,109)
Profit for the year/period				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
Fair value changes 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 Property investment	Continuing operations Property development	Discontinued operations Trade and manufacture of cement	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Restated)
At 31 December 2007				
Balance sheet				
Assets				
Segment assets	85,567	142,776	—	228,343
Interests in associates				41,599
Amounts due from associates				149,598
Interest in a jointly controlled entity				103,881
Unallocated corporate assets				211,868
Consolidated total assets				735,289
Liabilities				
Segment liabilities	(7,186)	(38,700)	—	(45,886)
Unallocated corporate liabilities				(56,007)
Consolidated total liabilities				(101,893)

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

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

Geographical segments

As over 90% of the segment turnover, segment results and segment assets for the Relevant Periods (including the discounted operations for the years ended 31 December 2006 and 2007) is derived from, or located in, the People's Republic of China (the "**PRC**"), an analysis of the segment turnover, segment results and segment assets by geographical location is not presented.

9. OTHER INCOME

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
	(Restated)		
Interest from bank deposits	2,882	4,571	2,258
Interest income from an associate	—	458	311
Gain on disposal of held for trading securities	1,486	8,197	1,994
Gain on dissolution of a subsidiary	9,842	—	—
Consultancy and service income from an associate	—	3,580	360
Overprovision in a legal claim in prior years	1,028	—	—
Net exchange gain	1,874	3,684	—
Reversal of temporary receipts	—	—	966
Others	1,853	609	785
	18,965	21,099	6,674

10. FINANCE COSTS

	Continuing operations			Discontinued operations			Consolidated		
	2006	2007	2008	2006	2007	2008	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	140	1,296	8,003	1,070	—	—	1,210	1,296	8,003
Interest paid to China Chengtong Hong Kong Company Limited ("**CCHK**"), the substantial shareholder of the Company	—	—	829	—	—	—	—	—	829
	140	1,296	8,832	1,070	—	—	1,210	1,296	8,832
Less: Amounts capitalised *(Note)*	—	—	(8,003)	—	—	—	—	—	(8,003)
	140	1,296	829	1,070	—	—	1,210	1,296	829

Note: The amount represents the borrowings costs that are directly attributable to the properties development project of a subsidiary. The completed properties were sold to the Huzhou local government during the year ended 31 December 2008.

11. TAXATION CHARGE

Hong Kong Profits Tax is calculated at 17.5%, 17.5% and 16.5% of the estimated assessable profits for the years ended 31 December 2006, 2007 and 2008 respectively.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/09.

PRC Enterprise Income Tax is provided at 33%, 33% and 25% on the estimated assessable profits for the years ended 31 December 2006, 2007 and 2008 respectively.

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit for the years ended 31 December 2007 and 2008.

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

		Continuing operations			Discontinued operations			Consolidated	
	2006	**2007**	**2008**	**2006**	**2007**	**2008**	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current tax:									
PRC Enterprise Income Tax	19,465	8,763	25,626	—	—	—	19,465	8,763	25,626
PRC land appreciation tax *(Note a)*	—	3,384	—	—	—	—	—	3,384	—
	19,465	12,147	25,626	—	—	—	19,465	12,147	25,626
Overprovision in prior years:									
Hong Kong	(284)	—	—	—	—	—	(284)	—	—
PRC	—	(3,294)	(317)	—	—	—	—	(3,294)	(317)
	(284)	(3,294)	(317)	—	—	—	(284)	(3,294)	(317)
	19,181	8,853	25,309	—	—	—	19,181	8,853	25,309
Deferred taxation *(note 38)*									
— Current year	(1,757)	327	1,765	—	—	—	(1,757)	327	1,765
— Attributable to change of PRC Enterprise income tax rate *(Note b)*	—	(71)	—	—	—	—	—	(71)	—
	(1,757)	256	1,765	—	—	—	(1,757)	256	1,765
Taxation charge for the year	17,424	9,109	27,074	—	—	—	17,424	9,109	27,074

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 PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Under the New Law and Implementation Regulations, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC have changed from 33% for the years ended 31 December 2006 and 2007 to 25% from 1 January 2008 onwards.

A taxation charge for the Relevant Periods can be reconciled to the profits before taxation per the consolidated income statement as follows:

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
	(Restated)		
Profits before taxation			
Continuing operations	51,758	13,877	69,337
Discontinued operations	(1,853)	32,011	—
	49,905	45,888	69,337
Tax at the domestic income tax rate of 33%, 33% and 25% *(Note)*	16,469	15,143	17,334
Tax effect of share of results of associates and a jointly controlled entity	240	717	(880)
Tax effect of expenses not deductible for tax purposes	5,345	5,329	4,250
Tax effect of income not taxable for tax purposes	(4,766)	(13,361)	(3,041)
Tax effect of tax losses not recognised	5,460	4,419	6,033
Tax effect of temporary differences not recognised	—	—	2,336
Tax effect of utilisation of tax losses previously not recognised	(5,040)	(3,157)	—
Tax effect of utilisation of temporary differences previously not recognised	—	—	(406)
Withholding tax for undistributed profits of investments in the PRC	—	—	1,765
Decrease in opening deferred tax liability resulting from a decrease in applicable tax rate	—	(71)	—
Overprovision in prior years	(284)	(3,294)	(317)
	17,424	5,725	27,074
Land appreciation tax	—	3,384	—
Taxation charge for the year	17,424	9,109	27,074

Note: Majority of the operations of the Group is operated by its PRC subsidiaries which entitle to domestic tax rate of 33% for the years ended 31 December 2006 and 2007 of 25% for the year ended 31 December 2008.

12. DISCONTINUED OPERATIONS

Repudiation of plan to dispose of interest in an associate

As at 31 December 2005, the directors of the Company decided to dispose the entire interest in an associate, Goodwill ("**Goodwill Disposal**"). On 11 January 2006, the Group entered into an agreement (the "**Disposal Agreement**") with an independent third party (the "**Purchaser**") to dispose of a wholly owned subsidiary of the Company, Price Sales Limited which holds the Group's entire 32% equity interest of Goodwill and the related loan advanced by the Group to Goodwill at a consideration of US$24,701,754 (equivalent to HK$192,674,000). The Company had an amount due from Goodwill amounting to HK$517,000 which will also be disposed of under the Disposal Agreement. Details of the repudiation are set out in the Company's announcement dated 24 November 2006.

During the year ended 31 December 2006, Goodwill Disposal has fallen through by reason of repudiation of the Disposal Agreement by the Purchaser. Therefore, the interest in an associate, Goodwill, is no longer classified as assets classified as held for sale.

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 the Relevant Periods.

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 operations 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:

	Year ended 31.12.2006	Period ended 20.6.2007
	HK$'000	*HK$'000*
Turnover	44,151	27,454
Cost of sales	(41,913)	(24,621)
Other income	1,003	247
Gain on waiver of secured other loan and interests *(note 36)*	14,842	—
Selling expenses	(1,051)	(560)
Administrative expenses	(17,815)	(2,512)
Finance costs	(1,070)	—
Profit for the year/period	(1,853)	8
Gain on disposal of trade and manufacture of cement	—	32,003
	(1,853)	32,011
Attributable to:		
Shareholders of the Company	(2,390)	32,154
Minority interests	537	(143)
	(1,853)	32,011
Cash flows for the year from discontinued operations		
Net cash flows from operating activities	(4,670)	(1,150)
Net cash flows from investing activities	5,699	274
Effect of foreign exchange rate changes	(228)	35
Net cash flows	801	(841)

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

13. PROFITS FOR THE YEAR

		Continuing operations			Discontinued operations			Consolidated	
	2006	2007	2008	2006	2007	2008	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profits for the year is arrived at after charging:									
Auditor's remuneration	1,200	1,200	1,200	—	—	—	1,200	1,200	1,200
Allowance for properties held for sale (included in cost of sales)	—	8,283	—	—	—	—	—	8,283	—
Depreciation of property, plant and equipment	382	824	1,224	3,142	1,047	—	3,524	1,871	1,224
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	2,108	2,859	2,696	74	47	—	2,182	2,906	2,696
Contributions to retirement benefits schemes (including directors' emoluments)	250	332	566	777	237	—	1,027	569	566
Staff costs (including directors' emoluments)	8,024	9,276	12,556	3,120	2,124	—	11,144	11,400	12,556
Cost of inventories recognised as an expense	185,444	19,771	880,656	41,913	24,621	—	227,357	44,392	880,656
Allowance for amount due from related companies	—	—	607	—	—	—	—	—	607
Allowance for other receivables	—	—	506	—	—	—	—	—	506
Net exchange loss	—	—	711	—	—	—	—	—	711

	2006	Continuing operations 2007	2008	2006	Discontinued operations 2007	2008	2006	Consolidated 2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
and after crediting:									
Gross rental income from investment properties, net of outgoings	912	1,868	1,688	309	106	—	1,221	1,974	1,688
Interest income	2,882	4,571	2,258	7	—	—	2,889	4,571	2,258
Gain on disposal of property, plant and equipment	—	—	67	—	—	—	—	—	67
Gain on disposal of subsidiaries	—	19,724	12	—	32,003	—	—	51,727	12
Gain on waiver of secured other loan and interests *(note 36)*	—	—	—	14,842	—	—	14,842	—	—
Net exchange gain	1,874	3,684	—	—	—	—	1,874	3,684	—

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the ten directors for the years ended 31 December 2006, 2007 and 2008 were as follows:

2006

	Zhang Guotong	Wang Hongxin	Xu Zhen	Gu Laiyun	Kwong Chekeung	Tsui Yiuwa	Lao Youan	Ma Zhengwu (resigned on 10.4.2008)	Hong Shuikun (resigned on 10.4.2008)	Wu Chun Wah, Michael (resigned on 10.2.2006)	Total 2006
	HK'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fee	940	630	240	507	360	360	240	360	240	283	4,160
Contributions to retirement benefits schemes	35	20	—	—	—	—	—	—	—	11	66
Total emoluments	975	650	240	507	360	360	240	360	240	294	4,226

2007

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

2008

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

Note: The performance-based bonus paid to the directors is determined on discretionary basis.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two were directors of the Company whose emoluments are included in (a) above. The emoluments of the remaining three individuals for the years ended 31 December 2006, 2007 and 2008 are as follows:

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Salaries and other benefits	2,062	1,897	1,568
Performance-based bonus *(Note)*	—	—	496
Contributions to retirement benefits schemes	103	95	104
	2,165	1,992	2,168

Emoluments of each of the three highest paid individuals for the years ended 31 December 2006, 2007 and 2008 within the following band:

	Year ended 31 December		
	2006	**2007**	**2008**
	Number of employees	*Number of employees*	*Number of employees*
Nil to HK$1,000,000	3	3	3

No director or employee waived or agreed to waive any emoluments for the years ended 31 December 2006, 2007 and 2008. No emoluments have been paid to the directors or 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 Relevant Periods.

Note: The performance-based bonus paid to the five highest paid individuals is determined on discretionary basis.

15. DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 2006, 2007 and 2008, nor has any dividend been proposed since the balance sheet dates of the Relevant Periods.

16. EARNINGS PER SHARE

From continuing and discontinued operations

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

Earnings

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
	(Restated)		
Profit for the year and earnings for the purposes of basic and diluted earnings per share	25,795	35,945	5,778

Number of shares

	Year ended 31 December		
	2006	**2007**	**2008**
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,188,014,203	2,588,625,956	2,676,848,753
Effect of dilutive potential ordinary shares in respect of share options	11,574,651	31,227,828	1,695,652
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,199,588,854	2,619,853,784	2,678,544,405

The weighted average number of ordinary shares for the purpose of basic earnings per share calculation in 2006 and 2007 has been adjusted for the rights issue of the Company completed in April 2007 *(note 40(c))*.

From continuing operations

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

Earnings figures are calculated as follows:

	Year ended 31 December		
	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
	(Restated)		
Profits for the year attributable to shareholders of the Company and earnings for the purposes of basic and diluted earnings per share	25,795	35,945	5,778
Less: Loss (profit) for the year from discontinued operations	2,390	(32,154)	—
Earnings for the purposes of basic and diluted earnings per share from continuing operations	28,185	3,791	5,778

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

From discontinued operations

Basic and diluted (loss) earning per share for discontinued operations for the years ended 31 December 2006 and 2007 are HK0.11 cent per share for basic loss per share and HK1.24 cent earnings per share and HK0.11 per share for diluted loss per share and HK1.23 earnings per share respectively.

17. RETIREMENT BENEFITS SCHEMES

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

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement and benefits scheme operated by the PRC government. During the years ended 31 December 2006, 2007 and 2008, the subsidiaries are required to contribute 29%, from 20% to 21% and from 20% to 21% of payroll costs respectively, 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 years ended 31 December 2006, 2007 and 2008, contributions totalling of HK$1,027,000, HK$569,000 and HK$566,000 respectively were paid by the Group.

18. 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
Exchange 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
Exchange 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
Exchange realignment	—	—	134	73	207
Acquired on acquisition of a subsidiary	—	—	167	827	994
Additions	—	—	125	1,086	1,211
Disposals	—	—	(1,639)	—	(1,639)
At 31 December 2008	—	—	12,914	4,040	16,954

	Buildings	Plant and machinery	Furniture and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2006	43,418	80,394	11,920	3,168	138,900
Exchange 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
Exchange 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
Exchange realignment	—	—	47	26	73
Provided for the year	—	—	896	328	1,224
Eliminated on disposals	—	—	(1,630)	—	(1,630)
At 31 December 2008	—	—	11,105	1,511	12,616
CARRYING AMOUNTS					
At 31 December 2006	—	—	1,196	208	1,404
At 31 December 2007	—	—	2,335	897	3,232
At 31 December 2008	—	—	1,809	2,529	4,338

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
At 31 December 2007 and 31 December 2008	963

	Furniture and equipment
	HK$'000
ACCUMULATED DEPRECIATION	
At 1 January 2006	292
Provided for the year	65
Disposals	(305)
At 31 December 2006	52
Provided for the year	321
At 31 December 2007	373
Provided for the year	321
At 31 December 2008	694
CARRYING AMOUNTS	
At 31 December 2006	882
At 31 December 2007	590
At 31 December 2008	269

19. INVESTMENT PROPERTIES

	THE GROUP *HK$'000*
FAIR VALUE	
At 1 January 2006	86,400
Transfer of investment properties *(Note 31 (a))*	(41,490)
Decrease in fair value recognised in the consolidated income statement	(1,782)
Exchange realignment	1,872
At 31 December 2006	45,000
Addition from acquisition of a subsidiary *(Note)*	32,844
Addition	436
Increase in fair value recognised in the consolidated income statement	1,460
Exchange realignment	4,000
At 31 December 2007	83,740
Exchange realignment	5,530
At 31 December 2008	89,270

Note: During the year ended 31 December 2007, the Group acquired investment properties whose fair value amounted to HK$32,844,000 as at 8 June 2007 through acquisition of 100% equity interest in a property holding company, 洛陽城南中儲物流有限公司 (「**洛陽城南**」) (formerly known as 洛陽關林中儲物流中心) by 中實投資有限公司 Zhongshi Investment Company Limited ("**Zhongshi**") *(see note 44)*.

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

The fair values of the Group's investment properties at 31 December 2006 was arrived at on the basis of a valuation carried out on that date by S.H. Ng & Co., Ltd., while the fair values of the Group's investment properties at 31 December 2007 and 2008 and of the investment properties acquired as at 8 June 2007 have been arrived at on the basis of a valuation carried out on that date by B.I. Appraisals Limited, an independent qualified professional valuers not connected with the Group. Both S.H. Ng & Co., Ltd. and B.I. Appraisals Limited 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.

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.

20. INTERESTS IN SUBSIDIARIES

	THE COMPANY		
	At 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Unlisted shares, at cost	1,001	1,001	1,001
Less: Impairment loss	(1,000)	(1,000)	(1,000)
	1	1	1

At 31 December 2006, 2007 and 2008, the Group had interests in the following principal subsidiaries:

Name of company	Place of incorporation/ operation	Total paid-up and issued ordinary share/ registered capital	Equity interest owned by the Group			Principal activity
			2006	2007	2008	
			%	%	%	
Directly held:						
Galactic	Hong Kong	2 ordinary shares of HK$1 each	100	100	100	Investment holding
Key Asset	Hong Kong	100 ordinary shares of HK$1 each	100	100	100	Investment holding
Merry World	BVI/PRC	1 ordinary share of US$1	100	100	100	Property investment
Indirectly held:						
Boxhill	BVI/Hong Kong	1 ordinary share of US$1	100	100	100	Investment holding
Chengtong Properties	Hong Kong	10,000 ordinary shares of HK$1 each	100	100	100	Investment holding
Great Royal	Hong Kong	100 ordinary shares of HK$1 each	100	100	100	Investment holding
Price Sales	Hong Kong	10,000 ordinary shares of HK$1 each	100	100	100	Investment holding
Sea-Land	Hong Kong	1,000,000 ordinary shares of HK$10 each	100	*(note 1)*	*(note 1)*	Investment holding

Name of company	Place of incorporation/ operation	Total paid-up and issued ordinary share/ registered capital	Equity interest owned by the Group			Principal activity
			2006	2007	2008	
			%	%	%	
Suzhou Nanda *(note 2)*	PRC	RMB101,262,000	71.03	*(note 1)*	*(note 1)*	Trade and manufacture of cement
Zhongshi *(note 2)*	PRC	RMB100,000,000	70	100 *(note 3)*	100	Properties development
洛陽城南 *(note 4)*	PRC	RMB26,680,000	N/A	100	100	Property investment
Huzhou Wangang *(note 4)*	PRC	RMB306,800,000	N/A	N/A	67.08	Property development
諸城港龍 *(note 4)*	PRC	RMB10,000,000	N/A	N/A	80	Property development
諸城泰豐 *(note 4)*	PRC	RMB10,000,000	N/A	N/A	80	Property development
諸城鳳凰 *(note 4)*	PRC	RMB10,000,000	N/A	N/A	80	Property development

Notes:

(1) On 20 June 2007, Sea-Land and Suzhou Nanda become the indirectly held associate of the Company, details per note 12.

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

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

(4) 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 2006, 2007 and 2008 or at any time during the Relevant Periods.

21. INTERESTS IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES

	THE GROUP		
	At 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Cost of investment in associates	12,185	61,261	49,076
Share of post acquisition (loss) profit	(11,921)	(12,618)	3,491
Share of post acquisition reserves	—	644	5,889
	264	49,287	58,456
Unrealised gain on disposal of subsidiaries to an associate *(note 45)*	—	(7,688)	(7,688)
	264	41,599	50,768
Non-current asset			
Amount due from an associate *(note a)*	149,691	140,960	118,501
Less: Allowance for doubtful receivables	(1,086)	(1,086)	(1,086)
	148,605	139,874	117,415
Current asset			
Amounts due from associates *(note b)*	—	9,724	72

	THE COMPANY		
	At 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Non-current asset			
Amount due from an associate *(note a)*	517	517	517

Notes:

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

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

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

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

At 31 December 2006, 2007 and 2008, the Group had interests in the following significant associates:

Name of company	**Place of incorporation and registration/ operation**	**Equity interest owned by the Group**			**Principal activity**
		2006	**2007**	**2008**	
		%	*%*	*%*	
Goodwill	BVI/Hong Kong	32	32	32	Investment holding
Success Project*	BVI/Hong Kong	35	35	N/A	Investment holding
CIMPOR Chengtong	Hong Kong	20	20	20	Investment holding

* Success Project was strike off during the year ended 31 December 2008.

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

	THE GROUP		
	At 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	458,424	1,191,241	2,089,976
Total liabilities	(461,083)	(921,261)	(1,769,949)
Minority interests	—	(27,527)	(31,156)
Net (liabilities) assets	(2,659)	242,453	288,871
Group's share of associates' net assets	264	49,287	58,456
Unrealised gain on disposal of subsidiaries to an associate *(note 45)*	—	(7,688)	(7,688)
	264	41,599	50,768

	THE GROUP		
	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	—	263,664	752,122
Profit (loss) for the year	3	(3,484)	20,935
Group's share of profit (loss) of associates for the year	1	(697)	4,188

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:

	At 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Unrecognised share of losses of an associate for the year	5	2	2
Accumulated unrecognised share of losses of an associate	3,799	1,217	1,219

22. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP		
	At 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Cost of investment in a jointly controlled entity	98,174	98,174	—
Share of post acquisition losses	(728)	(2,203)	—
Share of post acquisition reserves	2,294	7,910	—
	99,740	103,881	—

The principal investment in a jointly controlled entity at 31 December 2006 and 2007 represents the Company's interest in 50% of registered paid-in capital of Huzhou Wangang. In June 2008, Huzhou Wangang became a non-wholly owned subsidiary of the Company as described in note 44.

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

	THE GROUP		
	At 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Current assets	138,727	389,856	—
Non-current assets	32	519	—
Current liabilities	(43,913)	(185,388)	—
Non-current liabilities	—	(106,000)	—

	THE GROUP		
	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Income	57	279	103
Expenses	(785)	(1,754)	(771)

23. RESTRICTED BANK BALANCE

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

Restricted bank balance carries interest at market rate which ranged from 2.44% to 2.79%, from 1.72% to 2.68% and from 0.01% to 1.5% per annum for the years ended 31 December 2006, 2007 and 2008 respectively.

24. PROPERTIES HELD FOR DEVELOPMENT

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

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

25. AMOUNT RECEIVABLE FROM SALE OF PROPERTIES

The amount at 31 December 2008 represents the balance receivable in relation to the sales of completed properties to the Huzhou local government. In the directors' opinion, the amount will be fully repaid in 2009 and accordingly the amount is classified as current.

26. TRADE AND OTHER RECEIVABLES

	THE GROUP		
	At 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	3,207	3,176	3,101
Other receivables	1,378	2,207	124,765
Prepayments and deposits	3,184	2,576	2,412
Total trade and other receivables	7,769	7,959	130,278

The Group allows an average credit period of 30 days for the years ended 31 December 2006, 2007 and 2008 to its trade customers. The following is an aged analysis of trade receivables at the balance sheet date:

	THE GROUP		
	At 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Within one month	—	90	100
One to two years	—	85	—
Over five years	3,207	3,001	3,001
	3,207	3,176	3,101

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$3,207,000, HK$3,086,000 and HK$3,001,000 at 31 December 2006, 2007 and 2008 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:

	At 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
One to two years	—	85	—
Over five years	3,207	3,001	3,001
	3,207	3,086	3,001

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

27. BILLS RECEIVABLES

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

28. AMOUNTS DUE FROM RELATED COMPANIES

	THE GROUP At 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Name of related company			
中國物資開發投資總公司	3,900	4,134	—
Nardu Company Limited	177	177	—
Panyu Lucky Rich Real-Estates Development Limited	430	430	—
	4,507	4,741	—

The amounts at 31 December 2006 and 2007 are unsecured, interest-free and repayable on demand. 中國物資開發投資總公司 is a subsidiary of China Chengtong Holdings Group Limited, a holding company of the 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, the substantial shareholder of the Company.

29. BANK BALANCES AND CASH

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

Bank balances carry interest at market rates which range from 2.5% to 3.24%, 0.10% to 3.24% and 0.10% to 4.00% per annum for the years ended 31 December 2006, 2007 and 2008 respectively.

Bank balances and cash amounting to HK$66,370,000, HK$69,661,000 and HK$20,783,000 respectively 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.

30. TRADE AND OTHER PAYABLES

	THE GROUP At 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
	(Restated)	(Restated)	
Trade payables	30,103	12,933	11,509
Other payables and accruals	23,461	35,986	108,018
	53,564	48,919	119,527

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

	THE GROUP At 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	—	—	2,278
One to two years	—	—	45
Two to three years	22,448	7,149	—
Over three years	7,655	5,784	9,186
	30,103	12,933	11,509

The average credit period receives from suppliers is 90 days.

31. PROVISIONS FOR CLAIMS

	THE GROUP
	HK$'000
Balance at 1 January 2006	41,490
Utilisation of provision upon the transfer of Property A *(note (a))*	(41,490)
Balance at 31 December 2006 and 2007	—
Provision for the year *(notes (b) & (c))*	4,487
Balance at 31 December 2008	4,487

Notes:

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

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

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

On 1 March 2006, Merry World entered into two settlement agreements (the "**Settlement Agreements**") with the Plaintiff in relation to Property A and Property C for, among other matters, the transfer of Property A by Merry World to the Plaintiff in pursuant to the judgment and the discontinuance and withdrawal by the Plaintiff of all its claims made and legal proceedings instituted against Merry World in relation to Property C and the confirmation of the title of Merry World in Property C. During the year ended 31 December 2006, the legal procedures for the transfer of Property A were completed.

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

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

The directors of the Company are of the view that it is probable that Zhongshi will be liable to the payment of the claim. Accordingly, a provision for claim of HK$3,500,000 was made in the year ended 31 December 2008. However, Zhongshi would like to seek for a chance to be not liable for the claim, thus, it has consulted legal advices and made a second appeal to the court on 29 December 2008.

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

The directors of the Company are of the view that it is probable that Zhongshi should settle most of the unpaid contract fee. Accordingly, a provision for claim of HK$987,000 was made for the year ended 31 December 2008.

32. AMOUNTS DUE TO RELATED COMPANIES

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

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

The amounts due to minority shareholders of subsidiaries/a substantial shareholder is unsecured and repayable on demand. The amount due to minority shareholders of subsidiaries is interest-free, while the amount due to a substantial shareholder bears fixed interest rate at 5% per annum for the year ended 31 December 2008.

34. BANK LOAN

During the year ended 31 December 2008, the Group has obtained a secured bank loan facility which carries a fixed interest rate at 8.316% per annum. It is 10% above the interest rate per annum offered by The People's Bank of China, and will be repriced every twelve months upon revolving.

The bank loan is secured by the land use right of the completed properties which were sold to the Huzhou local government in the year ended 31 December 2008. The bank loan is also guaranteed by 浙江雲廈集團有限公司, a minority shareholder of a subsidiary.

35. UNSECURED OTHER LOANS

The other loans from third parties are unsecured, repayable on demand and interest-free, except for a loan of HK$2,100,000 as at 31 December 2006, 2007 and 2008 which carried fixed interest rate at 0.05% per day on a compound basis.

36. SECURED OTHER LOAN

	At 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'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 12)*	(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 at 31 December 2006. 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.

37. LOANS FROM A MINORITY SHAREHOLDER OF SUBSIDIARIES

At 31 December 2008, loans from a minority shareholder of certain subsidiaries are unsecured, interest-free and will be demanded for repayment within three years after the Group has obtained the certificate of the land use right for the properties held for development *(see note 24)*.

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

38. DEFERRED TAX LIABILITIES

THE GROUP

The followings are the major deferred tax liabilities recognised by the Group and movement thereon during the Relevant Periods:

	Revaluation of properties	**Withholding tax for undistributed profits of investment in the PRC**	**Total**
	HK$'000	*HK$'000* *(Note)*	*HK$'000*
At 1 January 2006	5,694	—	5,694
Credit to consolidated income statement *(note 11)*	(1,757)	—	(1,757)
At 31 December 2006	3,937	—	3,937
Charge to consolidated income statement *(note 11)*	327	—	327
Effect of change of PRC Enterprise income tax rate *(note 11)*	(71)	—	(71)
Exchange realignment	544	—	544
At 31 December 2007	4,737	—	4,737
Charge to consolidated income statement *(note 11)*	—	1,765	1,765
Exchange realignment	242	102	344
At 31 December 2008	4,979	1,867	6,846

The Group has deductible temporary differences not recognised in the Financial Information as follows:

	THE GROUP		
	At 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Tax losses	(110,324)	(114,148)	(138,280)
Impairment losses, allowance for receivables and provisions for claims	(67,130)	(8,283)	(16,004)
	(177,454)	(122,431)	(154,284)

No deferred tax asset in respect of the abovementioned temporary differences has been recognised due to unpredictability of future profit streams. At 31 December 2006 and 2008, included in the unrecognised tax losses are losses of approximately HK$9,183,000 and HK$3,321,000 respectively that will expire in the years of 2010 and 2014 respectively, all other tax losses may be carried forward indefinitely.

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

The Company

At 31 December 2006, 2007 and 2008, the Company has unused tax losses of HK$67,773,000, HK$81,295,000 and HK$96,865,000 respectively 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.

39. 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$144,873,000, HK$131,440,000 and HK$107,010,000 at 31 December 2006, 2007 and 2008 respectively will be settled after more than one year from the balance sheet date and accordingly the amount is classified as non-current.

40. SHARE CAPITAL

	Number of shares *'000*	Amount *HK$'000*
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2006, 31 December 2006	5,000,000	500,000
Increase on 16 December 2008 *(note (a))*	1,000,000	100,000
At 31 December 2008	6,000,000	600,000
Issued and fully paid:		
At 1 January 2006	1,687,105	168,710
Issue of new shares *(note (b))*	332,000	33,200
Exercise of share options	4,400	440
At 31 December 2006	2,023,505	202,350
Exercise of share options	41,464	4,146
Rights issue *(note (c))*	607,051	60,706
At 31 December 2007	2,672,020	267,202
Exercise of share options	6,885	689
At 31 December 2008	2,678,905	267,891

Notes:

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

(b) 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.

(c) 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.

41. 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 ("Option 1") 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 ("Option 2") 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

At 31 December 2006, 2007 and 2008, the total number of shares available for issue under the Scheme was approximately 118,810,500, 156,763,000 and 141,452,000 shares respectively, which represented approximately 5.9%, 5.9% and 5.3% respectively of the total issued share capital of the Company.

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

	Date of grant	Exercisable period	Exercise price *HK$*	Adjusted exercise price *HK$* *(Note)*	Outstanding at 1.1.2006	Lapsed during the year	Exercised during the year	Outstanding during 1.1.2007	Adjusted during the year *(Note)*	Exercised during the year	Outstanding at 1.1.2008	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2008
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	(362,598)	—	125,196
	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	(3,017,317)	(234,634)	—
Total					49,900,000	(5,200,000)	(4,400,000)	40,300,000	48,708,942	(41,464,086)	7,244,856	(6,885,026)	(234,634)	125,196
Weighted average exercise price per share					0.2900	0.2953	0.2612	0.2924	0.2924	0.2962	0.2709	0.2804	0.245	0.364
Adjusted weighted average exercise price per share *(Note)*					0.2399	0.2444	0.2161	0.2419	0.2419	0.2450	0.2241	0.2320	0.2027	0.3012

Number of share options exercisable at 31 December 2006, 2007 and 2008 were 40,300,000, 7,244,856 and 125,196 respectively.

Note: Pursuant to the terms of Share Options Scheme, the exercise price and number of shares that can be subscribed for under the Scheme are adjusted upon the completion of the rights issue of the Company on 12 April 2007 *(note 40(c))*.

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

2006

Number of options exercised Option 1	Option 2	Exercise date	Share price at exercise date HK$
—	2,000,000	18.8.2006	0.425
150,000	—	26.9.2006	0.500
300,000	—	27.9.2006	0.510
—	1,800,000	27.9.2006	0.510
150,000	—	29.9.2006	0.485
600,000	3,800,000		

2007

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		

2008

Number of options exercised		Exercise	Share price at
Option 1	**Option 2**	**date**	**exercise date**
			HK$
—	2,417,317	14.1.2008	1.62
725,196	—	14.2.2008	1.19
—	600,000	15.2.2008	1.16
725,196	—	5.3.2008	1.27
—	2,417,317	9.9.2008	0.40
1,450,392	5,434,634		

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

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

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

42. RESERVES

Details of changes in reserves of the Group are set out in the consolidated statement of changes in equity on page IV-11.

THE COMPANY

	Share premium	Capital redemption reserve	Special capital reserve	Share options reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006	939,273	402	—	8,711	(942,941)	5,445
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	67,145	402	—	7,066	(26,766)	47,847
Loss for the year	—	—	—	—	(14,402)	(14,402)
Rights issue of shares	139,622	—	—	—	—	139,622
Capitalisation share issue expenses	(6,738)	—	—	—	—	(6,738)
Issue of shares upon exercise of share options	12,067	—	—	(6,054)	—	6,013
At 31 December 2007	212,096	402	—	1,012	(41,168)	172,342
Loss for the year	—	—	—	—	(17,463)	(17,463)
Issue of shares upon exercise of share options	1,869	—	—	(960)	—	909
Share options lapsed	—	—	—	(31)	31	—
At 31 December 2008	213,965	402	—	21	(58,600)	155,788

43. OPERATING LEASES COMMITMENTS

(a) The Group as leasee

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		
	At 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	1,993	2,513	2,106
In the second to fourth years	3,371	1,990	—
	5,364	4,503	2,106

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) The Group as lessor

The Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP		
	At 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	544	1,391	1,617
In the second to fifth years inclusive	802	1,653	533
More than five years	700	—	—
	2,046	3,044	2,150

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.

44. ACQUISITION OF SUBSIDIARIES

Year ended 31 December 2007

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

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

	西安富祥	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)

Year ended 31 December 2008

In June 2008, the Group obtained control over, Huzhou Wangang (previously a 50% jointly controlled entity of the Group, see note 22), through the additional capital injection amounting to RMB104,800,000 (equivalent to approximately HK$118,424,000) to Huzhou Wangang (the "**Capital Injection**") pursuant to a capital injection agreement entered into between a wholly-owned subsidiary of the Company and the other two joint venture owners of Huzhou Wangang (the "**Capital Injection Agreement**") on 28 March 2008. Upon completion of the Capital Injection in June 2008, Huzhou Wangang becomes a subsidiary of the Group and the Company indirectly owned a 67.08% equity interest in Huzhou Wangang. In accordance with the Capital Injection agreement, profits or losses arising from the existing property development project continue to be shared by the Group and the two minority owners in the proportion of the shareholding before the Capital Injection (i.e. 50% to the Group and 50% to the other two minority owners). The transaction has been accounted for as an acquisition of assets.

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

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

45. DISPOSAL OF SUBSIDIARIES

Year ended 31 December 2007

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

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

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 *(Note 21)*	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 21)*	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

Year ended 31 December 2008

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

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

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

46. RELATED PARTY TRANSACTIONS

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

Name of related party	Nature of transactions	2006	2007	2008
		HK$'000	*HK$'000*	*HK$'000*
Associates:				
CIMPOR Chengtong	Consultancy and service income	—	3,580	360
Suzhou Nanda *(Note)*	Interest income	—	458	311
Minority shareholder of a subsidiary:				
北京興合動力投資管理有限公司 Beijing Xinghe Dongli Investment Co., Ltd. ("**Beijing Xinghe**")	Interest income	18	—	—
A substantial shareholder of the Company:				
CCHK *(Note 10)*	Interest expense	—	—	(829)

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

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

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

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

(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 RMB20,610,000. The transaction was completed on December 2007. At 31 December 2007, an amount of HK$7,632,000 was due by the Group to Beijing Xinghe and was fully settled in 2008.

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

(d) Balances with related parties at respective balance sheet dates are set out in the consolidated balance sheet/balance sheet and notes 21, 28, 32, 33, 37 and 39 thereto.

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

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Short-term employee benefits	4,160	4,014	4,964
Post-employment benefits	66	66	83
	4,226	4,080	5,047

47. MAJOR NON-CASH TRANSACTION

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

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

B. SUBSEQUENT EVENTS

(a) On 2 April 2009, the Group entered into a share sale and purchase agreement with CIMPOR Macau Investment Company Limited ("**CIMPOR Macau**") to dispose 20% equity interest in its associate, CIMPOR Chengtong, at a consideration of HK$58,000,000. CIMPOR Macau is the major shareholder of CIMPOR Chengtong. The transaction was completed on 14 April 2009. In the opinion of the directors of the Company, the estimate of the financial effect of such disposal is not possible to be made in the present stage because the relevant financial information is not yet available.

(b) On 26 May 2009, the Company entered into a share sale and purchase agreement with Fantastic Era International Limited ("**Fantastic Era**") (the "**Agreement**"). Pursuant to the Agreement, the Company has agreed to dispose 100% equity interest in Great Royal Group which principally engaged in the business of property development in the PRC, for cash consideration of HK$272,104,000. Upon the completion of the above transaction, the Company will not have any shareholding in Great Royal Group and Great Royal Group will cease to be subsidiaries of the Company.

Pursuant to the Listing Rules, the disposal is subjected to the approval by the shareholders at the extraordinary general meeting ("**EGM**"). Up to the date of this report, EGM has not been held.

(i) Included below are the results of Great Royal Group incorporated into the Group's consolidated income statements for the Relevant Periods:

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	—	—	976,845
Cost of sales	—	—	(874,761)
Gross profit	—	—	102,084
Other income	9	1	148
Administrative expenses	(4)	(4)	(3,517)
Finance costs	(140)	—	—
Share of results of a jointly controlled entity	(728)	(1,475)	(668)
(Loss) profit before taxation	(863)	(1,478)	98,047
Taxation charge	—	—	(27,427)
(Loss) profit for the year	(863)	(1,478)	70,620
Attributable to:			
Shareholders of the Company	(863)	(1,478)	34,072
Minority interests	—	—	36,548
	(863)	(1,478)	70,620

(ii) Included below are the assets and liabilities of Great Royal Group incorporated into the Group's consolidated balance sheets as at 31 December 2006, 2007 and 2008:

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property, plant and equipment	—	—	887
Interest in a jointly controlled entity	99,740	103,881	—
	99,740	103,881	887
Current assets			
Amount receivable from sales of properties	—	—	376,654
Other receivables	—	—	123,527
Amount due from a fellow subsidiary	—	—	135,826
Bank balances and cash	46	46	12,124
	46	46	648,131

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Trade and other payables	—	—	78,712
Amount due to a fellow subsidiary	71,723	71,726	194,756
Amount due to immediate holding company	26,633	26,633	21,739
Amount due to a minority shareholder	—	—	1
Tax payable	—	—	12,300
Bank loan	—	—	164,980
	98,356	98,359	472,488
Net current (liabilities) assets	(98,310)	(98,313)	175,643
Total assets less current liabilities	1,430	5,568	176,530
Non-current liability			
Deferred tax liabilities	—	—	1,867
Net assets	1,430	5,568	174,663

(iii) Included below are the statement of changes in equity of Great Royal Group incorporated into the Group's consolidated statement of changes in equity as at 31 December 2006, 2007 and 2008:

	Attributable to shareholders of the Company						
	Share capital	Exchange Reserves	Other reserve	Accumulated (losses) profit	Total	Minority Interest	Total equity
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
At 1 January 2006	—	—	—	—	—	—	—
Exchange realignment and net income recognised directly in equity	—	2,293	—	—	2,293	—	2,293
Loss for the year	—	—	—	(863)	(863)	—	(863)
Total recognised income and expenses for the year	—	2,293	—	(863)	1,430	—	1,430
At 31 December 2006	—	2,293	—	(863)	1,430	—	1,430
Exchange realignment and net income recognised directly in equity	—	5,616	—	—	5,616	—	5,616
Loss for the year	—	—	—	(1,478)	(1,478)	—	(1,478)
Total recognised income and expenses for the year	—	5,616	—	(1,478)	4,138	—	4,138
At 31 December 2007	—	7,909	—	(2,341)	5,568	—	5,568

	Attributable to shareholders of the Company						
	Share capital	Exchange Reserves	Other reserve	Accumulated (losses) profits	Total	Minority Interest	Total equity
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Exchange realignment and net income recognised directly in equity	—	7,228	—	—	7,228	(1,022)	6,206
Profit for the year	—	—	—	34,072	34,072	36,548	70,620
Total recognised income and expenses for the year	—	7,228	—	34,072	41,300	35,526	76,826
Deemed capital contribution from immediate holding company	—	—	4,894	—	4,894	—	4,894
Deemed acquisition of a subsidiary by acquiring additional interest in a jointly controlled entity	—	—	—	—	—	115,625	115,625
Dividend paid to minority shareholders of a subsidiary	—	—	—	—	—	(28,250)	(28,250)
At 31 December 2008	—	15,137	4,894	31,731	51,762	122,901	174,663

(iv) Included below are cash flows of Great Royal Group incorporated into the Group's consolidated cash flow statements for the Relevant Periods:

	Year ended 31 December		
	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from operating activities			
(Loss) profit before taxation	(863)	(1,478)	98,047
Adjustments for:			
Interest income	(9)	(1)	(148)
Interest expense	140	—	—
Share of result of a jointly controlled entity	728	1,475	668
Depreciation of property, plant and equipment	—	—	109
Operating cash flows before working capital changes	(4)	(4)	98,676
Decrease in properties under development	—	—	780,196
Increase in amount receivable from sales of properties	—	—	(376,654)
Decrease in trade and other receivables	—	—	76,738
Decrease in bills receivables	—	—	3,390
Decrease in trade and other payables	—	—	(10,513)
Decrease in deposits received on sale of properties	—	—	(465,062)
Cash (used in) from operations	(4)	(4)	106,771
The People's Republic of China Enterprise Income Tax Paid	—	—	(74)
Net cash (used in) from operations	(4)	(4)	106,697

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from investing activities			
Acquisition of a subsidiary	—	—	14,693
Increase in amount due from a fellow subsidiary	—	—	(135,826)
Capital contribution to a jointly controlled entity	(71,580)	—	(5,895)
Purchases of property, plant and equipment	—	—	(6)
Interest received	9	1	148
Net cash (used in) from investing activities	(71,571)	1	(126,886)
Cash flows from financing activities			
Dividend paid to minority shareholders of a subsidiary	—	—	(28,250)
Increase in amount due to a fellow subsidiary	71,722	3	123,030
Increase in amount due to a minority shareholder	—	—	1
Repayment to minority shareholders of a subsidiary	—	—	(2,261)
Repayment of bank loan	—	—	(53,017)
Interest paid	(140)	—	(8,003)
Net cash from financing activities	71,582	3	31,500
Net increase in cash and cash equivalents	7	—	11,311
Cash and cash equivalents at beginning of year	39	46	46
Effect of foreign exchange rate charges	—	—	767
Cash and cash equivalents at end of year, representing bank balances and cash	46	46	12,124

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2008.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executives (if any) of the Company had, or was deemed to have, any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of part XV of the SFO) which were required (a) 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 which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of Part XV of the SFO to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange:

Name of Director	Interests in the Company or its associated corporation	Capacity in holding interest	Long/short position	No. of Shares/ underlying Shares pursuant to share options	Approximate percentage of securities in the same class of securities
Zhang Guotong	The Company	Beneficial owner	Long	365	0.00001%
Gu Laiyun	The Company	Beneficial owner	Long	3,867,707	0.14%
Xu Zhen	The Company	Beneficial owner	Long	725,196	0.03%

3. SUBSTANTIAL SHAREHOLDERS

(a) Save as disclosed below, as at the Latest Practicable date, so far as is known to any Director or chief executive (if any) of the Company, no other person (not being a Director, chief executive (if any) of the Company) had an interest or short positions 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 who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of Shareholder	Nature of interest	Number of Shares	Approximate Percentage of interest
World Gain Holdings Limited ("**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 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 (each term as defined in the circular of the Company dated 29 November 2008).

(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 Group:

Name of subsidiary	Nature of shareholder	Number of shares/ Registered capital	Approximate Percentage of interest
China-eDN.com Limited	Diagonal Trading Limited	2,000,000 shares of HK$1 each	20%
Huzhou 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 Lanmark 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%
誠通大豐海港開發有限公司 (unofficial translation as Chengtong Dafeng Harbour Development Limited)	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%

4. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

None of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors has any direct or indirect interests in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2008, being the date to which the latest published audited consolidated accounts of the Group were made up.

5. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business of the Group, were entered into by the Company or its subsidiaries during the period commencing two years preceding the date of this circular and are or may be material:

(1) the equity transfer agreement dated 27 September 2007 and entered into between 中實投資有限責任公司 (unofficial English name, Zhongshi Investment Company Limited) ("**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;

(2) the agreement dated 28 March 2008 and entered into among Great Royal, Hong Kong Wanshan Holdings Limited, 浙江雲廈集團有限公司(unofficial translation as Zhejiang Yunxia Group Limited) and Huzhou Company in relation to the increase in the registered capital of Huzhou Company in the amount of RMB104,800,000 contributed by Great Royal;

(3) 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.) ("**Zhucheng Prosperity**") for clarifying certain terms of tender and development of Land A);

(4) 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.) ("**Zhucheng Phoenix**") for clarifying certain terms of tender and development of Land B);

(5) 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.) ("**Zhucheng Dragon**") for clarifying certain terms of tender and development of Land C);

(6) 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;

(7) 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);

(8) the sale and purchase agreement dated 15 October 2008 and made between the Company, CCHK and CCHG in relation to the acquisition by the Company of (a) the entire issued share capital of a company to be incorporated in the British Virgin Islands with limited liability which will be the holding company of a company to be incorporated in Hong Kong which will act as the holding company of 誠通實業投資有限公司(unofficial translation being Chengtong Industrial Investment Limited), a company established in the PRC with limited liability and wholly owned by CCHG; and (b) the entire issued share capital of a company to be incorporated in the British Virgin Islands with limited liability which will be the holding company of a company to be incorporated in Hong Kong which will act as the holding company of 誠通大豐海港開發有限公司(unofficial translation being Chengtong Dafeng Harbour Construction Limited), a company established in the PRC with limited liability and owned as to approximately 66.67% by CCHG, at an aggregate consideration of RMB469,000,000, subject to adjustment ("**Original First SP Agreement**");

(9) the sale and purchase agreement dated 15 October 2008 and made between the Company, CCHK and CCHG 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 with limited liability which will be the holding company of a company to be incorporated in Hong Kong which will act as the holding company of 連雲港中儲物流有限公司(unofficial translation being Lianyungang CMST Logistics Limited), a company established in the PRC with limited liability at a consideration of RMB181,000,000, subject to adjustment ("**Original Second SP Agreement**");

(10) a supplemental agreement dated 27 October 2008 and made between the Company, CCHK and CCHG to amend the consideration adjustment mechanism as contained in the Original First SP Agreement;

(11) a supplemental agreement dated 27 October 2008 and made between the Company, CCHK and CCHG to amend the consideration adjustment mechanism as contained in the Original Second SP Agreement;

(12) the sale and purchase agreement dated 2 April 2009 and entered into between China Chengtong Cement Group Limited (as vendor) and Cimpor Macau Investment Company Limited (as purchaser) in relation to the sale and purchase of 49,076,020 shares of HK$1 each of Cimpor Chengtong Cement Corporation Limited at a consideration of HK$58,000,000; and

(13) the Sale and Purchase Agreement.

6. LITIGATION

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

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

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

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

The Directors of the Company are of the view that it is probable that Zhongshi should settle most of the unpaid contract fee. Accordingly, a provision for claim of HK$987,000 was made for the 2008.

(c) In September 2007, Zhongshi and an individual ("**Purchaser A**") entered into a preliminary agreement for the sale by Zhongshi of a property to Purchaser A.

In November 2008, Zhongshi commenced legal proceedings against Purchaser A as a result of Purchaser A's failure to pay the balance of the purchase price for the purchase of the subject property. In 2009, Purchaser A joined a third party to the legal proceeding and counter-claimed for (i) the loss in value of the subject property as a result of the change in permitted usage; and (ii) the reimbursements of the renovation expenses incurred by the third party in respect of the subject property.

The legal adviser as to PRC laws to the Company handling this legal proceeding has advised that in the event that the case was awarded not in favour of Zhongshi, Zhongshi would be required to refund all the purchase price (i.e. approximately RMB3.68 million) that Purchaser A has paid to it and reimburse him and the third party the renovation expenses (an amount of approximately RMB1.3 million was claimed) or alternatively, Zhongshi and Purchaser A shall proceed to completion of the acquisition of the subject property and Zhongshi shall pay to Purchaser A the difference in value of the subject property as a result of the change in permitted usage (amount to be estimated) and reimburse the third party the renovation expenses (an amount of approximately RMB1.0 million was claimed). Accordingly a provision for claim of approximately HK$1.5 million (equivalent to approximately RMB1.3 million) was made in 2009.

(d) In January 2008, Zhongshi and two individuals ("**Purchasers B**") entered into an agreement for the sale by Zhongshi of a property to Purchasers B. Purchasers B failed to pay the remaining purchase price of approximately RMB2 million to Zhongshi in accordance with the terms of the agreement concerned. As a result, Zhongshi commenced legal proceedings against Purchasers B.

In 2009, Purchasers B counter-claimed for (i) the loss in value of the subject property as a result of the change in permitted usage; and (ii) the reimbursements of the expenses incurred by Purchasers B in connection with the subject property (aggregate amount claimed was approximately RMB0.34 million).

The legal adviser as to PRC laws to the Company handling this legal proceeding has advised that in the event that the case was awarded not in favour of Zhongshi, Zhongshi would be required to refund to Purchasers B all the purchase price (i.e. approximately RMB2.27 million) that Purchasers B have paid and reimburse them the renovation and other expenses and losses (an amount of approximately RMB2.25 million was claimed) or alternatively, Zhongshi and Purchasers B shall proceed to completion of the acquisition of the subject property and Zhongshi shall pay to Purchasers B the difference in value of the subject property as a result of the change in permitted usage (amount to be estimated) and reimburse Purchasers B the expenses incurred (an amount of approximately RMB0.34 million was claimed). Accordingly, a provision for claim of approximately HK$2.5 million (equivalent to approximately RMB2.25 million) was made in 2009.

(e) In April 2009, the Owners' Committee of a property development project developed by Zhongshi commenced legal proceedings against Zhongshi for the reinstatement of certain unauthorized structure that Zhongshi has constructed on such property development project. It is estimated that the total expenses for such reinstatement and legal costs incurred are around RMB0.35 million. Accordingly, a provision for claim of approximately HK$0.4 million (equivalent to approximately RMB0.35 million) was made in 2009.

Save as disclosed above, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service contracts with the Company or any of its subsidiaries or associated companies, excluding contracts expiring within one year without payment of compensation other than statutory compensation.

8. 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.

9. EXPERT AND CONSENT

The following is the qualification of the expert whose statement has been included in this circular:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants

Deloitte Touche Tohmatsu has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or opinion or report or reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, Deloitte Touche Tohmatsu had not had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Deloitte Touche Tohmatsu had not had any direct or indirect interests in any assets which have been, since 31 December 2008 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. on any business day at the principal place of business of the Company in Hong Kong at Suite 6406, 64th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong from the date of this circular up to and including the date of the EGM, and also be available at the EGM:

(a) the memorandum and articles of association of the Company;

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

(c) the report issued by Deloitte Touche Tohmatsu in connection with the pro forma consolidated balance sheet, consolidated income statement and consolidated cash flow statement of the Remaining Group as set out in Appendix II to this circular;

(d) the accountants' report of the Group prepared by Deloitte Touche Tohmatsu for the years ended 31 December 2006, 2007 and 2008 as set out in Appendix IV to this circular;

(e) the written consent of Deloitte Touche Tohmatsu referred to in the paragraph headed "Expert and consent" in this Appendix; and

(f) the annual reports of the Company for the two years ended 31 December 2008.

11. GENERAL

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

(b) 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, Wanchai, Hong Kong.

(c) 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.

(d) The qualified accountant of the Company is Ms. Chan Yuet Kwai, *FCPA FCCA*.

(e) The English text of this circular shall prevail over the Chinese text.

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 OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting of China Chengtong Development Group Limited ("**Company**") will be held at 3:15 p.m. on Monday, 29 June 2009 at Boardroom 3 & 4, Mezzanine Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) the sale and purchase agreement dated 26 May 2009 and entered into between Talent Dragon Limited (as vendor) and Fantastic Era International Limited (as purchaser) in relation to the sale and purchase of 100 shares of HK$1 each of Great Royal International Limited ("**Sale and Purchase Agreement**") (a copy of the Sale and Purchase Agreement marked "A" and initialed by the chairman of the Meeting for identification purpose has been tabled at the Meeting) be and is hereby confirmed, approved and ratified; and

(b) the directors of the Company ("**Directors**") or a duly authorised committee of the board of Directors be and are hereby authorised to do all such acts and things (including, without limitation, signing, executing (under hand or under seal), perfecting and delivery of all agreements, documents and instruments) which are in their opinion necessary, appropriate, desirable or expedient to implement or to give effect to the terms of the Sale and Purchase Agreement and all transactions contemplated thereunder and all other matters incidental thereto or in connection therewith and to agree to and make such variation, amendment and waiver of any of the matters relating thereto or in connection therewith that are, in the opinion of the Directors, not material to the terms of the Sale and Purchase Agreement and all transactions contemplated thereunder and are in the interests of the Company."

By order of the board of directors of
China Chengtong Development Group Limited
Wang Hongxin
Managing Director

Hong Kong, 13 June 2009

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 extraordinary general meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the extraordinary general meeting to represent the member. 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 so appointed.

(2) In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, at the offices of the Company's registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting. Completion and return of a form of proxy will not preclude a shareholder of the Company from attending in person and voting at the extraordinary general meeting or any adjournment thereof, should he so wish.

(3) Completion and return of an instrument appointing a proxy should not preclude a shareholder of the Company from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

(4) As required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the above resolution will be decided by way of a poll.

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.