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

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天安中國投資有限公司

TIAN AN CHINA INVESTMENTS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 28)

- (1) Proposed Revised Open Offer to Qualifying Shareholders on the basis of one Revised Offer Share for every five Shares held as at the Record Date
 - (2) Proposed Issue of one Warrant for every one Revised Offer Share
 - (3) Proposed Grant of Specific Mandate to Issue Shares and Warrants
- and
- (4) Refreshment of General Mandate to Issue Shares and Repurchase securities of the Company

Underwriter to the Revised Open Offer



3V Capital Limited

A letter from the board of directors of the Company is set out on pages 7 to 24 of this circular.

A notice convening the extraordinary general meeting of the Company (the "EGM") to be held at Plaza I-III, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Thursday, 6th December, 2007 at 10:00 a.m. is set out on pages 153 to 158 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the registrar of the Company, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish.

Shareholders should note that 3V Capital Limited ("3V Capital") shall have the absolute right, after reasonable consultation with the Company as the underwriter of the Revised Open Offer in its sole and absolute discretion sees fit, by giving notice to the Company, if there develops, occurs or comes into force at any time at or before 4:00 p.m. (Hong Kong time) on the second Business Day after the latest time for acceptance of the Revised Offer Shares: (i) any breach, considered by 3V Capital in its absolute discretion to be material in the overall context of the Revised Open Offer, of any of the warranties or any of other provisions of the Underwriting Agreement (as supplemented on 30th October, 2007); or (ii) any matter which, had it arisen immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted an omission considered by 3V Capital in its absolute discretion to be material in the overall context of the Revised Open Offer; or (iii) any statement contained in the Prospectus, considered by 3V Capital in its absolute discretion to be material, is discovered to be or becomes untrue, incorrect or misleading in any respect; or (iv) any event, act or omission which gives or is likely to give rise to any material liability of the Company pursuant to the Underwriting Agreement (as supplemented on 30th October, 2007); or (v) any adverse change in the business or the financial or trading position of any member of the Group considered by 3V Capital in its absolute discretion to be material; or (vi) any event or series of events, matter or circumstance concerning, relating to or resulting in: (a) any change in local, national, international, financial, political, economic, military, industrial, fiscal, regulatory or stock market conditions or sentiments in Hong Kong or any other relevant jurisdiction; or (b) the introduction of any new law, rule or regulation or any material change in existing laws, rules or regulations, or any material change in the interpretation or application of such laws, rules or regulations by any court or other competent authority in Hong Kong or any other relevant jurisdiction; or (c) any event of force majeure affecting Hong Kong or any other relevant jurisdiction (including, without limitation, any act of God, fire, flood, explosion, war, strike, lock-out, civil commotion, interruption, riot, public disorder, act of government, economic sanction, epidemic, terrorism or escalation of hostilities involving Hong Kong or any other relevant jurisdiction); or (d) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or (e) any prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong or any other relevant jurisdiction or affecting an investment in the Shares or the transfer or dividend payment in respect of the Shares; or (f) the imposition of any economic sanction, in whatever form, directly or indirectly, by or for the United States of America or by the European Union (or any of its members) on the People's Republic of China; or (g) any change in the system under which the value of Hong Kong dollars is pegged to that of the currency of the United States of America, considered by 3V Capital in its absolute discretion to be material; or (h) any change in the exchange rate between the United States dollars and Renminbi (the lawful currency of the People's Republic of China), or between Hong Kong dollars and Renminbi, considered by 3V Capital in its absolute discretion to be material; or (i) any litigation or claim of material importance being threatened or instigated against any member of the Group; or (j) any change in market conditions in Hong Kong (including without limitation suspension or material restriction or trading in securities); which, in the sole and absolute opinion of 3V Capital: (1) is or will be, or is likely to be, materially adverse to the business, financial or other condition or prospects of the Group taken as a whole; or (2) has, or will have, or could be expected to have, a material adverse effect on the success of the Revised Open Offer; or (3) makes it inadvisable, inexpedient or impractical to proceed with the Revised Open Offer then and in any such case, 3V Capital in its reasonable discretion may (but will not be bound to), upon giving notice to the Company, terminate the Underwriting Agreement (as supplemented on 30th October, 2007) with immediate effect.

Except for all reasonable costs, fees, charges and expenses which may be incurred in connection with the Revised Open Offer, upon the giving of notice of termination, all obligations of 3V Capital under the Underwriting Agreement (as supplemented on 30th October, 2007) will cease and no party will have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Underwriting Agreement (as supplemented on 30th October, 2007). If 3V Capital exercises such right, the Revised Open Offer will not proceed.

19th November, 2007

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EXPECTED TIMETABLE

Last day of dealings in Shares on a cum-entitlement basis	Tuesday, 27th November, 2007
First day of dealings in Shares on an ex-entitlement basis	Wednesday, 28th November, 2007
Latest time for lodging transfers of Shares to qualify for the Revised Open Offer	4:30 p.m. on Thursday, 29th November, 2007
Register of members closes	Friday, 30th November, 2007 to Thursday, 6th December, 2007 (both days inclusive)
Record Date	Thursday, 6th December, 2007
Date of the EGM.	Thursday, 6th December, 2007
Despatch of the Prospectus Documents	Friday, 7th December, 2007
Register of members re-opens	Friday, 7th December, 2007
Latest time for acceptance of, and payment for, the Revised Offer Shares	4:00 p.m. on Friday, 21st December, 2007
Revised Open Offer expected to become unconditional on or before	4:00 p.m. on Thursday, 27th December, 2007
Announcement of results of the Revised Open Offer to be posted on the website of the Stock Exchange on or before	Friday, 28th December, 2007
Certificates for fully-paid Revised Offer Shares and the Warrants expected to be despatched on or before	Monday, 31st December, 2007
Dealings in fully-paid Revised Offer Shares and the Warrants commence on or before	Wednesday, 2nd January, 2008

Dates stated in this circular for events in the timetable are indicative only and may be extended or varied as may be agreed by the Company and 3V Capital pursuant to the Underwriting Agreement (as supplemented on 30th October, 2007). Any changes to the expected timetable will be published in further announcements or notified to the Shareholders.

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF, AND PAYMENT FOR, THE REVISED OFFER SHARES

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

- (i) a tropical cyclone warning signal number 8 or above; or
- (ii) a “black” rainstorm warning:
 - in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on 21st December, 2007. Instead the latest time for acceptance of, and payment for, the Revised Offer Shares will be extended to 5:00 p.m. on the same business day; or
 - in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on 21st December, 2007. Instead the latest time for acceptance of, and payment for, the Revised Offer Shares will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of, and payment for, the Revised Offer Shares does not take place on 21st December, 2007, the dates mentioned in the expected timetable above may be affected. A press announcement will be made by the Company in such event.

DEFINITIONS

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

“AGL”	Allied Group Limited, a company incorporated in Hong Kong with limited liability, with its shares listed on the Main Board of the Stock Exchange
“AGL Directors”	directors of AGL
“AGL Group”	AGL and its subsidiaries
“AGL Shareholders”	holders of the shares of AGL
“associate”	having the meaning ascribed to it under the Listing Rules
“Business Day”	a day (other than a Saturday and Sunday and days on which a tropical cyclone warning signal no.8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“CCASS”	Central Clearing and Settlement System
“Company”	Tian An China Investments Company Limited, a company incorporated in Hong Kong with limited liability, with its shares listed on the Main Board of the Stock Exchange
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Shareholders of the Company to be convened on 6th December, 2007 for the purposes of considering and, if thought fit, approving, amongst other things, the Revised Open Offer, the Warrant Issue and the grant of the specific mandate and the refreshment of the general mandate
“Elevatech”	Elevatech Limited, a private limited company incorporated in Hong Kong
“Elevatech Subscription Shares”	26,000,000 new Shares

DEFINITIONS

“Excluded Shareholders”	the Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date and whose addresses as shown on such register are outside Hong Kong, where the Directors, after making enquiries, consider it necessary or expedient on account either of legal restrictions under the laws of the relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange in that jurisdiction not to offer the Revised Offer Shares to such Shareholders
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Joint Announcement”	the joint announcement of the Company and AGL dated 2nd October, 2007
“Latest Acceptance Time”	4:00 p.m. on 21st December, 2007, being the latest time for acceptance of the Revised Offer Shares
“Latest Practicable Date”	16th November, 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Latest Time for Termination”	4:00 p.m. (Hong Kong time) on the second Business Day after the Latest Acceptance Time
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Offer Shares”	225,853,983 Shares to be allotted and issued at the Subscription Price under the Open Offer
“Open Offer”	the proposed offer of the Offer Shares, by way of an open offer, on the basis of one Offer Share for every five Shares held by the Qualifying Shareholders as at the record date as disclosed in the circular of the Company dated 22nd October, 2007

DEFINITIONS

“Penta”	Penta Investment Advisers Limited, a company incorporated in the British Virgin Islands with limited liability
“Penta Irrevocable Undertaking”	the irrevocable undertaking dated 25th September, 2007, pursuant to which Penta has irrevocably undertaken to subscribe for its full entitlements under the Open Offer in respect of the 236,648,000 Shares to which such irrevocable undertaking relates
“PRC”	People’s Republic of China
“Prospectus”	a prospectus to be issued by the Company to the Qualifying Shareholders, containing details of, amongst other things, the Revised Open Offer
“Prospectus Documents”	the Prospectus and the application form in relation to the Revised Open Offer
“Prospectus Posting Date”	7th December, 2007
“Qualifying Shareholders”	the Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date, other than the Excluded Shareholders
“Record Date”	6th December, 2007, being the date for the determination of entitlements of the Shareholders under the Revised Open Offer
“Revised Offer Shares”	the 251,853,983 Shares to be issued and allotted under the Revised Open Offer
“Revised Open Offer”	the proposed arrangement to be undertaken by the Company to offer 251,853,983 Shares, by way of an open offer, on the basis of one Revised Offer Share for every five Shares held by the Qualifying Shareholders as at the Record Date
“SFC”	Securities and Futures Commission
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	holders of the Shares

DEFINITIONS

“Shares”	ordinary shares of nominal value of HK\$0.20 each in the issued share capital of the Company
“SHK”	Sun Hung Kai & Co. Limited, a company incorporated in Hong Kong with limited liability, with its securities listed on the Main Board of the Stock Exchange, a controlling shareholder of the Company and an indirect non-wholly owned subsidiary of AGL
“SHK Irrevocable Undertaking”	the irrevocable undertaking dated 25th September, 2007, pursuant to which SHK has irrevocably undertaken to subscribe for its full entitlements pursuant to the Open Offer
“Sky (Delaware)”	Sky (Delaware) LLC, a company incorporated in Delaware, the United States of America with limited liability
“Sky (Delaware) Subscription Shares”	60,667,000 new Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	Elevatech, Sky (Delaware), York Asia, York Capital, York Global, York Investment, York Select and York Select Trust
“Subscription”	the subscription of the Subscription Shares pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 26th October, 2007 entered into between the Company and the Subscribers in relation to the Subscription
“Subscription Price”	subscription price for the Revised Offer Shares, being HK\$6.00 per Revised Offer Share
“Subscription Shares”	130,000,000 new Shares, being the Elevatech Subscription Shares, Sky (Delaware) Subscription Shares, York Asia Subscription Shares, York Capital Subscription Shares, York Global Subscription Shares, York Investment Subscription Shares, York Select Subscription Shares and York Select Trust Subscription Shares

DEFINITIONS

“Supplemental Agreement”	the supplemental agreement dated 30th October, 2007 entered into between the Company and 3V Capital in relation to the underwriting of the Revised Open Offer
“Takeover Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriting Agreement”	the underwriting agreement dated 25th September, 2007 entered into between the Company and 3V Capital in relation to the underwriting of the Open Offer
“Warrant Issue”	the issue of one Warrant for every one Revised Offer Share successfully subscribed by the Qualifying Shareholders which will entitle holder of the Warrant to subscribe for new Shares at an initial subscription price of HK\$10.00 per Warrant
“Warrants”	251,853,983 warrants to be issued by the Company in respect of the Revised Offer Shares under the Warrant Issue
“York Asia”	York Asian Opportunities Master Fund, L.P., a Cayman Islands limited partnership
“York Asia Subscription Shares”	17,333,000 new Shares
“York Capital”	York Capital Management, L.P., a Delaware limited partnership
“York Capital Management”	York Capital Management is an international private investment fund group with over US\$13 billion of assets under management. York Capital Management was founded in 1991 by James G. Dinan and has offices in New York, London, Singapore and Hong Kong. York Capital Management specialises in high quality, value-oriented public and private equity investments as well as credit securities
“York Capital Subscription Shares”	3,774,000 new Shares
“York Global”	York Global Value Partners, L.P., a Delaware limited partnership

DEFINITIONS

“York Global Subscription Shares”	2,375,000 new Shares
“York Investment”	York Investment Limited, a company incorporated in Bahama with limited liability
“York Investment Subscription Shares”	11,964,000 new Shares
“York Select”	York Select, L.P., a Delaware limited partnership
“York Select Subscription Shares”	3,597,000 new Shares
“York Select Trust”	York Select Unit Trust, a trust organised in the Cayman Islands
“York Select Trust Subscription Shares”	4,290,000 new Shares
“3V Capital”	3V Capital Limited, a licensed corporation under the SFO to engage in Type 1 (dealing in securities) and Type 4 (advising on securities) activities
“%”	per cent.

LETTER FROM THE BOARD



天安中國投資有限公司

TIAN AN CHINA INVESTMENTS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 28)

Executive Directors:

Patrick Lee Seng Wei (*Managing Director*)

Ng Qing Hai (*Deputy Managing Director*)

Ma Sun

Edwin Lo King Yau

Li Chi Kong

Yasushi Ichikawa

Registered Office:

22nd Floor

Allied Kajima Building

138 Gloucester Road

Wanchai

Hong Kong

Non-Executive Directors:

Lee Seng Hui (*Chairman*)

Moses Cheng Mo Chi

Yuki Oshima

Independent Non-Executive Directors:

Francis J. Chang Chu Fai

Ngai Wah Sang

Xu Su Jing

Lisa Yang Lai Sum

19th November, 2007

*To the Qualifying Shareholders and, for information only,
the Excluded Shareholders*

Dear Sir or Madam,

**(1) Proposed Revised Open Offer to Qualifying Shareholders
on the basis of one Revised Offer Share for every
five Shares held as at the Record Date**

(2) Proposed Issue of one Warrant for every one Revised Offer Share

(3) Proposed Grant of Specific Mandate to Issue Shares and Warrants

and

**(4) Refreshment of General Mandate to Issue Shares and
Repurchase securities of the Company**

LETTER FROM THE BOARD

INTRODUCTION

References are made to the Joint Announcement, the announcement of the Company dated 18th October, 2007 and the circular of the Company dated 22nd October, 2007 in relation to the Open Offer, and the joint announcement of AGL and the Company dated 30th October, 2007 in relation to the Subscription of new Shares and the Revised Open Offer.

On 26th October, 2007, Goldman Sachs (through its affiliates Elevatech and Sky (Delaware)) and York Capital Management (through its funds, namely York Asia, York Capital, York Global, York Investment, York Select and York Select Trust) entered into the Subscription Agreement with the Company in relation to the Subscription as principal of an aggregate of 130,000,000 new Shares at a price of HK\$9.10 per Subscription Share.

The Subscription Shares represented approximately 11.51% of the issued share capital of the Company as at the Latest Practicable Date and approximately 10.32% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The Directors believe that the participation of the Subscribers in the Revised Open Offer will further enhance and broaden its shareholder and capital base and in the interests of the Company and the Shareholders taken as a whole.

In order to facilitate the qualification of the Subscribers for the Revised Open Offer, the Directors therefore propose to change the expected timetable of the Open Offer and to revise the Open Offer by offering 251,853,983 Revised Offer Shares by way of the Revised Open Offer to the Qualifying Shareholders, at the Subscription Price of HK\$6.00 per Revised Offer Share, on the basis of one Revised Offer Share for every five Shares held as at the Record Date under the Revised Open Offer.

On 16th November, 2007, the issued share capital of the Company has been enlarged from 1,129,269,918 Shares to 1,259,269,918 Shares by the allotment and issue of the Subscription Shares following completion of the Subscription which took place on 16th November, 2007. In this regard, the total number of the Offer Shares has been increased from 225,853,983 to 251,853,983.

Based on 251,853,983 Revised Offer Shares to be issued pursuant to the Revised Open Offer, the total number of Warrants to be issued will be 251,853,983 warrants, entitling the holders to subscribe for the same number of Shares.

The Subscription Price under the Revised Open Offer is the same as the subscription price under the Open Offer.

Except for the change in the total number of the Offer Shares and the expected timetable of the Open Offer, other terms and conditions of the Revised Open Offer will remain the same as disclosed in the Joint Announcement and the circular of the Company dated 22nd October, 2007 in relation to the Open Offer.

LETTER FROM THE BOARD

The Subscription is conditional upon the Open Offer being revised to the effect that the total number of the Revised Offer Shares will include the respective assured entitlements of the Subscribers as the Shareholders after completion of the Subscription. The Directors therefore propose to revise the Open Offer.

The purpose of this revised circular is to provide Shareholders with further information regarding, amongst other things, (i) the Revised Open Offer, (ii) the Warrant Issue, (iii) the proposal for the grant of specific mandate to issue Shares and Warrants, (iv) the refreshment of general mandate to issue Shares and repurchase securities of the Company, and (v) a notice to convene the EGM.

Issue statistics

Basis of the Revised Open Offer: one Revised Offer Share for every five Shares held by the Qualifying Shareholders as at the Record Date

Subscription Price: HK\$6.00 per Revised Offer Share

Number of Shares in issue as at the Latest Practicable Date: 1,259,269,918 Shares

Number of Revised Offer Shares to be issued: 251,853,983 Revised Offer Shares

TERMS OF THE REVISED OPEN OFFER

Subscription Price for the Revised Offer Shares

The Subscription Price of HK\$6.00 per Revised Offer Share is payable in full upon application is made for the Revised Offer Shares.

The Subscription Price represents:

- (i) a discount of approximately 36.84% below the closing price of HK\$9.50 per Share as quoted on the Stock Exchange on the last trading day, i.e. 24th September, 2007, of the Shares immediately before the date of the Joint Announcement;
- (ii) a discount of approximately 37.62% below the average closing price of HK\$9.618 per Share as quoted on the Stock Exchange for the last five trading days of the Shares immediately before the date of the Joint Announcement;
- (iii) a discount of approximately 38.28% below the average closing price of HK\$9.721 per Share as quoted on the Stock Exchange for the last ten trading days of the Shares immediately before the date of the Joint Announcement;
- (iv) premium of approximately 13.21% over the net asset value of HK\$5.30 per Share as stated in the audited consolidated accounts of the Company for the year ended 31st December, 2006;

LETTER FROM THE BOARD

- (v) a discount of approximately 32.74% to the theoretical ex-entitlement price of approximately HK\$8.92 per Share based on the closing price per Share as quoted on the Stock Exchange on the last trading day, i.e. 24th September, 2007, of the Shares immediately before the date of the Joint Announcement; and

Note: The theoretical ex-entitlement price is calculated based on the following formula:

$$\frac{(5 \times \text{closing price on 24th September, 2007}) + 1 \times (\text{the Subscription Price})}{5 + 1}$$

- (vi) a discount of approximately 51.61% below the closing price of HK\$12.40 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was determined with reference to the prevailing market prices of the Shares. The Directors consider the Subscription Price and the terms of the Revised Open Offer to be fair and reasonable and in the interests of the Company and the Shareholders taken as a whole.

Qualifying Shareholders

The Revised Open Offer is only available to the Qualifying Shareholders. The Company will despatch (i) the Prospectus Documents to the Qualifying Shareholders; and (ii) the Prospectus, for information only, to the Excluded Shareholders. To qualify for the Revised Open Offer, the Shareholders must at the close of business on the Record Date:

- (i) be registered on the register of members of the Company; and
- (ii) not being the Excluded Shareholders.

In order to be registered as Shareholders on the Record Date, the Shareholders must lodge any transfer of the Shares (with the relevant share certificates) for registration with the Company's registrar by 4:30 p.m. on 29th November, 2007.

Closure of register of members

The register of members of the Company will be closed from 30th November, 2007 to 6th December, 2007, both days inclusive, to determine the eligibility for the Revised Open Offer. No transfer of Shares will be registered during this period.

No application for excess Revised Offer Shares

No Qualifying Shareholders will be entitled to apply for any of the Revised Offer Shares which are in excess of their entitlements.

LETTER FROM THE BOARD

Certificates for Revised Offer Shares

Subject to the fulfilment (or waiver) of the conditions of the Revised Open Offer set out in the section headed “Conditions of the Revised Open Offer” below, certificates for all Revised Offer Shares are expected to be posted on or before 31st December, 2007 to those who have applied and paid for the Revised Offer Shares, at their own risk.

Subject to the granting of listing of, and permission to deal in, the Revised Offer Shares on the Stock Exchange, the Revised Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Revised Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Fractions of Revised Offer Shares

The Company will not issue fractions of Revised Offer Shares. All fractions of Revised Offer Shares will be aggregated and sold for the benefit of the Company.

Rights of the Excluded Shareholders

The Prospectus Documents have not been registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong.

Having reviewed the register of members as at the Latest Practicable Date, the Company noted that 57 Shareholders maintained addresses located in Canada, PRC, the United Kingdom, Macau, Malaysia, Singapore, the United States of America, Germany, Denmark, Spain, Japan and Philippines. The Company has made enquiries with its legal advisers regarding the feasibility of extending the Revised Open Offer to the overseas Shareholders, and based on which the Directors have determined that (i) it is expedient for the Revised Open Offer to be offered to the overseas Shareholders in the United Kingdom, Macau, Philippines, Malaysia, Japan, Denmark, Singapore and New York, the United States of America, and (ii) it is inexpedient for the Revised Open Offer to be offered to the overseas Shareholders in Canada, Germany, PRC, Spain and California, the United States of America. Accordingly, the Revised Open Offer will not be extended to the overseas Shareholders with registered addresses in Canada, Germany, PRC, Spain and California, the United States of America and will be extended to overseas Shareholders with registered addresses in the United Kingdom, Macau, Philippines, Malaysia, Japan, Denmark, Singapore and New York, the United States of America.

The Company will send the Prospectus to the Excluded Shareholders for their information only but no application forms will be sent to them.

LETTER FROM THE BOARD

UNDERWRITING ARRANGEMENTS

Underwriting Agreement (as supplemented on 30th October, 2007)

Date:	25th September, 2007
Underwriter:	3V Capital
Number of Offer Shares underwritten:	89,115,264 Revised Offer Shares out of a total of 251,853,983 Revised Offer Shares, being Revised Offer Shares other than the 47,329,600 Revised Offer Shares to be subscribed by Penta pursuant to the Penta Irrevocable Undertaking, the 89,409,119 Revised Offer Shares (rounded down to the nearest integer) to be subscribed by SHK pursuant to the SHK Irrevocable Undertaking and the 26,000,000 Revised Offer Shares to be subscribed by the Subscribers pursuant to the Subscription Agreement
Commission:	an underwriting commission of 2% of the aggregate Subscription Price of the Revised Offer Shares underwritten by 3V Capital

Irrevocable Undertakings

As at the Latest Practicable Date, Penta was directly or indirectly interested in 242,823,000 Shares, representing approximately 19.28% of the issued share capital of the Company. Pursuant to the Penta Irrevocable Undertaking, Penta has irrevocably undertaken to take up all its entitlements under the Open Offer in respect of the 236,648,000 Shares to which the Penta Irrevocable Undertaking relates, being 47,329,600 Offer Shares. Penta has also undertaken to vote in favour of the resolutions to be proposed at the EGM.

As at the Latest Practicable Date, SHK was directly or indirectly interested in 447,045,603 Shares, representing approximately 35.50% of the issued share capital of the Company. Pursuant to the SHK Irrevocable Undertaking, SHK has irrevocably undertaken to take up all its entitlements (by itself or through its subsidiaries or nominees) under the Open Offer, being 89,409,119 Offer Shares (rounded down to the nearest integer). SHK has also undertaken to vote in favour of the resolutions to be proposed at the EGM.

Following completion of the Subscription, the Revised Offer Shares to be taken up by Penta and SHK under the Revised Open Offer remain at 47,329,600 and 89,409,119 respectively. Penta and SHK have also undertaken to continue to vote in favour of the resolutions to be proposed at the EGM to be held on 6th December, 2007 based on the expected timetable of the Revised Open Offer set out in this revised circular.

Each of the Subscribers has also undertaken to take up all their respective entitlements under the Revised Open Offer and to vote in favour of the resolutions to be proposed at the EGM in relation to the Revised Open Offer.

LETTER FROM THE BOARD

Underwriting Agreement and the Supplemental Agreement

Pursuant to the Underwriting Agreement, 3V Capital has conditionally agreed to underwrite the balance of the Offer Shares (other than those Offer Shares agreed to be taken up by Penta and SHK pursuant to the Penta Irrevocable Undertaking, the SHK Irrevocable Undertaking respectively and the Subscribers pursuant to the Subscription Agreement) not subscribed by the Shareholders on a fully underwritten basis, upon the terms and subject to the conditions of the Underwriting Agreement.

Pursuant to the Supplemental Agreement, 3V Capital has consented to the Subscription and conditionally agreed to continue to underwrite the Revised Offer Shares (other than those Revised Offer Shares agreed to be taken up by Penta pursuant to the Penta Irrevocable Undertaking, SHK pursuant to the SHK Irrevocable Undertaking and the Subscribers pursuant to the Subscription Agreement) not subscribed by the Shareholders on a fully underwritten basis.

Termination of the Underwriting Agreement (as supplemented on 30th October, 2007)

3V Capital shall have the absolute right, after reasonable consultation with the Company as the underwriter of the Revised Open Offer in its sole and absolute discretion sees fit, by giving notice to the Company, if there develops, occurs or comes into force at any time at or before the Latest Time for Termination:

- (i) any breach, considered by 3V Capital in its absolute discretion to be material in the overall context of the Revised Open Offer, of any of the warranties or any of other provisions of the Underwriting Agreement (as supplemented on 30th October, 2007); or
- (ii) any matter which, had it arisen immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted an omission considered by 3V Capital in its absolute discretion to be material in the overall context of the Revised Open Offer; or
- (iii) any statement contained in the Prospectus, considered by 3V Capital in its absolute discretion to be material, is discovered to be or becomes untrue, incorrect or misleading in any respect; or
- (iv) any event, act or omission which gives or is likely to give rise to any material liability of the Company pursuant to the Underwriting Agreement (as supplemented on 30th October, 2007); or
- (v) any adverse change in the business or the financial or trading position of any member of the Group considered by 3V Capital in its absolute discretion to be material; or

LETTER FROM THE BOARD

- (vi) any event or series of events, matter or circumstance concerning, relating to or resulting in:
- (a) any change in local, national, international, financial, political, economic, military, industrial, fiscal, regulatory or stock market conditions or sentiments in Hong Kong or any other relevant jurisdiction; or
 - (b) the introduction of any new law, rule or regulation or any material change in existing laws, rules or regulations, or any material change in the interpretation or application of such laws, rules or regulations by any court or other competent authority in Hong Kong or any other relevant jurisdiction; or
 - (c) any event of force majeure affecting Hong Kong or any other relevant jurisdiction (including, without limitation, any act of God, fire, flood, explosion, war, strike, lock-out, civil commotion, interruption, riot, public disorder, act of government, economic sanction, epidemic, terrorism or escalation of hostilities involving Hong Kong or any other relevant jurisdiction); or
 - (d) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
 - (e) any prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong or any other relevant jurisdiction or affecting an investment in the Shares or the transfer or dividend payment in respect of the Shares; or
 - (f) the imposition of any economic sanction, in whatever form, directly or indirectly, by or for the United States of America or by the European Union (or any of its members) on the PRC; or
 - (g) any change in the system under which the value of Hong Kong dollars is pegged to that of the currency of the United States of America, considered by 3V Capital in its absolute discretion to be material; or
 - (h) any change in the exchange rate between the United States dollars and Renminbi (the lawful currency of the PRC), or between Hong Kong dollars and Renminbi, considered by 3V Capital in its absolute discretion to be material; or
 - (i) any litigation or claim of material importance being threatened or instigated against any member of the Group; or
 - (j) any change in market conditions in Hong Kong (including without limitation suspension or material restriction or trading in securities);

LETTER FROM THE BOARD

which, in the sole and absolute opinion of 3V Capital:

- (1) is or will be, or is likely to be, materially adverse to the business, financial or other condition or prospects of the Group taken as a whole; or
- (2) has, or will have, or could be expected to have, a material adverse effect on the success of the Revised Open Offer; or
- (3) makes it inadvisable, inexpedient or impractical to proceed with the Revised Open Offer

then and in any such case, 3V Capital in its reasonable discretion may (but will not be bound to), upon giving notice to the Company, terminate the Underwriting Agreement (as supplemented on 30th October, 2007) with immediate effect.

Except for all reasonable costs, fees, charges and expenses which may be incurred in connection with the Revised Open Offer, upon the giving of notice of termination, all obligations of 3V Capital under the Underwriting Agreement (as supplemented on 30th October, 2007) will cease and no party will have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Underwriting Agreement (as supplemented on 30th October, 2007). If 3V Capital exercises such right, the Revised Open Offer will not proceed.

Conditions of the Underwriting Agreement (as supplemented on 30th October, 2007)

The Underwriting Agreement (as supplemented on 30th October, 2007) is subject to a number of conditions being fulfilled, including:

- (i) the SHK Irrevocable Undertaking, duly executed by SHK, being delivered to 3V Capital within two Business Days after the signing of the Underwriting Agreement, and compliance by SHK with all of its obligations set out in the SHK Irrevocable Undertaking before the Latest Acceptance Time;
- (ii) the Penta Irrevocable Undertaking, duly executed by Penta, being delivered to 3V Capital within two Business Days after the signing of the Underwriting Agreement, and compliance by Penta with all of its obligations set out in the Penta Irrevocable Undertaking before the Latest Acceptance Time;
- (iii) Shareholders passing a resolution at the EGM to approve the Revised Open Offer (and the Warrant Issue) on or before the Prospectus Posting Date;
- (iv) one copy of each of the Prospectus Documents and other documents relating to the Revised Open Offer being delivered to the Stock Exchange on or prior to the Prospectus Posting Date;

LETTER FROM THE BOARD

- (v) four printed copies of each of the Prospectus Documents being delivered to 3V Capital on or before the Prospectus Posting Date, each duly certified by two Directors (or by their attorneys duly authorised in writing) as having been approved by resolution of the board of Directors;
- (vi) the Registrar of Companies in Hong Kong registering the Prospectus Documents, together with all other consents and documents required to be endorsed on or attached to the Prospectus Documents, on or before the Prospectus Posting Date;
- (vii) printed copies of each of the Prospectus Documents being posted to the Qualifying Shareholders and printed copies of the Prospectus stamped “For information only” being posted to the Excluded Shareholders, in each case, on the Prospectus Posting Date; and
- (viii) compliance by the Company with its obligation under the Underwriting Agreement (as supplemented on 30th October, 2007) at or before the Latest Acceptance Time.

In the event that any of the conditions (i) to (viii) (inclusive) has not been fulfilled (or waived by 3V Capital) on the respective dates mentioned in the Underwriting Agreement (as supplemented on 30th October, 2007) (or such other date as 3V Capital may agree with the Company), the Revised Open Offer will lapse and will not proceed.

CONDITIONS OF THE REVISED OPEN OFFER

The Revised Open Offer is conditional upon, amongst other things, the obligations of 3V Capital under the Underwriting Agreement (as supplemented on 30th October, 2007) becoming unconditional and the Underwriting Agreement (as supplemented on 30th October, 2007) not being terminated by either 3V Capital or the Company in accordance with the terms and conditions as referred to under the sub-section headed “Termination of the Underwriting Agreement (as supplemented on 30th October, 2007)” of the section headed “Underwriting Arrangements” above.

If the Underwriting Agreement (as supplemented on 30th October, 2007) does not become unconditional or is terminated, the Revised Open Offer will not proceed. Shareholders and prospective investors of the Company are reminded to exercise extreme caution when dealing in the Shares.

THE WARRANT ISSUE

The Company also proposes to issue one Warrant in registered form for every one Revised Offer Share successfully subscribed by the Qualifying Shareholders. The Warrants will entitle their holders to subscribe for new Shares at an initial subscription price of HK\$10.00 per Share (subject to adjustment) upon exercise of one Warrant.

LETTER FROM THE BOARD

Terms of the Warrants

Term:	two years from the date of issue
Denomination:	in the denomination of HK\$10.00 each
Conversion right:	right for holders of Warrants to convert all or any of their Warrants at any time during the conversion period into board lots of Shares (odd lots will not be issued but will be aggregated and sold for the benefit of the Company)
Conversion period:	commencing on 2nd January, 2008 and ending 2nd January, 2010
Initial conversion price:	HK\$10.00 per Share (subject to adjustment)
Transferability:	freely transferable
Board lot size:	2,000 units

Application for listing of, and permission to deal in, the Warrants and the Shares which fall to be issued upon exercise of the Warrants will be made to the Stock Exchange. The trading board lot of Warrants is 2,000 units.

Subject to the granting of listing of, and permission to deal in, the Warrants and the Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Warrants and the Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Warrants on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Based on 251,853,983 Revised Offer Shares to be issued pursuant to the Revised Open Offer, the total number of Warrants to be issued will be 251,853,983 warrants, entitling the holders to subscribe for the same number of Shares.

The Directors confirm that the Company will ensure that there will be a minimum of 300 holders of the Warrants at the time the dealings of the Warrants commence on the Stock Exchange (i.e. 2nd January, 2008) in accordance with the Listing Rules.

LETTER FROM THE BOARD

Subscription Price of Warrants

The Warrants will entitle their holders to subscribe for new Shares at an initial subscription price of HK\$10.00 per Share (subject to adjustment) upon exercise of one Warrant.

The subscription price of HK\$10.00 represents:

- (i) a premium of approximately 5.26% over the closing price of HK\$9.50 per Share as quoted on the Stock Exchange on the last trading day, i.e. 24th September, 2007, of the Shares immediately before the date of the Joint Announcement;
- (ii) a premium of approximately 3.97% over the average closing price of HK\$9.618 per Share as quoted on the Stock Exchange for the last five trading days of the Shares immediately before the date of the Joint Announcement;
- (iii) a premium of approximately 2.87% over the average closing price of HK\$9.721 per Share as quoted on the Stock Exchange for the last ten trading days of the Shares immediately before the date of the Joint Announcement;
- (iv) a premium of approximately 88.68% over the net asset value of HK\$5.30 per Share as stated in the audited consolidated accounts of the Company for the year ended 31st December, 2006; and
- (v) a discount of approximately 19.35% over the closing price of HK\$12.40 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The subscription price was determined with reference to the prevailing market prices of the Shares. The Directors consider the subscription price and the terms of the Warrants to be fair and reasonable and in the interests of the Company and the Shareholders taken as a whole.

Certificates for Warrants

Subject to the fulfilment (or waiver) of the conditions of the Revised Open Offer set out in the section headed “Conditions of the Revised Open Offer” above, certificates for the Warrants are expected to be posted on or before 31st December, 2007 to those who have applied and paid for the Revised Offer Shares, at their own risk.

The Warrant Issue is conditional upon completion of the Revised Open Offer.

LETTER FROM THE BOARD

REASONS OF THE REVISED OPEN OFFER AND THE USE OF PROCEEDS

The Directors consider that the Revised Open Offer provides a good opportunity for the Group to raise funds to strengthen its capital base and improve its financial position.

Assuming that all the Shareholders take up their entitlements, the estimated proceeds from the Revised Open Offer will be approximately HK\$1,511 million (before expenses and underwriting commission). The underwriting commission is payable to 3V Capital and is approximately HK\$11 million. Other expenses mainly include legal fees to P.C. Woo & Co, accountants fees to Deloitte Touche Tohmatsu and printing expenses to SNP Vite Limited and the total amount for such expenses will be approximately HK\$4 million. The net proceeds of approximately HK\$1,496 million are intended to be applied by the Company as to approximately HK\$1,211 million for expanding its landbank in the PRC, as to approximately HK\$150 million to repay bank loans and the balance as to approximately HK\$135 million for general working capital for daily operation in Hong Kong and the PRC.

The estimated expenses of the Revised Open Offer of about HK\$4 million (excluding underwriting commission) will be borne by the Company.

No funds were raised by the Company on any issue of equity securities in the 12 months immediately preceding the date of the Joint Announcement.

Audited consolidated net profits before tax and after tax of the Group for the two financial years ended 31st December, 2005 and 31st December, 2006 were:

- (i) approximately HK\$319,932,000 (before taxation and extraordinary items) or approximately HK\$202,533,000 (after taxation and extraordinary items) for the financial year ended 31st December, 2005; and
- (ii) approximately HK\$374,380,000 (before taxation and extraordinary items) or approximately HK\$26,270,000 (after taxation and extraordinary items) for the financial year ended 31st December, 2006.

The audited consolidated net asset value of the Company at 31st December, 2005 and 31st December, 2006 were approximately HK\$4,656,102,000 and HK\$5,944,004,000 respectively.

The value of the Revised Offer Shares to be taken up by SHK pursuant to the SHK Irrevocable Undertaking, based on the Subscription Price, is HK\$536,455,000.

LETTER FROM THE BOARD

WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND REVISED OFFER SHARES

Pursuant to the expected timetable, the Shares will be dealt with on an ex-entitlement basis from 28th November, 2007. If 3V Capital terminates the Underwriting Agreement (as supplemented on 30th October, 2007), or any of the conditions of the Underwriting Agreement (as supplemented on 30th October, 2007) is not fulfilled (or waived by 3V Capital), the Revised Open Offer will not proceed. Any person dealing in the Shares on an ex-entitlement basis will accordingly bear the risk that the Underwriting Agreement (as supplemented on 30th October, 2007) may not become unconditional and the Revised Open Offer may not proceed.

Any Shareholder or other person contemplating selling or purchasing the Shares from now up to the day on which the Underwriting Agreement (as supplemented on 30th October, 2007) becomes unconditional, who is in any doubt about his or her position, is recommended to consult his or her own professional advisers.

Shareholders and prospective investors are reminded to exercise extreme caution when dealing in the Shares.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the changes in the shareholding structure of the Company arising from the Subscription, the Revised Open Offer and the Warrant Issue:

	As at the Latest Practicable Date		Immediately following completion of the Subscription, and completion of the Revised Open Offer assuming all the Shareholders take up all their entitlements		Immediately following completion of the Subscription, and completion of the Revised Open Offer assuming all the Shareholders take up all their entitlements and the Warrants exercised in full		Immediately following completion of the Subscription, and completion of the Revised Open Offer assuming none of the Qualifying Shareholders (except SHK, Penta and the Subscribers) take up their entitlements		Immediately following completion of the Subscription, and completion of the Revised Open Offer assuming none of the Qualifying Shareholders (except SHK, Penta and the Subscribers) take up their entitlements and the Warrants exercised in full	
	Number of Shares	Share-holding (%)	Number of Shares	Share-holding (%)	Number of Shares	Share-holding (%)	Number of Shares	Share-holding (%)	Number of Shares	Share-holding (%)
3V Capital	-	-	-	-	-	-	89,115,264	5.90	178,230,528	10.11
Penta	242,823,000	19.28	290,152,600	19.20	337,482,200	19.14	290,152,600	19.20	337,482,200	19.14
SHK	447,045,603	35.50	536,454,722	35.50	625,863,841	35.50	536,454,722	35.50	625,863,841	35.50
The Subscribers	130,000,000	10.32	156,000,000	10.32	182,000,000	10.32	156,000,000	10.32	182,000,000	10.32
Other Shareholders	439,401,315	34.90	528,516,579	34.98	617,631,843	35.04	439,401,315	29.08	439,401,315	24.93
Total	1,259,269,918	100.00	1,511,123,901	100.00	1,762,977,884	100.00	1,511,123,901	100.00	1,762,977,884	100.00

LETTER FROM THE BOARD

Following completion of the Subscription and the Revised Open Offer and assuming the Warrant Issue are exercised in full, 3V Capital will become a substantial shareholder of the Company if none of the Qualifying Shareholders (except SHK, Penta and the Subscribers) is willing to take up his or her or its entitlements of such number of Revised Offer Shares. 3V Capital will own approximately as to 5.90% of the issued share capital of the Company as enlarged by the completion of the Subscription and the Revised Open Offer and 10.11% of the issued share capital of the Company as enlarged by the completion of the Subscription and the Revised Open Offer and full exercise of the Warrants.

It is the intention of the Company to maintain the listing of the Shares on the Stock Exchange after completion of the Subscription and the Revised Open Offer and the Warrant Issue. Accordingly, the Company undertakes that it will take appropriate steps as may be necessary or required to maintain or restore the minimum public float for Shares at all times upon completion of the Subscription and the Revised Open Offer and the Warrant Issue.

PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE SHARES AND WARRANTS

The Company will issue the Revised Offer Shares under the Revised Open Offer and will issue the Warrants under the Warrant Issue. The Revised Offer Shares and the Shares which fall to be issued upon exercise of the Warrants will rank *pari passu* with all the then existing issued Shares.

The Revised Offer Shares and the Shares which fall to be issued upon exercise of the Warrants will rank *pari passu* for dividend with all the then existing issued Shares.

The Company will seek the grant of a specific mandate from the Shareholders to allot and issue the Revised Offer Shares and to issue the Warrants.

REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES AND REPURCHASE SECURITIES OF THE COMPANY

Pursuant to the annual general meeting of the Company held on 18th May, 2007 (the "AGM"), the general mandate to issue securities and repurchase Shares of the Company (the "General Mandate") approved by the Shareholders were 225,853,983 Shares and 112,926,991 Shares respectively. The General Mandate has not been used since the AGM.

In view of the enlarged issued share capital of the Company as a result of the Revised Open Offer, the Directors will seek the approval of the Shareholders at the EGM to increase the general mandate from 225,853,983 Shares to 271,024,779 Shares (i.e. approximately 20% of the Company's issued share capital as enlarged by the Revised Open Offer, excluding, for the purposes of this refreshment of the general mandate, the Subscription Shares and the Revised Offer Shares derived from the Subscription Shares under the Revised Open Offer) pursuant to Rule 13.36(4)(e) of the Listing Rules. Rule 13.36(4)(e) of the Listing Rules permits the refreshment of such general mandate such that the amount in percentage terms of the unused part of such general mandate will be the same as the unused part of such general mandate immediately before the Revised Open Offer, if approved by the Shareholders at the EGM.

LETTER FROM THE BOARD

The general mandate to issue Shares and repurchase securities of the Company, which are proposed to be approved by the Shareholders at the EGM as the refreshment, will entitle the Company to (i) issue new Shares not exceeding 20% of the Company's issued share capital as enlarged by the Revised Open Offer, being 271,024,779 new Shares; and (ii) repurchase securities of the Company not exceeding 10% of the Company's issued share capital as enlarged by the Revised Open Offer, being 151,112,390 Shares and Warrants not exceeding 10% of the aggregate nominal amount of subscription rights attaching to all outstanding Warrants of the Company as at the date of passing of the relevant resolution approving the mandate to repurchase securities of the Company at the EGM, being 151,112,390 Warrants carrying aggregate nominal amount of subscription rights of HK\$1,511,123,900 exercisable into 151,112,390 Shares at the initial subscription price of HK\$10.00 per Share, subject to adjustment.

No Shareholder will be required to abstain from voting in respect of the relevant resolution.

The Directors believe that the refreshment of general mandate to issue Shares will provide the Company with flexibility to issue securities for cash or as consideration for acquisition of assets as and when the Directors think fit and appropriate. Even though the Directors currently have no intention of any acquisition by the Company nor any plan for raising capital by issuing new securities, the Directors believe that the proposed refreshment of general mandate to issue Shares is in the interests of the Company and the Shareholders as a whole.

A statement explaining the proposed refreshment of general mandate to repurchase securities of the Company is set out in Appendix IV to this circular in accordance with the Listing Rules in respect of repurchase of securities with its primary listing on the Stock Exchange.

LISTING RULES IMPLICATIONS

The Revised Open Offer, the Warrant Issue, the proposal for grant of specific mandate to issue Shares and Warrants, and the refreshment of general mandate to issue Shares and repurchase securities of the Company are subject to approval by the Shareholders at the EGM.

Subject to the approval of the Revised Open Offer and the Warrant Issue by the Shareholders at the EGM, application will be made to the Stock Exchange for the listing of, and permission to deal in, the Revised Offer Shares, the Warrants and the Shares which may fall to be issued upon the exercise of the Warrants.

The Prospectus Documents, containing, amongst other things, information on the Revised Open Offer, will be despatched to the Qualifying Shareholders as soon as practicable, and, in accordance with the requirements of the Listing Rules, is expected to be despatched on or before 7th December, 2007. The Company will also send the Prospectus, for information only, to the Excluded Shareholders on or before 7th December, 2007.

LETTER FROM THE BOARD

EGM

A notice convening the EGM is set out on pages 153 to 158 of this circular. Ordinary resolutions will be proposed to the Shareholders to consider and, if thought fit, to approve, amongst other things, (i) the Revised Open Offer, (ii) the Warrant Issue, (iii) the proposal for the grant of specific mandate to issue Shares and Warrants, and (iv) the refreshment of general mandate to issue Shares and repurchase securities of the Company.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the registrar of the Company, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish.

PROCEDURES FOR DEMANDING A POLL

Pursuant to Article 75 of the Articles of Association of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (i) by the chairman of the meeting; or
- (ii) at least three Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (iv) by a Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors consider that (i) the Revised Open Offer, (ii) the Warrant Issue, (iii) the proposal for the grant of specific mandate to issue Shares and Warrants, and (iv) the refreshment of general mandate to issue Shares and repurchase securities of the Company are in the interests of the Company and the Shareholders as a whole and its terms are fair and reasonable so far as the Shareholders are concerned. Accordingly, the Directors recommend all the Shareholders to vote in favour of all ordinary resolutions set out in the notice of the EGM.

ADDITIONAL INFORMATION

The principal business of the Company is investment holding. The Group is engaged principally in the development of high-end apartments, villas, office buildings and commercial properties, property investment, property management and hotel operation in the PRC.

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

Yours faithfully,
On behalf of the Board
Tian An China Investments Company Limited
Lee Seng Hui
Chairman

1. SUMMARY OF FINANCIAL INFORMATION

Set out below is a summary of the audited consolidated income statements and consolidated balance sheets of the Group for the last three years ended 31st December, 2006, as extracted from the relevant published annual reports of the Company. Due to the adoption of new Hong Kong Financial Reporting Standards in 2005, the 2004 financial information has been restated to conform with new accounting policies adopted by the Group in 2005.

Consolidated Income Statement*(Year ended 31st December)*

	2006	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Restated)
Turnover	889,302	1,397,100	1,973,098
Cost of sales	<u>(657,803)</u>	<u>(1,196,586)</u>	<u>(1,382,665)</u>
Gross profit	231,499	200,514	590,433
Other income	128,476	102,162	74,085
Marketing and distribution costs	(25,981)	(42,572)	(39,219)
Administrative expenses	(163,719)	(131,742)	(124,592)
Other operating expenses	(1,786)	(12,441)	(13,066)
Fair value gain on transfer of properties held for sale to investment properties	18,045	160,622	–
Increase in fair value of investment properties	311,706	132,285	–
Write-down of properties	(79,788)	(51,784)	(27,889)
Allowance for bad and doubtful debts	(8,313)	(18,212)	(21,290)
Amortisation of properties for development	(21,494)	(16,900)	(15,170)
Gain on disposal of a jointly controlled entity	150,390	–	–
Discount on acquisition of additional interests in subsidiaries	1,147	25,290	–
Finance costs	(117,346)	(107,086)	(76,353)
Share of (loss) profit of associates			
– (Loss) profit after tax before additional PRC Land Appreciation Tax (“LAT”)	(4,081)	15,122	(8,964)
– Additional LAT attributable to sales in previous years	(1,923)	–	–

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (Restated)
Share of profit of jointly controlled entities			
– Profit after tax before additional LAT	71,617	82,125	36,158
– Additional LAT attributable to sales in previous years	(101,639)	–	–
– Additional LAT attributable to sales in current year	(12,430)	–	–
Impairment loss on interests in associates	<u>–</u>	<u>(17,451)</u>	<u>–</u>
Profit before taxation	374,380	319,932	374,133
Taxation			
– Tax expenses before additional LAT	(166,693)	(117,399)	(168,718)
– Additional LAT attributable to sales in previous years	(158,074)	–	–
– Additional LAT attributable to sales in current year	<u>(23,343)</u>	<u>–</u>	<u>–</u>
	<u>(348,110)</u>	<u>(117,399)</u>	<u>(168,718)</u>
Profit for the year	<u><u>26,270</u></u>	<u><u>202,533</u></u>	<u><u>205,415</u></u>
Attributable to:			
Equity holders of the Company	51,496	202,540	183,737
Minority interests	<u>(25,226)</u>	<u>(7)</u>	<u>21,678</u>
	<u><u>26,270</u></u>	<u><u>202,533</u></u>	<u><u>205,415</u></u>
Dividend	<u><u>28,232</u></u>	<u><u>–</u></u>	<u><u>–</u></u>
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic	<u><u>4.9</u></u>	<u><u>23.1</u></u>	<u><u>23.1</u></u>
Diluted	<u><u>4.9</u></u>	<u><u>23.1</u></u>	<u><u>22.8</u></u>

Consolidated Balance Sheet*(At 31st December)*

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (Restated)
Non-current Assets			
Property, plant and equipment	590,812	565,052	507,982
Deposits for acquisition of property, plant and equipment of investment properties	76,860	–	–
Investment properties	3,042,800	2,305,922	1,214,400
Intangible asset	7,142	7,013	–
Properties for development	1,415,251	1,161,723	896,360
Deposits for acquisition of properties for development	1,791,745	1,568,406	1,775,050
Prepaid lease payments on land use rights	34,138	31,319	29,766
Interests in associates	540,550	540,312	521,084
Interests in jointly controlled entities	631,102	716,854	844,817
Other investment	–	–	40,737
Investment in securities	–	–	3,877
Available-for-sale investments	3,306	3,202	–
Amounts due from minority shareholders	–	8,574	3,314
Goodwill	39,386	39,386	39,386
Instalments receivable	50,340	45,475	92,009
Deferred tax assets	4,039	4,950	–
	<u>8,227,471</u>	<u>6,998,188</u>	<u>5,968,782</u>
Current Assets			
Inventories of properties in the PRC			
– under development	324,553	400,037	1,375,767
– completed	880,258	969,441	762,151
Other inventories	38,566	34,929	35,476
Amounts due from associates	12,369	14,188	–
Amounts due from jointly controlled entities	67,370	1,279	–
Amounts due from minority shareholders	24,601	3,377	–
Loans receivable	62,131	61,715	19,373
Instalments receivable	32,965	43,738	8,479
Trade and other receivables, deposits and prepayments	479,177	528,534	638,296
Prepaid lease payments on land use rights	1,036	924	718
Investment in securities	–	–	7,860
Held-for-trading investments	11,579	9,787	–
Prepaid tax	26,319	14,879	14,352
Pledged bank deposits	306,878	68,270	75,647
Bank balances and cash	369,625	565,673	451,762
	<u>2,637,427</u>	<u>2,716,771</u>	<u>3,389,881</u>
Assets classified as held for sale	–	186,005	–
	<u>2,637,427</u>	<u>2,902,776</u>	<u>3,389,881</u>

APPENDIX I

FINANCIAL INFORMATION OF THE GROUP

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (Restated)
Current Liabilities			
Trade and other payables	881,796	1,181,929	969,729
Pre-sale deposits	135,994	84,896	158,625
Tax liabilities	52,842	92,792	49,290
Dividends payable to minority shareholders	8,109	12,335	3,986
Interest-bearing borrowings	712,841	1,532,320	1,673,852
Interest-free borrowings	156,978	143,060	168,085
	<u>1,948,560</u>	<u>3,047,332</u>	<u>3,023,567</u>
Net Current Assets (Liabilities)	<u>688,867</u>	<u>(144,556)</u>	<u>366,314</u>
Total Assets less Current Liabilities	<u><u>8,916,338</u></u>	<u><u>6,853,632</u></u>	<u><u>6,335,096</u></u>
Capital and Reserves			
Share capital	225,854	175,094	175,094
Reserves	5,718,150	4,481,008	4,181,310
Equity attributable to equity holders of the Company	5,944,004	4,656,102	4,356,404
Minority interests	407,173	416,889	451,110
Total Equity	<u>6,351,177</u>	<u>5,072,991</u>	<u>4,807,514</u>
Non-current Liabilities			
Trade payables	–	4,644	–
Interest-bearing borrowings	1,264,777	747,344	528,538
Interest-free borrowings	60,143	72,664	149,087
Deferred rental income from a tenant	107,882	110,648	–
Rental deposits from tenants	14,332	15,306	–
Membership debentures	32,591	30,205	51,485
Deferred tax liabilities	1,085,436	799,830	798,472
	<u>2,565,161</u>	<u>1,780,641</u>	<u>1,527,582</u>
	<u><u>8,916,338</u></u>	<u><u>6,853,632</u></u>	<u><u>6,335,096</u></u>

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31ST DECEMBER, 2006

The following is the audited financial statements and notes to the financial statements of the Group for the year ended 31st December, 2006 extracted from the annual report 2006 of the Company:

Consolidated Income Statement

(For the year ended 31st December, 2006)

	NOTES	2006 HK\$'000	2005 HK\$'000
Turnover	6	889,302	1,397,100
Cost of sales		<u>(657,803)</u>	<u>(1,196,586)</u>
Gross profit		231,499	200,514
Other income	7	128,476	102,162
Marketing and distribution costs		(25,981)	(42,572)
Administrative expenses		(163,719)	(131,742)
Other operating expenses		(1,786)	(12,441)
Fair value gain on transfer of properties held for sale to investment properties		18,045	160,622
Increase in fair value of investment properties		311,706	132,285
Write-down of properties		(79,788)	(51,784)
Allowance for bad and doubtful debts		(8,313)	(18,212)
Amortisation of properties for development		(21,494)	(16,900)
Gain on disposal of a jointly controlled entity	8	150,390	–
Discount on acquisition of additional interests in subsidiaries	9	1,147	25,290
Finance costs	10	(117,346)	(107,086)
Share of (loss) profit of associates			
– (Loss) profit after tax before additional PRC Land Appreciation Tax (“LAT”)		(4,081)	15,122
– Additional LAT attributable to sales in previous years	*	(1,923)	–
Share of profit of jointly controlled entities			
– Profit after tax before additional LAT		71,617	82,125
– Additional LAT attributable to sales in previous years	*	(101,639)	–
– Additional LAT attributable to sales in current year	*	(12,430)	–
Impairment loss on interests in associates	23c	<u>–</u>	<u>(17,451)</u>
Profit before taxation		<u>374,380</u>	<u>319,932</u>

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

	<i>NOTES</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Taxation	<i>11</i>		
– Tax expenses before additional LAT		(166,693)	(117,399)
– Additional LAT attributable to sales in previous years	*	(158,074)	–
– Additional LAT attributable to sales in current year	*	<u>(23,343)</u>	<u>–</u>
		<u>(348,110)</u>	<u>(117,399)</u>
Profit for the year	<i>12</i>	<u>26,270</u>	<u>202,533</u>
Attributable to:			
Equity holders of the Company		51,496	202,540
Minority interests		<u>(25,226)</u>	<u>(7)</u>
		<u>26,270</u>	<u>202,533</u>
Dividend	<i>15</i>	<u>28,232</u>	<u>–</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	<i>16</i>		
Basic		<u>4.9</u>	<u>23.1</u>
Diluted		<u>4.9</u>	<u>23.1</u>

* Please refer to note 16 for a summary of the effect of these additional LAT items on the profit attributable to equity holders of the Company and earnings per share.

Consolidated Balance Sheet*(At 31st December, 2006)*

	<i>NOTES</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Non-current Assets			
Property, plant and equipment	17	590,812	565,052
Deposits for acquisition of property, plant and equipment and investment properties		76,860	–
Investment properties	18	3,042,800	2,305,922
Intangible asset	19	7,142	7,013
Properties for development	20	1,415,251	1,161,723
Deposits for acquisition of properties for development		1,791,745	1,568,406
Prepaid lease payments on land use rights	21	34,138	31,319
Interests in associates	23	540,550	540,312
Interests in jointly controlled entities	24	631,102	716,854
Available-for-sale investments	25	3,306	3,202
Amounts due from minority shareholders		–	8,574
Goodwill	26	39,386	39,386
Instalments receivable	27	50,340	45,475
Deferred tax assets	41	4,039	4,950
		<u>8,227,471</u>	<u>6,998,188</u>
Current Assets			
Inventories of properties in the PRC	28		
– under development		324,553	400,037
– completed		880,258	969,441
Other inventories	29	38,566	34,929
Amounts due from associates		12,369	14,188
Amounts due from jointly controlled entities		67,370	1,279
Amounts due from minority shareholders		24,601	3,377
Loans receivable	30	62,131	61,715
Instalments receivable	27	32,965	43,738
Trade and other receivables, deposits and prepayments	31	479,177	528,534
Prepaid lease payments on land use rights	21	1,036	924
Held-for-trading investments	32	11,579	9,787
Prepaid tax		26,319	14,879
Pledged bank deposits	47	306,878	68,270
Bank balances and cash		369,625	565,673
		<u>2,637,427</u>	<u>2,716,771</u>
Assets classified as held for sale	33	–	186,005
		<u>2,637,427</u>	<u>2,902,776</u>

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FINANCIAL INFORMATION OF THE GROUP

	<i>NOTES</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Current Liabilities			
Trade and other payables	34	881,796	1,181,929
Pre-sale deposits		135,994	84,896
Tax liabilities		52,842	92,792
Dividends payable to minority shareholders		8,109	12,335
Interest-bearing borrowings	37	712,841	1,532,320
Interest-free borrowings	38	156,978	143,060
		<u>1,948,560</u>	<u>3,047,332</u>
Net Current Assets (Liabilities)		<u>688,867</u>	<u>(144,556)</u>
Total Assets less Current Liabilities		<u>8,916,338</u>	<u>6,853,632</u>
Capital and Reserves			
Share capital	35	225,854	175,094
Reserves	36	5,718,150	4,481,008
Equity attributable to equity holders of the Company		5,944,004	4,656,102
Minority interests		407,173	416,889
Total Equity		<u>6,351,177</u>	<u>5,072,991</u>
Non-current Liabilities			
Trade payables		–	4,644
Interest-bearing borrowings	37	1,264,777	747,344
Interest-free borrowings	38	60,143	72,664
Deferred rental income from a tenant	39	107,882	110,648
Rental deposits from tenants		14,332	15,306
Membership debentures	40	32,591	30,205
Deferred tax liabilities	41	1,085,436	799,830
		<u>2,565,161</u>	<u>1,780,641</u>
		<u>8,916,338</u>	<u>6,853,632</u>

Company Balance Sheet*(At 31st December, 2006)*

	<i>NOTES</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Non-current Assets			
Property, plant and equipment	<i>17</i>	1,968	1,958
Interests in subsidiaries	<i>22</i>	4,160,138	3,502,851
Interests in jointly controlled entities	<i>24</i>	5,920	5,876
		<u>4,168,026</u>	<u>3,510,685</u>
Current Assets			
Other receivables, deposits and prepayments		2,885	11,721
Amounts due from subsidiaries		1,490,314	761,765
Bank balances and cash		47,030	1,111
		<u>1,540,229</u>	<u>774,597</u>
Current Liabilities			
Other payables		12,012	11,789
Tax liabilities		13,914	13,914
Interest-bearing borrowings	<i>37</i>	50,126	201,018
Interest-free borrowings	<i>38</i>	30,459	70,320
		<u>106,511</u>	<u>297,041</u>
Net Current Assets		<u>1,433,718</u>	<u>477,556</u>
Total Assets less Current Liabilities		<u><u>5,601,744</u></u>	<u><u>3,988,241</u></u>
Capital and Reserves			
Share capital	<i>35</i>	225,854	175,094
Reserves	<i>36</i>	5,187,018	3,734,318
		<u>5,412,872</u>	<u>3,909,412</u>
Non-current Liabilities			
Interest-bearing borrowings	<i>37</i>	188,405	78,405
Interest-free borrowings	<i>38</i>	467	424
		<u>188,872</u>	<u>78,829</u>
		<u><u>5,601,744</u></u>	<u><u>3,988,241</u></u>

Consolidated Statement of Changes in Equity

(For the year ended 31st December, 2006)

	Attributable to equity holders of the Company											
	Share capital HK\$'000	Share premium account HK\$'000	Special capital reserve HK\$'000	Warrant reserve HK\$'000	Capital redemption reserve HK\$'000	Exchange equalisation reserve HK\$'000	Revaluation reserves HK\$'000	Other reserves HK\$'000	Accumulated profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st January, 2005	175,094	357,164	1,417,669	-	130,691	(28,530)	(23,244)	7,532	2,335,042	4,371,418	470,471	4,841,889
Gain on fair value changes of available- for-sale investments	-	-	-	-	-	-	24,011	-	-	24,011	-	24,011
Revaluation arising from acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	(3,733)	-	(3,733)	3,733	-
Exchange differences arising on translation of foreign operations	-	-	-	-	-	40,888	-	-	-	40,888	8,354	49,242
Share of changes in equity of associates and jointly controlled entities that recognised directly in equity	-	-	-	-	-	12,753	-	-	-	12,753	-	12,753
Net income and expense recognised directly in equity	-	-	-	-	-	53,641	24,011	(3,733)	-	73,919	12,087	86,006
Profit for the year	-	-	-	-	-	-	-	-	202,540	202,540	(7)	202,533
Reserves released upon disposal of properties	-	-	-	-	-	-	-	425	-	425	-	425
Total recognised income and expense for the year	-	-	-	-	-	53,641	24,011	(3,308)	202,540	276,884	12,080	288,964
Issue of warrants	-	-	-	7,800	-	-	-	-	-	7,800	-	7,800
Capital contribution from minority shareholders	-	-	-	-	-	-	-	-	-	-	142	142
Decrease in minority interests as a result of acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	(50,578)	(50,578)
Transfer to other reserves	-	-	-	-	-	-	-	647	(647)	-	-	-
Dividend appropriation	-	-	-	-	-	-	-	-	-	-	(15,226)	(15,226)
At 31st December, 2005	175,094	357,164	1,417,669	7,800	130,691	25,111	767	4,871	2,536,935	4,656,102	416,889	5,072,991

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FINANCIAL INFORMATION OF THE GROUP

	Attributable to equity holders of the Company											
	Share capital	Share premium account	Special capital reserve	Warrant reserve	Capital redemption reserve	Exchange equalisation reserve	Revaluation reserves	Other reserves	Accumulated profits	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2006	175,094	357,164	1,417,669	7,800	130,691	25,111	767	4,871	2,536,935	4,656,102	416,889	5,072,991
Surplus on revaluation of properties upon transfer to investment properties (net of tax)	-	-	-	-	-	-	3,519	-	-	3,519	-	3,519
Exchange differences arising on translation of foreign operations	-	-	-	-	-	129,557	-	-	-	129,557	17,407	146,964
Share of changes in equity of associates and jointly controlled entities that recognised directly in equity	-	-	-	-	-	27,938	-	-	-	27,938	-	27,938
Transfer to profit or loss on disposal of a jointly controlled entity	-	-	-	-	-	(1,258)	-	-	-	(1,258)	-	(1,258)
Net income and expense recognised directly in equity	-	-	-	-	-	156,237	3,519	-	-	159,756	17,407	177,163
Profit for the year	-	-	-	-	-	-	-	-	51,496	51,496	(25,226)	26,270
Reserves released upon disposal of properties	-	-	-	-	-	-	-	412	-	412	-	412
Transfer to profit or loss on sale of available-for-sale investments	-	-	-	-	-	-	(1,516)	-	-	(1,516)	-	(1,516)
Total recognised income and expense for the year	-	-	-	-	-	156,237	2,003	412	51,496	210,148	(7,819)	202,329
Issue of shares	50,760	1,058,440	-	-	-	-	-	-	-	1,109,200	-	1,109,200
Share issue expenses	-	(31,446)	-	-	-	-	-	-	-	(31,446)	-	(31,446)
Transfer of warrant reserve to share premium account upon the exercise of warrants	-	7,800	-	(7,800)	-	-	-	-	-	-	-	-
Decrease in minority interests as a result of acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	(1,765)	(1,765)
Dividend appropriation	-	-	-	-	-	-	-	-	-	-	(132)	(132)
At 31st December, 2006	225,854	1,391,958	1,417,669	-	130,691	181,348	2,770	5,283	2,588,431	5,944,004	407,173	6,351,177

Consolidated Cash Flow Statement*(For the year ended 31st December, 2006)*

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
OPERATING ACTIVITIES		
Profit before taxation	374,380	319,932
Adjustments for:		
Other income		
– Dividend income	(684)	(551)
– Interest income on bank deposits and receivables	(25,253)	(8,994)
– Imputed interest income on non-current interest-free receivables	(7,612)	(7,393)
– Increase in fair value of held-for-trading investments	(659)	(1,786)
– Gain arising from changes in fair value of financial liabilities	(3,416)	(9,144)
– Waiver of interest expenses accrued in prior years	–	(19,420)
Other operating expenses		
– Loss on disposal of investment properties	–	1,190
– Loss on disposal of a jointly controlled entity	–	3,287
– Loss on disposal of available-for-sale investments	1,786	–
– Loss arising from changes in fair value of financial assets	–	3,802
Fair value gain on transfer of properties held for sale to investment properties	(18,045)	(160,622)
Increase in fair value of investment properties	(311,706)	(132,285)
Write-down of properties	79,788	51,784
Allowance for bad and doubtful debts	8,313	18,212
Gain on disposal of a jointly controlled entity	(150,390)	–
Discount on acquisition of additional interests in subsidiaries	(1,147)	(25,290)
Share of loss (profit) of associates	6,004	(15,122)
Share of loss (profit) of jointly controlled entities	42,452	(82,125)
Impairment loss on interests on associates	–	17,451
Finance costs	117,346	107,086
Depreciation and amortisation	54,189	43,593
Loss on disposal and write-off of property, plant and equipment	339	249
Operating cash inflows before movements in working capital	165,685	103,854
Decrease in inventories of properties in the PRC	9,135	228,459
Increase in properties for development and deposits for acquisition of properties for development	(413,465)	(304,669)
(Increase) decrease in other inventories	(3,637)	547
Decrease in trade and other receivables, deposits and prepayments	41,473	80,907
Decrease in instalments receivable	10,786	281
(Decrease) increase in trade and other payables	(151,616)	334,985
Increase (decrease) in pre-sale deposits	51,098	(73,729)
Decrease in deferred rental income from a tenant	(2,766)	–
(Decrease) increase in rental deposits from tenants	(974)	15,306
Cash (used in) generated from operations	(294,281)	385,941
PRC income tax and land appreciation tax paid	(135,533)	(80,700)
PRC income tax refunded	–	289
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(429,814)	305,530

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
INVESTING ACTIVITIES		
Interest received	23,698	18,515
Dividends received from:		
– associates	1,249	7,231
– jointly controlled entities	1,262	60,324
– available-for-sale investments and held-for-trading investments	684	551
Purchase of property, plant and equipment	(84,723)	(45,067)
Proceeds on disposal of property, plant and equipment	3,603	918
Purchase of investment properties	(293,781)	(47,272)
Proceeds on disposal of investment properties	5,353	10,362
Prepaid lease payments for land use rights	–	(324)
Purchase of intangible asset	–	(7,099)
Purchase of additional interests in subsidiaries	(618)	(25,288)
Capital contribution to a jointly controlled entity	(700)	–
Capital contribution to an associate	–	(32,456)
Proceeds on disposal of a jointly controlled entity	136,893	7,759
Repayment from associates	3,551	8,628
Advances to jointly controlled entities	(2,410)	–
Repayment from jointly controlled entities	–	15,647
Advances to minority shareholders	(12,144)	(13,012)
Purchase of held-for-trading investments	(4,980)	–
Proceeds on disposal of held-for-trading investments	4,000	–
Proceeds on disposal of available-for-sale investments	59,390	–
Repayment from an investee company	–	2,830
Loans advanced	(416)	(42,342)
(Increase) decrease in pledged bank deposits	(238,608)	7,377
NET CASH USED IN INVESTING ACTIVITIES	(398,697)	(72,718)
FINANCING ACTIVITIES		
Interest paid	(128,611)	(124,622)
Dividends paid to minority shareholders	(4,358)	(6,877)
Proceeds from issue of shares	1,109,200	–
Expenses on issue of shares	(31,446)	–
New bank and other loans raised	1,476,146	1,472,716
Repayment of bank and other loans	(1,786,752)	(1,472,080)
Advances from minority shareholders	2,463	–
Repayment to minority shareholders	–	(33,620)
Capital contribution from minority shareholders	–	142
Repayment to former minority shareholders	(49,855)	–
Advances from associates	3,282	3,965
Advances from jointly controlled entities	41,706	–
Repayment to jointly controlled entities	–	(39,739)
Advances of membership debentures	1,003	395
NET CASH FROM (USED IN) FINANCING ACTIVITIES	632,778	(199,720)

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(195,733)	33,092
CASH AND CASH EQUIVALENTS AT 1ST JANUARY	499,339	437,859
Effect of foreign exchange rate changes	<u>50,014</u>	<u>28,388</u>
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER	<u><u>353,620</u></u>	<u><u>499,339</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	369,625	565,673
Bank overdrafts	<u>(16,005)</u>	<u>(66,334)</u>
	<u><u>353,620</u></u>	<u><u>499,339</u></u>

Notes to the Consolidated Financial Statements

(For the year ended 31st December, 2006)

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 addresses of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” section to the annual report.

The principal activities of the Group are property development and investment, sale of construction materials, golf course operation, the provision of hotel and property management and investment holding.

2. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group and the Company has applied, for the first time, a number of new standards, amendments and interpretations (the “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The adoption of these new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

Potential impact arising on the new accounting standards not yet effective

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The Group is still not in the position to reasonably estimate the impact that may arise from the application of these standards, amendment or interpretations.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HKFRS 8	Operating Segments ²
HK(IFRIC)-INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ³
HK(IFRIC)-INT 8	Scope of HKFRS 2 ⁴
HK(IFRIC)-INT 9	Reassessment of Embedded Derivatives ⁵
HK(IFRIC)-INT 10	Interim Financial Reporting and Impairment ⁶
HK(IFRIC)-INT 11	HKFRS2 – Group and Treasury Share Transactions ⁷
HK(IFRIC)-INT 12	Service Concession Arrangements ⁸

¹ Effective for annual periods beginning on or after 1st January, 2007.

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

³ Effective for annual periods beginning on or after 1st March, 2006.

⁴ Effective for annual periods beginning on or after 1st May, 2006.

⁵ Effective for annual periods beginning on or after 1st June, 2006.

⁶ Effective for annual periods beginning on or after 1st November, 2006.

⁷ Effective for annual periods beginning on or after 1st March, 2007.

⁸ Effective for annual periods beginning on or after 1st January, 2008.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

The results of subsidiaries acquired 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 others 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.

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.

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 acquisitions prior to 1st January, 2005***

Goodwill arising on an acquisition of a subsidiary for which the agreement date is before 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition.

For previously capitalised goodwill arising on acquisitions of subsidiaries, the Group has discontinued amortisation from 1st January, 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash-generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Goodwill arising on acquisitions on or after 1st January, 2005

Goodwill arising on an acquisition of a subsidiary for which the agreement date is on or after 1st January, 2005 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 subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

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

Impairment testing on capitalised goodwill

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

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised but not yet impaired is included in the determination of the amount of profit or loss on disposal.

Acquisition of additional interest in a subsidiary

When the Group increases its interest in an entity that is already controlled by the Company, goodwill arising on such acquisition represents the difference between the cost of additional interest acquired and the increase in the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities. No revaluation surplus or deficit on revaluating all of the identifiable assets, liabilities and contingent liabilities of the subsidiary to current fair value is recognised in the consolidated balance sheet. The difference between the fair value, representing the amount of consideration less the amount of goodwill, and the carrying amount of the net assets attributable to the additional interest acquired is recognised as a reserve movement. This difference represents the portion of the revaluation difference that arose since the original acquisition date that is attributable to the Group's increased interest in the subsidiary.

Investments in subsidiaries

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

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor a jointly controlled entity.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Goodwill arising on acquisitions prior to 1st January, 2005

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate recognised at the date of acquisition is recognised as goodwill. From 1st January, 2005 onwards, the Group has discontinued amortisation of goodwill and such goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Goodwill arising on acquisitions on or after 1st January, 2005

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

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.

Joint ventures

Jointly controlled entities

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

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5 "Noncurrent Assets Held for Sale and Discontinued Operations". Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Goodwill arising on acquisitions prior to 1st January, 2005

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the jointly controlled entity recognised at the date of acquisition is recognised as goodwill. From 1st January, 2005 onwards, the Group has discontinued amortisation of goodwill and such goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Discount on acquisition arising on or after 1st January, 2005

Any excess of the Group's share of the net fair value 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 a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

The Company's investments in jointly controlled entities are stated at cost, as reduced by any identified impairment loss. Results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

Other joint venture arrangements

Investments made by means of joint venture structures which do not result in the Group having joint control with the other venturers are accounted for as subsidiaries (where the Group has the power to govern the financial and operating policies of an enterprise), associates (where the Group is in a position to exercise significant influence) or other investments (where the Group exercises neither control nor significant influence).

Non-current assets held for sale

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

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

Financial instruments

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

Financial assets

The Group's and the Company's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. 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. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include held-for-trading investments. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

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.

Financial liabilities

Financial liabilities including interest-bearing and interest-free borrowings, trade and other payables and membership debentures are subsequently measured at amortised cost, using the effective interest method.

Equity Instruments

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and the Company and not designed as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group and the Company measure the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets”; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 “Revenue”.

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 or the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

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

Development properties

Completed properties held for sale and properties under development are stated at the lower of cost and net realisable value. Cost comprises the cost of land, development expenditure, other attributable costs and borrowing costs capitalised. Net realisable value is determined by reference to management estimates based on prevailing market conditions. Development properties are transferred to investment properties at fair value when there is a commencement of an operating lease. The difference between the carrying amount and the fair value are recognised directly in profit or loss.

Properties for development

Properties for development comprises the consideration for acquisition of land use rights, development expenditure and other costs directly attributable to bringing the leasehold land to the condition necessary for it to be capable of development of the properties. The consideration for acquisition of land use rights represent leasehold land held for future development is stated at cost less accumulated amortisation and any identified impairment loss. The development expenditure and other costs directly attributable to bringing the leasehold land to the condition necessary for it to be capable of development of the properties are stated at cost less any identified impairment loss.

Amortisation of properties for development are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, 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 other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, at the following rates per annum:

Buildings on medium-term lease	Over the unexpired lease term
Golf course on medium-term lease	Over the unexpired lease term
Plant and machinery	4% – 8%
Others	20% – 30%

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Owner-occupied property is transferred to investment property at fair value when it is evidenced by end of owner-occupation. The difference between the carrying amount and its fair value at the date of transfer is recognised in reserve.

Investment properties

Investment properties are properties which are held for earning rentals or for capital appreciations or both.

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 properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or 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.

Intangible asset

On initial recognition, intangible assets acquired separately and from business combinations are recognised at cost and at fair value respectively. After initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Impairment losses (other than goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives 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.

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

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.

Assets held under finance leases are recognised as assets of the Group at their fair values at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

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

Leasehold land and buildings

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification. Leasehold land when title is not expected to pass to the lessee by the end of the lease term is classified as operating lease unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is classified as a finance lease.

Other inventories

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible. 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 statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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.

Income from properties developed for sale is recognised upon the issuance of a completion certificate or the execution of a binding sales agreement, whichever is the later. Profit or loss arising from the outright sale of an entire development property prior to completion is recognised when a binding sales contract becomes unconditional and the risks and rewards of the ownership have been transferred to the buyer. Deposits received from forward sales of properties are carried in the balance sheet under current liabilities.

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

Income from golf course operation and hotel and property management 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.

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the

period, in which case, the exchange rates prevailing at the dates of transaction are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange equalisation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

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

Goodwill and fair value adjustments arising on acquisitions of foreign operations prior to 1st January, 2005 are treated as non-monetary foreign currency items of the acquirer and reported using the historical exchange rate prevailing at the date of the acquisition.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group and the Company's accounting policies, which are described in note 3, management has made the following estimates that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities in the next financial year.

Allowance for bad and doubtful debts

The policy for allowance for bad and doubtful debts of the Group and the Company is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer and borrower. If the financial conditions of customers and borrowers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at 31st December, 2006, the carrying amount of goodwill was HK\$39,386,000. Details of the recoverable amount calculation are disclosed in note 26.

Estimate of fair value of investment properties

At the balance sheet date, investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates. In relying on the valuation report, the management has exercised their judgment and is satisfied that the assumption used in valuation is reflective of the current market conditions.

Taxation

At 31st December, 2006, a deferred tax asset of HK\$4,879,000 in relation to unused tax losses has been recognised as set out in note 41. No deferred tax asset has been recognised on the tax losses of HK\$325,267,000 due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the income statement for the period in which such a reversal takes place.

Land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including sales charges, borrowing costs and all property development expenditures.

The Group is subject to land appreciation taxes in the PRC. However, the details of implementation have not yet been announced by local tax bureaux in most of the major cities, and the Group has not finalised its LAT calculation and payments with any local tax bureaux in the PRC. Accordingly, significant judgments are required in determining the amount of land appreciation and its related taxes. The extent, magnitude and retrospection of LAT cannot be ascertained in the absence of the detailed implementation rules and procedures. The Group recognises these liabilities based on management's best estimates according to the understanding of the tax rules. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such determination is made.

5. FINANCIAL INSTRUMENTS**5a. Financial risk management objective and policies**

The Group's major financial instruments include loans receivable, instalments receivable, amounts due from associates, amounts due from jointly controlled entities, amounts due from minority shareholders, trade and other receivables, pledged deposits, bank balances, trade and other payables, borrowings and membership debentures. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk***Foreign currency risk***

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's operations are mainly in the People's Republic of China (the "PRC") other than Hong Kong and certain bank loans of the Group are denominated in foreign currencies (see note 37). The Group currently does not have a foreign currency hedging policy. However, the management monitors the related foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The companies comprising the Group have minimal currency exposure which arises from sales or purchases by an entity in currencies other than its functional currency.

Fair value and cash flow interest rate risk

The Group is exposed to fair value interest rate risk through the impact of rate changes on fixed-rate bank loans and other loan notes. The Group's cash flow interest rate risk relates primarily to variable-rate bank and other loans. The Group will continue to maintain a reasonable mix of floating rate and fixed rate borrowings and take actions to hedge against any foreseeable interest rate exposure, if necessary. The interest rates and terms of repayment of bank borrowings of the Group are disclosed in note 37.

Price risk

The Group is exposed to equity security price risk. The management will monitor the price movements and take appropriate actions when it is required.

Credit risk

As at 31st December, 2006, the Company's and the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties or debtors which the Group has provided financial guarantees is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet and the amount of contingent liabilities disclosed in note 44. In order to minimise the credit risk, the monitoring procedures are carried out to ensure

that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. With respect to financial guarantees provided to subsidiaries by the Company, the directors consider the credit risk is limited because the subsidiaries have strong financial positions. The management considers the credit risk exposure to financial guarantees provided to property purchasers is also limited because the facilities are secured by the properties and the market price of the properties is higher than the guaranteed amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

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 borrowings and ensures compliance with loan covenants.

5b. Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

- (a) the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- (b) the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The consolidated financial statements include holdings in unlisted investments which are measured at fair value (notes 25 and 32). Fair value is estimated using a discounted cash flow model, which included some assumptions that are not supportable by observable market prices or rates.

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

6. SEGMENTAL INFORMATION

Turnover represents the aggregate of proceeds from the sale of completed properties, rental income, sale of construction materials, income from golf course operation, hotel and property management during the year as follows:

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of completed properties	345,975	940,207
Rental income	95,903	56,445
Sale of construction materials	385,562	347,342
Income from golf course operation	20,974	17,952
Income from hotel and property management	40,888	35,154
	<u>889,302</u>	<u>1,397,100</u>

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The Group's turnover for the year was derived mainly from activities carried out in the PRC other than Hong Kong. An analysis of the Group's turnover and segment results by business segment is as follows:

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Sale of construction materials <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Income statement for the year ended 31st December, 2006						
TURNOVER						
External sales	345,975	95,903	385,562	61,862	–	889,302
Inter-segment sales	–	–	2,714	7,384	(10,098)	–
Total	<u>345,975</u>	<u>95,903</u>	<u>388,276</u>	<u>69,246</u>	<u>(10,098)</u>	<u>889,302</u>
RESULTS						
Segment results	30,867	63,087	14,471	(11,501)	–	96,924
Unallocated corporate expenses						(56,911)
Other income	27,314	64	18,848	82,250	–	128,476
Fair value gain on transfer of properties held for sale to investment properties	18,045	–	–	–	–	18,045
Increase in fair value of investment properties	–	311,706	–	–	–	311,706
Write-down of properties	(79,788)	–	–	–	–	(79,788)
Allowance for bad and doubtful debts	(3,317)	–	(4,996)	–	–	(8,313)
Amortisation of properties for development	(21,494)	–	–	–	–	(21,494)
Gain on disposal of a jointly controlled entity	150,390	–	–	–	–	150,390
Discount on acquisition of additional interest in a subsidiary	1,147	–	–	–	–	1,147
Finance costs						(117,346)
Share of (loss) profit of associates						
– (Loss) profit after tax before additional LAT	(8,805)	4,159	–	565	–	(4,081)
– Additional LAT attributable to sales in previous years	(1,923)	–	–	–	–	(1,923)
Share of profit of jointly controlled entities						
– Profit after tax before additional LAT	16,453	54,429	–	735	–	71,617
– Additional LAT attributable to sales in previous years	(101,639)	–	–	–	–	(101,639)
– Additional LAT attributable to sales in current year	(12,430)	–	–	–	–	(12,430)
Profit before taxation						374,380
Taxation						(348,110)
Profit for the year						<u>26,270</u>

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	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Sale of construction materials <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Balance sheet as at 31st December, 2006					
ASSETS					
Segment assets	4,678,652	3,175,353	782,063	145,771	8,781,839
Interests in associates	360,736	192,686	–	(503)	552,919
Interests in jointly controlled entities	<u>197,976</u>	<u>477,388</u>	<u>–</u>	<u>23,108</u>	698,472
Unallocated corporate assets					<u>831,668</u>
Consolidated total assets					<u>10,864,898</u>
LIABILITIES					
Segment liabilities	<u>792,222</u>	<u>149,429</u>	<u>118,782</u>	<u>36,768</u>	1,097,201
Unallocated corporate liabilities					<u>3,416,520</u>
Consolidated total liabilities					<u>4,513,721</u>
Other information for the year ended 31st December, 2006					
Additions of property, plant and equipment	4,105	3,935	9,307	4,840	
Additions of properties for development and deposits for acquisition of properties for development	426,554	–	–	–	
Additions of investment properties and deposits for acquisition of investment properties	–	293,781	–	–	
Depreciation and amortisation	22,738	2,115	23,157	5,221	
(Gain) loss on disposal and write off of property, plant and equipment	<u>106</u>	<u>95</u>	<u>225</u>	<u>(774)</u>	

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Sale of construction materials <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Income statement for the year ended 31st December, 2005						
TURNOVER						
External sales	940,207	56,445	347,342	53,106	–	1,397,100
Inter-segment sales	–	–	2,095	23,954	(26,049)	–
Total	<u>940,207</u>	<u>56,445</u>	<u>349,437</u>	<u>77,060</u>	<u>(26,049)</u>	<u>1,397,100</u>
RESULTS						
Segment results	39,160	32,313	(10,131)	(10,784)	–	50,558
Unallocated corporate expenses						(36,799)
Other income	19,276	383	17,231	65,272	–	102,162
Fair value gain on transfer of properties held for sale to investment properties	160,622	–	–	–	–	160,622
Increase in fair value of investment properties	–	132,285	–	–	–	132,285
Write-down of properties	(51,784)	–	–	–	–	(51,784)
Allowance for bad and doubtful debts	(5,891)	(589)	(11,263)	(469)	–	(18,212)
Amortisation of properties for development	(16,900)	–	–	–	–	(16,900)
Discount on acquisition of additional interests in subsidiaries	25,290	–	–	–	–	25,290
Finance costs						(107,086)
Share of (loss) profit of associates	(5,237)	19,915	–	444	–	15,122
Share of profit of jointly controlled entities	59,996	20,910	–	1,219	–	82,125
Impairment loss on interests in associates	(17,451)	–	–	–	–	(17,451)
Profit before taxation						319,932
Taxation						(117,399)
Profit for the year						<u>202,533</u>

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	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Sale of construction materials <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Balance sheet as at 31st December, 2005					
ASSETS					
Segment assets	4,414,546	2,374,268	796,738	144,369	7,729,921
Interests in associates	373,060	181,259	–	181	554,500
Interests in jointly controlled entities	<u>464,412</u>	<u>357,428</u>	<u>–</u>	<u>19,631</u>	841,471
Unallocated corporate assets					<u>775,072</u>
Consolidated total assets					<u>9,900,964</u>
LIABILITIES					
Segment liabilities	<u>834,047</u>	<u>141,097</u>	<u>160,812</u>	<u>49,270</u>	1,185,226
Unallocated corporate liabilities					<u>3,642,747</u>
Consolidated total liabilities					<u>4,827,973</u>
Other information for the year ended 31st December, 2005					
Additions of property, plant and equipment	2,857	1,236	39,847	1,639	
Additions of properties for development and deposits for acquisition of properties for development	304,669	–	–	–	
Additions of investment properties	–	47,272	–	–	
Depreciation and amortisation	18,757	442	17,290	5,260	
(Gain) loss on disposal and write off of property, plant and equipment	63	–	(73)	46	
Loss on disposal of investment properties	<u>–</u>	<u>1,190</u>	<u>–</u>	<u>–</u>	

Substantially all the assets are located in the PRC.

7. OTHER INCOME

	2006 HK\$'000	2005 HK\$'000
Dividend income		
– unlisted shares	684	326
– listed shares	–	225
Interest income on bank deposits and receivables	25,253	8,994
Imputed interest income on non-current interest-free receivables	7,612	7,393
Refund of PRC value-added tax	14,589	15,831
Income from a property development project (note 27)	23,068	–
Increase in fair value of held-for-trading investments	659	1,786
Gain arising from changes in fair value of financial liabilities	3,416	9,144
Tax refund for reinvestment of profits in the PRC	14,438	9,656
Net foreign exchange gains	16,869	4,883
Waiver of interest expenses accrued in prior years	–	19,420
Others	21,888	24,504
	<u>128,476</u>	<u>102,162</u>

8. GAIN ON DISPOSAL OF A JOINTLY CONTROLLED ENTITY

During the year ended 31st December, 2006, the Group disposed of its entire 50% interest in and shareholder's loan to a jointly controlled entity which is established in the PRC and engaged in property development for a cash consideration of HK\$272,470,000, resulting in a gain on disposal of HK\$150,390,000.

9. DISCOUNT ON ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES

During the year ended 31st December, 2006, the Group acquired an additional 5% interest in a subsidiary for a cash consideration of HK\$594,000, after which it becomes a wholly owned subsidiary of the Company. The subsidiary is established in the PRC and engaged in property development. This acquisition results in a discount on acquisition of HK\$1,147,000.

During the year ended 31st December, 2005,

- (a) The Group acquired an additional 40% interest in a subsidiary for an aggregate cash consideration of HK\$19,263,000, after which it becomes a wholly owned subsidiary of the Company. The subsidiary is established in the PRC and engaged in property development and investment. This acquisition results in a discount on acquisition of HK\$15,873,000.
- (b) The Group acquired additional 10% interests in two subsidiaries for an aggregate cash consideration of HK\$2,110,000, after which they become wholly owned subsidiaries of the Company. Both subsidiaries are established in the PRC and engaged in property development. These acquisitions result in discount on acquisition of HK\$9,417,000.

10. FINANCE COSTS

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Interest on:		
Bank loans and overdrafts	113,788	112,868
Loan notes (<i>note 37(a)</i>)	1,961	1,960
Obligations under finance lease	–	2
Other loans	9,147	14,480
Other borrowing costs	2,920	550
Imputed interest expenses on non-current interest-free borrowings	8,600	7,953
	<u>136,416</u>	<u>137,813</u>
Less: amount capitalised on properties under development	(19,070)	(29,786)
amount capitalised on property, plant and equipment	–	(941)
	<u>117,346</u>	<u>107,086</u>

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.3% (2005: 6.2%) to expenditure on qualifying assets.

11. TAXATION

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
The charge (credit) comprises:		
PRC Enterprise Income Tax and Land Appreciation Tax		
– current year provision	83,029	127,698
– (over) underprovision in prior years	(1,495)	702
	<u>81,534</u>	<u>128,400</u>
Deferred tax (<i>note 41</i>)		
– Deferred tax before additional LAT	85,159	(11,001)
– Additional LAT attributable to sales in previous years	158,074	–
– Additional LAT attributable to sales in current year	23,343	–
	<u>266,576</u>	<u>(11,001)</u>
	<u>348,110</u>	<u>117,399</u>

No provision for Hong Kong Profits Tax has been made as the group companies operating in Hong Kong do not have any assessable profit for both years. Certain of the Company's subsidiaries operating in the PRC are eligible for tax exemptions and concessions. The PRC Enterprise Income Tax is calculated at the rates applicable to respective subsidiaries.

The State Administration of Taxation (“SAT”) of the PRC issued Guoshuifa 2006 No.187 dated 28th December, 2006, which has become effective from 1st February, 2007, announcing its intention to strengthen the mechanism for collection of LAT on property developers, and authorising the local tax bureaux to issue detailed implementation rules and procedures appropriate to local environment. The Group has previously accounted for provisional LAT calculated according to certain rates (varying from 0.5% to 3%) of sales amount assessed by local tax bureaux. However, in order to minimise the uncertainties in the accounts due to exposure to the additional LAT liabilities, the Group has provided for LAT in the current year fully in according to the requirements of SAT even though detailed implementation rules and procedures are not issued by the relevant local tax bureaux.

The tax charge for the year can be reconciled to the profit per the consolidated income statement as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Profit before taxation	<u>374,380</u>	<u>319,932</u>
Tax at the domestic income tax rate of 33% (2005: 33%)	123,545	105,578
Tax effect of share of loss (profit) of associates and jointly controlled entities	15,990	(32,092)
Tax effect of expenses not deductible for tax purpose	47,163	28,554
Tax effect of income not taxable for tax purpose	(20,275)	(23,990)
Tax effect of tax losses and other deductible temporary differences not recognised	62,428	47,162
Tax effect of utilisation of taxes losses and other deductible temporary differences previously not recognised	(18,395)	(3,653)
Tax effect of entitlement to tax holiday and concession by subsidiaries in the PRC	–	(1,924)
Effect of different tax rates of subsidiaries in the PRC	(49,292)	(4,122)
Land appreciation tax	188,089	2,678
(Over) underprovision in prior years	(1,495)	702
Others	<u>352</u>	<u>(1,494)</u>
Tax charge for the year	<u>348,110</u>	<u>117,399</u>

Note:

The domestic tax rate (which is PRC Enterprise Income Tax rate) in the jurisdiction where the operation of the Group is substantially based is used.

12. PROFIT FOR THE YEAR

	2006 HK\$'000	2005 HK\$'000
Profit for the year has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment		
Owned assets	32,219	26,850
Assets held under finance leases	5	8
Less: amount capitalised on properties under development	(697)	(1,100)
	<u>31,527</u>	<u>25,758</u>
Amortisation of:		
Intangible asset	147	86
Prepaid lease payments on land use rights	1,021	849
Properties for development	21,494	16,900
	<u>54,189</u>	<u>43,593</u>
Auditors' remuneration	5,019	4,860
Cost of inventories recognised as an expense	563,321	1,087,183
Net foreign exchange gains	(16,869)	(4,883)
Loss on disposal of investment properties	–	1,190
Loss on disposal and write-off of property, plant and equipment	339	249
Loss on disposal of available-for-sale investments	1,786	–
Operating lease charges in respect of:		
– land and buildings	7,816	12,515
– plant and machinery	1,346	601
Other rental expenses	585	1,256
Staff costs (including directors' emoluments) (note)	86,549	77,954
Share of tax of associates (included in share of (loss) profit of associates)	1,478	8,023
Share of tax of jointly controlled entities (included in share of profit of jointly controlled entities)	134,413	15,624
	<u>134,413</u>	<u>15,624</u>
Gross rental income from investment properties	(95,903)	(56,445)
Less: direct operating expenses from investment properties that generated rental income during the year	14,309	12,937
	<u>(81,594)</u>	<u>(43,508)</u>

Note:

The staff costs have excluded the apportionment of management fee as disclosed in note 13 and note 46(ii) to the consolidated financial statements for certain directors as well as management personnel who are not directors of the Company.

13. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the thirteen (2005: eleven) directors were as follows:

	Directors' fee <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	2006		Total <i>HK\$'000</i>
			Performance related incentive payments <i>HK\$'000</i>	Retirement benefits scheme contributions <i>HK\$'000</i>	
Patrick Lee Seng Wei	10	453	–	–	463
Ng Qing Hai	10	1,603	–	72	1,685
Ma Sun	10	1,548	–	130	1,688
Edwin Lo King Yau	10	614	455	28	1,107
Li Chi Kong	10	720	525	33	1,288
Yasushi Ichikawa	6	–	–	–	6
Moses Cheng Mo Chi	10	–	–	–	10
Lisa Yang Lai Sum	10	–	–	–	10
Yuki Oshima	6	–	–	–	6
Francis J. Chang Chu Fai	40	20	–	–	60
Goodwin Gaw	10	–	–	–	10
Ngai Wah Sang	60	20	–	–	80
Xu Su Jing	40	20	–	–	60
	<u>232</u>	<u>4,998</u>	<u>980</u>	<u>263</u>	<u>6,473</u>
	Directors' fee <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	2005		Total <i>HK\$'000</i>
			Performance related incentive payments <i>HK\$'000</i>	Retirement benefits scheme contributions <i>HK\$'000</i>	
Patrick Lee Seng Wei	10	–	–	–	10
Ng Qing Hai	10	2,209	131	32	2,382
Ma Sun	10	1,279	–	101	1,390
Edwin Lo King Yau	10	494	95	23	622
Li Chi Kong	10	735	130	34	909
Moses Cheng Mo Chi	10	–	–	–	10
Lisa Yang Lai Sum	10	–	–	–	10
Francis J. Chang Chu Fai	40	–	–	–	40
Goodwin Gaw	10	–	–	–	10
Ngai Wah Sang	60	–	–	–	60
Xu Su Jing	40	–	–	–	40
	<u>220</u>	<u>4,717</u>	<u>356</u>	<u>190</u>	<u>5,483</u>

Certain directors of the Company received remuneration from a company, or a wholly owned subsidiary of such company, which has significant beneficial interests in the Company. Such company provided management services to the Group and charged the Group a fee, which has been included in management fee as disclosed in note 46(ii), for services provided by those directors as well as other management personnel who were not directors of the Company.

The above-mentioned management fee commenced to be charged in 2005 and is calculated by reference to the time devoted by the management personnel on the affairs of the Group and can be apportioned to the directors mentioned above. The total of such apportioned amounts, which has been included in the above table, is HK\$2,365,000 (2005: HK\$1,448,000).

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2005: two) were directors of the Company whose emoluments are included in note 13 above. The emoluments of the remaining two (2005: three) individuals were as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Salaries and other benefits	1,530	2,560
Performance related incentive payments	590	–
Retirement benefits scheme contributions	77	140
Compensation for loss of office paid	575	–
	<u>2,772</u>	<u>2,700</u>

Their emoluments were within the following bands:

	2006 Number of employees	2005 Number of employees
Nil to HK\$1,000,000	–	2
HK\$1,000,001 to HK\$1,500,000	<u>2</u>	<u>1</u>

The remuneration policies of the Group are based on the prevailing remuneration level in the market and the performance of respective group companies and individual employees. During both years, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group.

15. DIVIDEND

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Proposed final dividend of HK2.5 cents per share (2005: nil)	<u>28,232</u>	<u>–</u>

16. EARNINGS PER SHARE

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

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Earnings		
Earnings for the purposes of basic and diluted earnings per share (Profit for the year attributable to equity holders of the Company)	<u>51,496</u>	<u>202,540</u>

	2006	2005
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,042,467,178	875,469,918
Effect of dilutive potential ordinary shares:		
– Warrants	<u>9,076,783</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>1,051,543,961</u></u>	<u><u>875,469,918</u></u>

The computation of diluted earnings per share for both years does not assume the exercise of the outstanding share options of a subsidiary as the exercise price was higher than the average market price per share.

The computation of diluted earnings per share for the year ended 31st December, 2005 does not assume the exercise of the Company's outstanding warrants as the exercise price was higher than the average market price per share.

	2006
	<i>HK\$'000</i>
Effect of additional LAT on profit attributable to equity holders of the Company:	
Profit attributable to equity holders of the Company before provision for additional LAT	<u>334,563</u>
Additional LAT attributable to sales in previous years	
– the Group	(158,074)
– an associate	(1,923)
– jointly controlled entities	<u>(101,639)</u>
	<u>(261,636)</u>
Additional LAT attributable to sales in current year	
– the Group	(23,343)
– jointly controlled entities	<u>(12,430)</u>
	<u>(35,773)</u>
Provision for additional LAT shared by minority interests	<u>14,342</u>
Profit attributable to equity holders of the Company after provision for additional LAT	<u><u>51,496</u></u>
	Basic
	<i>HK cents</i>
Earnings per share before provision for additional LAT	32.1
Effect of provision for additional LAT	<u>(27.2)</u>
Earnings per share after provision for additional LAT	<u><u>4.9</u></u>
	Diluted
	<i>HK cents</i>
Earnings per share before provision for additional LAT	31.8
Effect of provision for additional LAT	<u>(26.9)</u>
Earnings per share after provision for additional LAT	<u><u>4.9</u></u>

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings in Hong Kong on medium- term lease <i>HK\$'000</i>	Buildings in the PRC on medium- term lease <i>HK\$'000</i>	Golf course on medium- term lease <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Leasehold improvements, furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP								
COST								
At 1st January, 2005	413	165,365	93,024	169,597	245,789	36,809	26,944	737,941
Exchange adjustments	–	4,195	1,516	3,384	5,496	766	343	15,700
Additions	–	549	–	35,218	2,379	4,795	3,067	46,008
Transferred from properties under development upon completion	–	13,743	–	–	–	–	–	13,743
Transferred from properties held for sale	–	14,277	–	–	–	–	–	14,277
Reclassifications	–	68,577	–	(201,188)	132,574	37	–	–
Disposals and write-off	–	(833)	–	–	(35)	(335)	(1,794)	(2,997)
At 31st December, 2005	413	265,873	94,540	7,011	386,203	42,072	28,560	824,672
Exchange adjustments	–	11,739	3,781	56	17,311	885	921	34,693
Additions	–	1,502	3,590	4,423	1,817	5,746	7,996	25,074
Surplus on revaluation of properties upon transfer to investment properties	–	1,786	–	–	–	–	–	1,786
Transferred from properties held for sale	–	15,509	–	–	–	–	–	15,509
Reclassifications	–	6,229	–	(11,210)	4,981	–	–	–
Disposals and write-off	–	(2,104)	–	(5)	(52)	(3,057)	(4,307)	(9,525)
Transferred to investment properties	–	(6,800)	–	–	–	–	–	(6,800)
At 31st December, 2006	413	293,734	101,911	275	410,260	45,646	33,170	885,409
DEPRECIATION								
At 1st January, 2005	154	48,329	868	–	140,392	23,307	16,909	229,959
Exchange adjustments	–	1,003	40	–	2,816	597	177	4,633
Provided for the year	10	6,012	2,854	–	10,476	3,603	3,903	26,858
Eliminated on disposals and write-off	–	(158)	–	–	(27)	(163)	(1,482)	(1,830)
At 31st December, 2005	164	55,186	3,762	–	153,657	27,344	19,507	259,620
Exchange adjustments	–	2,580	210	–	6,995	425	480	10,690
Provided for the year	9	8,367	2,991	–	14,532	3,224	3,101	32,224
Eliminated on revaluation	–	(2,354)	–	–	–	–	–	(2,354)
Eliminated on disposals and write-off	–	(399)	–	–	(17)	(1,811)	(3,356)	(5,583)
At 31st December, 2006	173	63,380	6,963	–	175,167	29,182	19,732	294,597
CARRYING VALUES								
At 31st December, 2006	240	230,354	94,948	275	235,093	16,464	13,438	590,812
At 31st December, 2005	249	210,687	90,778	7,011	232,546	14,728	9,053	565,052

At 31st December, 2005, the carrying value of the Group's leasehold improvements, furniture, fixtures and equipment included an amount of HK\$5,000 in respect of assets held under finance leases.

	Leasehold improvements, furniture, fixtures and equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
THE COMPANY			
COST			
At 1st January, 2005	16,426	6,373	22,799
Additions	396	–	396
Disposals and write-off	(2)	–	(2)
	<u>16,820</u>	<u>6,373</u>	<u>23,193</u>
At 31st December, 2005	16,820	6,373	23,193
Additions	775	877	1,652
Disposals and write-off	(2,031)	(1,826)	(3,857)
	<u>15,564</u>	<u>5,424</u>	<u>20,988</u>
At 31st December, 2006	15,564	5,424	20,988
DEPRECIATION			
At 1st January, 2005	13,965	6,088	20,053
Provided for the year	951	231	1,182
	<u>14,916</u>	<u>6,319</u>	<u>21,235</u>
At 31st December, 2005	14,916	6,319	21,235
Provided for the year	546	112	658
Eliminated on disposals and write-off	(1,047)	(1,826)	(2,873)
	<u>14,415</u>	<u>4,605</u>	<u>19,020</u>
At 31st December, 2006	14,415	4,605	19,020
CARRYING VALUES			
At 31st December, 2006	<u>1,149</u>	<u>819</u>	<u>1,968</u>
At 31st December, 2005	<u>1,904</u>	<u>54</u>	<u>1,958</u>

18. INVESTMENT PROPERTIES

	THE GROUP	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
FAIR VALUE		
At 1st January	2,305,922	1,214,400
Exchange adjustments	101,103	21,249
Additions	259,781	47,272
Transferred from properties under development upon completion	–	557,941
Transferred from properties held for sale	62,841	344,327
Transferred from property, plant and equipment	6,800	–
Disposals	(5,353)	(11,552)
Net increase in fair value recognised in the income statement	<u>311,706</u>	<u>132,285</u>
At 31st December	<u>3,042,800</u>	<u>2,305,922</u>

The fair value of the Group's investment properties at 31st December, 2006 have been arrived at on the basis of a valuation carried out on that date by Norton Appraisals Limited, a firm of independent and qualified professional valuers not connected with the Group. Norton Appraisals Limited have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to The Hong Kong Institute of Surveyors Valuation Standards on Properties (1st Edition) published by the Hong Kong Institute of Surveyors, was based on rental capitalisation.

Investment properties are all located in the PRC and comprise properties held under:

	THE GROUP	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Long lease	633,400	76,700
Medium-term lease	2,409,400	2,229,222
	<u>3,042,800</u>	<u>2,305,922</u>

19. INTANGIBLE ASSET

	Mining right
	<i>HK\$'000</i>
THE GROUP	
COST	
Additions and at 31st December, 2005	7,099
Exchange adjustments	284
	<u>7,383</u>
At 31st December, 2006	<u>7,383</u>
AMORTISATION	
Charge for the year and at 31st December, 2005	86
Exchange adjustments	8
Charge for the year	147
	<u>241</u>
At 31st December, 2006	<u>241</u>
CARRYING VALUE	
At 31st December, 2006	<u>7,142</u>
At 31st December, 2005	<u>7,013</u>

The mining right has a definite useful life and is amortised on a straight-line basis over 50 years.

20. PROPERTIES FOR DEVELOPMENT

	THE GROUP	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
PROPERTIES IN THE PRC, AT COST		
Balance at 1st January	1,221,379	939,340
Exchange adjustments	34,006	11,890
Additions	167,193	51,260
Transferred from deposits for acquisition of properties for development	–	321,270
Transferred from properties under development	102,290	–
Transferred to properties under development	–	(102,381)
Charge to income statement	(13,089)	–
	<u>1,511,779</u>	<u>1,221,379</u>
AMORTISATION AND IMPAIRMENT		
Balance at 1st January	59,656	42,980
Exchange adjustments	2,287	–
Amortisation for the year	21,494	16,900
Impairment loss recognised for the year	11,479	–
Transferred from properties under development	1,612	–
Transferred to properties under development	–	(224)
	<u>96,528</u>	<u>59,656</u>
CARRYING VALUES	<u><u>1,415,251</u></u>	<u><u>1,161,723</u></u>
The Group's properties for development comprise:		
Leasehold land in the PRC		
Long lease	1,176,763	931,331
Medium-term lease	238,488	230,392
	<u>1,415,251</u>	<u>1,161,723</u>

21. PREPAID LEASE PAYMENTS ON LAND USE RIGHTS

	THE GROUP	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group's prepaid lease payments on land use rights comprise:		
Leasehold land in the PRC		
Medium-term lease	35,174	32,243
	<u>35,174</u>	<u>32,243</u>
Analysed for reporting purposes as:		
Non-current asset	34,138	31,319
Current asset	1,036	924
	<u>35,174</u>	<u>32,243</u>

22. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted investments	2,354,556	1,965,793
Amounts due from subsidiaries	1,893,282	1,653,092
Less: accumulated impairment	(87,700)	(116,034)
	<u>4,160,138</u>	<u>3,502,851</u>

Details of the principal subsidiaries at 31st December, 2006 are set out in note 48. The subsidiaries are not expected to repay the advances within twelve months from the balance sheet date and the balances are classified as non-current.

23. INTERESTS IN ASSOCIATES

	THE GROUP	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of investment in unlisted associates	431,183	431,183
Share of post-acquisition profits and losses and reserves, net of dividends received	103,915	103,120
Amounts due from associates	5,651	9,440
Less: allowance for doubtful debts	(199)	(3,431)
	<u>540,550</u>	<u>540,312</u>

Notes:

- (a) Details of the principal associates at 31st December, 2006 are set out in note 49. The associates are not expected to repay the advances within twelve months from the balance sheet date and the balances are classified as non-current.
- (b) Included in the cost of investment in associates is goodwill of HK\$874,000 (2005: HK\$874,000) arising on acquisitions of associates in prior years.
- (c) Impairment loss on interests in associates in prior year represented a write-down of the carrying amount of interests in associates to their recoverable amount based on the estimated net selling price.

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

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Total assets	2,066,860	2,590,474
Total liabilities	(604,510)	(1,129,750)
Minority interests	(119,643)	(110,473)
	<u>1,342,707</u>	<u>1,350,251</u>
Net assets		
	<u>71,238</u>	<u>71,060</u>
Turnover		
	<u>(7,689)</u>	<u>68,590</u>
(Loss) profit for the year		

24. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Cost of investment in unlisted jointly controlled entities (<i>note b</i>)	474,337	473,637
Share of post-acquisition profits and losses and reserves, net of dividends received	136,314	223,863
Amounts due from jointly controlled entities	59,058	57,961
Less: allowance for doubtful debts	(38,607)	(38,607)
	<u>631,102</u>	<u>716,854</u>

	THE COMPANY	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Cost of investment in an unlisted jointly controlled entity	4,333	4,333
Amounts due from jointly controlled entities	1,587	1,543
	<u>5,920</u>	<u>5,876</u>

Notes:

- (a) Details of the principal jointly controlled entities at 31st December, 2006 are set out in note 50. The jointly controlled entities are not expected to repay the advances within twelve months from the balance sheet date and the balances are classified as non-current.
- (b) Included in the cost of investment of jointly controlled entities is goodwill of HK\$409,000 (2005: HK\$409,000) arising on acquisitions of jointly controlled entities in prior years.

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

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Total assets	2,825,215	2,167,488
Total liabilities	(1,696,688)	(862,191)
Minority interests	(6,182)	(5,635)
	<u>1,122,345</u>	<u>1,299,662</u>
Net assets		
Turnover	<u>371,995</u>	<u>457,796</u>
(Loss) profit for the year	<u>(82,681)</u>	<u>164,523</u>

25. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Unlisted equity securities	<u>3,306</u>	<u>3,202</u>

Unlisted equity securities represent investments in founders' shares issued by the entities established in the PRC. The fair value of the Group's unlisted equity securities at the balance sheet date, determined based on the present value of the estimated dividend recovered discounted using the prevailing market rate at the balance sheet date, approximates the carrying amount of the investments.

26. GOODWILL AND IMPAIRMENT TESTING ON GOODWILL

As explained in note 6, the Group uses business segment as its primary segment for reporting segment information. For the purpose of impairment testing, goodwill has been allocated to two individual cash-generating units ("CGUs"), including one subsidiary in property development segment and one subsidiary in sale of construction materials segment. The carrying amounts of goodwill as at 31st December, 2006 allocated to these units are as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Property development	640	640
Sale of construction materials	<u>38,746</u>	<u>38,746</u>
	<u>39,386</u>	<u>39,386</u>

The basis of the recoverable amount of the relevant business unit in the sale of construction materials segment and its major underlying assumptions are summarised below:

The recoverable amounts of the business unit in the sale of construction materials segment are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the forecasted period. Management estimates discount rates of 8.56% (2005: 9.49%), using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the business unit. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management covering a five-year period and extrapolates cash flows of the business unit for the following nine years using zero growth rate.

During the year ended 31st December, 2006, management of the Group determines that there are no impairments of any of its CGUs containing goodwill.

27. INSTALMENTS RECEIVABLE

Instalments receivable arising from sale of property for development in prior years to the extent of HK\$81,274,000 (2005: HK\$87,181,000) is interest free and repayable based on the progress of development and sale of a property project. In addition to the consideration, the Group is entitled to share part of the profit from this project.

28. INVENTORIES OF PROPERTIES IN THE PRC

Included in inventories of properties in the PRC are completed properties of HK\$2,252,000 (2005: HK\$5,354,000) transferred from trade debtors in lieu of cash settlement.

29. OTHER INVENTORIES

	THE GROUP	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	22,884	25,455
Work in progress	3,266	1,879
Finished goods	12,416	7,595
	<u>38,566</u>	<u>34,929</u>

30. LOANS RECEIVABLE

At 31st December, 2006, loans receivable of HK\$40,650,000 (2005: HK\$40,650,000) bear interests at 20% (2005: 20%) per annum, are secured and repayable in July 2007. Loans receivable of HK\$8,792,000 (2005: HK\$8,792,000) bear interest at prime rate (2005: prime rate), are secured and repayable in February 2007. Loan receivable of HK\$12,689,000 (2005: nil) bear interest at prime rate plus 1% per annum, are unsecured and repayable in January 2007. At 31st December, 2005, loan receivable of HK\$12,273,000 bore interest at 12% per annum, was secured and repaid in 2006.

31. TRADE AND OTHER RECEIVABLES

Rental receivable from tenants are payable on presentation of invoices. The Group generally allows a credit period of 30 to 120 days to property purchasers and other customers. The following is an aged analysis of trade receivables, which are included in trade and other receivables, deposits and prepayments, at the balance sheet date:

	THE GROUP	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not yet due	59,187	69,121
Overdue within 3 months	150,743	204,031
Overdue between 4 and 6 months	28,623	37,239
Overdue between 7 and 12 months	19,697	16,333
Overdue over 12 months	34,107	31,127
	<u>292,357</u>	<u>357,851</u>

32. HELD-FOR-TRADING INVESTMENTS

	THE GROUP	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity securities listed outside Hong Kong	1,659	1,000
Unlisted equity securities	4,940	8,787
Unlisted debt securities	4,980	–
	<u>11,579</u>	<u>9,787</u>

Equity securities listed outside Hong Kong are stated at fair value which is determined based on the quoted market bid price available on the relevant exchanges.

Unlisted equity securities represent investments in founders' shares issued by the entities established in the PRC. The fair value of the Group's unlisted securities at the balance sheet date, determined based on the present value of the estimated interest or dividend recovered discounted using the prevailing market rate at the balance sheet date, approximates the carrying amount of the investments.

33. NON-CURRENT ASSETS HELD FOR SALE

	THE GROUP	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
The assets classified as held for sale are as follows:		
Interest in a jointly controlled entity (<i>note a</i>)	–	123,338
Available-for-sale investments (<i>note b</i>)	–	62,667
	<u>–</u>	<u>186,005</u>

During the year ended 31st December, 2005,

- (a) The Group entered into a disposal agreement with a joint venture partner of a jointly controlled entity in relation to the disposal of the Group's entire 50% interest in and shareholder's loan to such jointly controlled entity for a cash consideration of HK\$272,470,000. The net proceeds from disposal were expected to exceed the net carrying amount of the relevant assets and accordingly, no impairment loss had been recognised. At the same time, the Group also entered into another disposal agreement with the same joint venture partner in relation to the disposal of its available-for-sale investment for a cash consideration of HK\$19,750,000. Both disposals were pending approval from the relevant PRC government authorities at 31st December, 2005. The disposals were completed during the year ended 31st December, 2006. The jointly controlled entity is classified in the Group's property development activity for segment reporting purposes.
- (b) The Group entered into a disposal agreement with a third party in relation to the disposal of interest in a subsidiary of which the sole asset was an available-for-sale investment for a cash consideration of RMB41,000,000 (equivalent to HK\$39,423,000). The disposal was completed during the year ended 31st December, 2006. The fair value of this available-for-sale investment as at 31st December, 2005 was determined with reference to the cash consideration as mentioned above.

34. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables, which are included in trade and other payables, at the balance sheet date:

	THE GROUP	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not yet due	295,011	409,339
Overdue within 3 months	116,265	228,118
Overdue between 4 and 6 months	44,360	14,755
Overdue between 7 and 12 months	80,760	6,948
Overdue over 12 months	77,646	139,014
	<u>614,042</u>	<u>798,174</u>

35. SHARE CAPITAL

	THE GROUP AND THE COMPANY	
	Number of ordinary shares	Nominal value <i>HK\$'000</i>
<i>Authorised:</i>		
Ordinary shares of HK\$0.20 each at 31st December, 2005 and 31st December, 2006	<u>2,000,000,000</u>	<u>400,000</u>
<i>Issued and fully paid:</i>		
At 1st January, 2005 and 31st December, 2005	875,469,918	175,094
Shares issued under the placing and subscription	175,000,000	35,000
Shares issued on exercise of warrants	<u>78,800,000</u>	<u>15,760</u>
At 31st December, 2006	<u>1,129,269,918</u>	<u>225,854</u>

Ordinary shares

Pursuant to a placing agreement dated 6th April, 2006 made between Sun Hung Kai & Co. Limited ("SHK"), a substantial shareholder of the Company, and the placing agent, SHK placed 175,000,000 existing shares of HK\$0.20 each in the Company to independent investors at a price of HK\$5.10 per share, representing a discount of approximately 6% to the closing market price of the Company's shares on 4th April, 2006.

Pursuant to a subscription agreement of the same date made between SHK and the Company, SHK subscribed for 175,000,000 new shares of HK\$0.20 each in the Company at a price of HK\$5.10 per share. The proceeds were used to fund a property development project, to reduce overall borrowings and to provide general working capital for the Group. These new shares were issued under the general mandate granted to the directors of the Company at the annual general meeting of the Company held on 12th May, 2005 and rank pari passu with other shares in issue in all respects.

During the year ended 31st December, 2006, 78,800,000 shares of HK\$0.20 each were issued at HK\$2.75 per share for cash as a result of the exercise of warrants by the warrant holder. The new shares rank pari passu with other shares in issue in all respects.

Warrants

Upon completion of the warrants instrument entered into between the Company and a subscriber on 24th December, 2004, the Company issued 5 new unlisted warrants conferring rights to subscribe for up to 78,800,000 new shares at the following subscription prices:

- (a) at the price of HK\$2.25 (subject to adjustments) in respect of each share if exercised during the first six-month period commencing from the issue date of 24th December, 2004;
- (b) at the price of HK\$2.50 (subject to adjustments) in respect of each share if exercised during the second six-month period commencing from the issue date of 24th December, 2004; and
- (c) at the price of HK\$2.75 (subject to adjustments) in respect of each share if exercised during the third six-month period commencing from the issue date of 24th December, 2004, with such period to end on the expiry date of 23rd June 2006.

The Company has received a sum of US\$1,000,000 (which is equivalent to approximately HK\$7,800,000) as consideration for the issue of warrants. The Company had made application to the Stock Exchange for the listing of, and permission to deal in, the shares to be allotted and issued upon the exercise of the subscription rights attached to the warrants. Under the terms and conditions of warrants instrument, should the approval for the listing of such shares not be obtained by the Company on or before 31st March, 2005, the warrants will be returned to the Company for cancellation and will cease to be of any effect and the Company will refund the sum of US\$1,000,000 (without interest) to the subscriber. During the year ended 31st December, 2005, the Company has obtained the approval for the listing of and permission to deal in such shares.

As abovementioned, during the year ended 31st December, 2006, the warrant holder exercised its rights attached to the warrants. As a result, at 31st December, 2006, the Company had no outstanding (2005: 5) warrants.

Share Option Scheme of the Company

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed by the Company's shareholders on 27th January, 1999 for the primary purpose of providing incentives to eligible employees (including executive directors), and will expire on 26th January, 2009. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The maximum number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at the date of grant excluding any shares issued pursuant to the Scheme. The number of shares in respect of which options may be granted to any eligible employee is not permitted to exceed 25% of the total number of shares of the Company issued and issuable under the Scheme.

A consideration of HK\$10 is payable on the grant of an option. Options granted must be held for a minimum period of six months before they can be exercised. A maximum of 50% of the options may be exercised during the first to sixth month of the 2-year exercisable period (commencing on the expiry of six months after the date of grant) and the remaining 50% are exercisable during the thirteenth to twenty-fourth month of the 2-year period. If no option or less than 50% of the options are exercised during the first to sixth month, these unexercised options can be carried forward to the thirteenth to twenty-fourth month.

The exercise price is determined by the directors of the Company, and will not be less than the higher of the nominal value of the Company's shares or 80% of the average closing price of the shares on the Stock Exchange for the five business days immediately preceding the date of the grant.

No options were granted nor were exercised during the year ended 31st December, 2006 and 2005.

Share Option Scheme of Shanghai Allied Cement Limited (“SAC”)

A share option scheme (the “SAC Scheme”) was adopted by SAC, a subsidiary of the Company, pursuant to a resolution passed on 23rd May, 2002 for the primary purpose of providing the participants with the opportunity to acquire proprietary interests in SAC and to encourage participants to work towards enhancing the value of SAC and its shares for the benefit of SAC and its shareholders as a whole. The SAC Scheme will expire on 22nd May, 2012.

The total number of shares in respect of which options may be granted under the SAC Scheme and any other schemes is not permitted to exceed 10% of the shares of SAC in issue at the date of shareholders’ approval of the SAC Scheme (the “Scheme Mandate Limit”) or, if such 10% limit is refreshed, at the date of shareholders’ approval of the renewal of the Scheme Mandate Limit. The maximum aggregate number of shares, which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the SAC Scheme and any other share option schemes, must not exceed 30% of the total number of shares of SAC in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of SAC then in issue, without prior approval from the shareholders of SAC. Each grant of options to any director, chief executive or substantial shareholder must be approved by independent non-executive directors. Where any grant of options to a substantial shareholder or an independent non-executive director or any of their respective associates would result in the shares of SAC issued and to be issued upon exercise of options already granted and to be granted in excess of 0.1% of the issued share capital of SAC and with a value in excess of HK\$5,000,000 in the 12-month period up to the date of grant must be approved in advance by the shareholders of SAC.

Options granted must be taken up within 21 days from the date of grant, upon payment of HK\$10 per option. An option may be exercised in accordance with the terms of the SAC Scheme at any time during the effective period of the SAC Scheme to be notified by the board of directors which shall not be later than 10 years from the date of grant. The exercise price is determined by the directors of SAC, and will not be less than the higher of the closing price of the shares of SAC on the date of grant, and the average closing price of the shares on the Stock Exchange for the five business days immediately preceding the date of grant.

The following table shows movement in the share options of SAC granted under the SAC Scheme during the year ended 31st December, 2005 and 2006:

	Outstanding at 1/1/2005	Lapsed during the year ended 31/12/2005	Outstanding at 31/12/2005	Lapsed during the year ended 31/12/2006	Cancelled during the year ended 31/12/2006	Outstanding at 31/12/2006
Directors	4,600,000	–	4,600,000	–	(4,600,000)	–
Employees of SAC	<u>17,100,000</u>	<u>(600,000)</u>	<u>16,500,000</u>	<u>(1,600,000)</u>	<u>(13,400,000)</u>	<u>1,500,000</u>
	<u>21,700,000</u>	<u>(600,000)</u>	<u>21,100,000</u>	<u>(1,600,000)</u>	<u>(18,000,000)</u>	<u>1,500,000</u>

The outstanding share options as at 31st December, 2006 are held by an ex-employee of SAC.

The options are exercisable from 28th January, 2004 to 27th July, 2013 with an exercise price of HK\$0.70.

36. RESERVES**THE GROUP**

Other reserves comprise a reserve fund and an enterprise expansion fund of the subsidiaries in the PRC and the fair value adjustment on properties arising from acquisition of additional interests in subsidiaries. The reserve fund is to be used to expand the enterprise’s working capital. When the enterprise suffers losses, the reserve fund may be used to make up unrecovered losses under special circumstances. The enterprise expansion fund is to be used for business expansion and, if approved, can also be used to increase capital.

The remittance outside of the PRC of accumulated profits of the subsidiaries, associates and joint ventures established in the PRC is subject to approval of the local authorities and the availability of foreign currencies generated and retained by these companies.

Revaluation reserves

	Property revaluation reserve <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 2005	–	(23,244)	(23,244)
Gain on fair value changes of available-for-sale investments	–	24,011	24,011
At 31st December, 2005	–	767	767
Surplus on revaluation of properties upon transfer to investment properties (net of tax)	3,519	–	3,519
Transfer to profit or loss on sale of available-for-sale investments	–	(1,516)	(1,516)
At 31st December, 2006	<u>3,519</u>	<u>(749)</u>	<u>2,770</u>

THE COMPANY

	Share premium account <i>HK\$'000</i>	Special capital reserve <i>HK\$'000</i>	Warrant reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 2005	357,164	1,417,669	–	130,691	1,709,637	3,615,161
Issue of warrants	–	–	7,800	–	–	7,800
Profit for the year	–	–	–	–	111,357	111,357
At 31st December, 2005	357,164	1,417,669	7,800	130,691	1,820,994	3,734,318
Issue of shares	1,058,440	–	–	–	–	1,058,440
Share issue expenses	(31,446)	–	–	–	–	(31,446)
Transfer of warrant reserve to share premium account upon the exercise of warrants	7,800	–	(7,800)	–	–	–
Profit for the year	–	–	–	–	425,706	425,706
At 31st December, 2006	<u>1,391,958</u>	<u>1,417,669</u>	<u>–</u>	<u>130,691</u>	<u>2,246,700</u>	<u>5,187,018</u>

The Company's reserves available for distribution to shareholders as at 31st December, 2006 represent the accumulated profits of HK\$2,246,700,000 (2005: HK\$1,820,994,000). When sanctioning a reduction in nominal value of the Company's shares in 2004, the High Court of the Hong Kong Special Administrative Region stipulated that the credit arising on the reduction be transferred to a special capital reserve, and that reserve was not to be regarded as distributable until all of the liabilities of the Company as at the date of the order, 9th March, 2004, were settled. At 31st December, 2006, liabilities of the Company included HK\$95,511,000 (2005: HK\$245,011,000) in respect of liabilities in existence at 9th March, 2004.

37. INTEREST-BEARING BORROWINGS

	THE GROUP		THE COMPANY	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank overdrafts	16,005	66,334	126	21,518
Bank loans	1,861,362	1,785,337	160,000	179,500
	<u>1,877,367</u>	<u>1,851,671</u>	<u>160,126</u>	<u>201,018</u>
Loan notes (<i>note a</i>)	78,405	78,405	78,405	78,405
Obligations under finance lease	–	5	–	–
Other loans (<i>note b</i>)	21,846	349,583	–	–
	<u>1,977,618</u>	<u>2,279,664</u>	<u>238,531</u>	<u>279,423</u>
Secured	1,614,584	1,541,725	150,000	140,000
Unsecured	363,034	737,939	88,531	139,423
	<u>1,977,618</u>	<u>2,279,664</u>	<u>238,531</u>	<u>279,423</u>
Carrying amount repayable:				
On demand or within one year	712,841	1,532,320	50,126	201,018
More than one year, but not exceeding two years	519,127	433,668	118,405	–
More than two years, but not exceeding five years	656,988	215,642	70,000	78,405
More than five years	88,662	98,034	–	–
	<u>1,977,618</u>	<u>2,279,664</u>	<u>238,531</u>	<u>279,423</u>
Less: Amounts due within one year shown under current liabilities	<u>(712,841)</u>	<u>(1,532,320)</u>	<u>(50,126)</u>	<u>(201,018)</u>
	<u>1,264,777</u>	<u>747,344</u>	<u>188,405</u>	<u>78,405</u>

Notes:

- (a) Loan notes with an aggregate principal amount of HK\$78,405,000, which were issued by the Company as part of the consideration of the repurchase of shares of the Company during the year ended 31st December, 2003, carry interest at 2.5% per annum and are repayable on 29th August, 2008.
- (b) At 31st December, 2005, other loans of HK\$245,000,000 carried interest at prime rate plus 1% per annum, were secured and repaid in 2006. Other loans of HK\$67,308,000 carried interest at 6.7% per annum, were secured and repaid in 2006. The remaining other loans carried interest at market rate, were unsecured and repayable within twelve months from the balance sheet date.

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

The exposure of the Group's fixed-rate borrowings and the contractual maturity dates (or repricing dates) are as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Fixed-rate borrowings:		
Within one year	561,519	862,548
In more than one year but not more than two years	433,405	336,538
In more than two years but not more than three years	60,000	155,328
In more than four years but not more than five years	250,000	–
In more than five years	5,376	5,376
	<u>1,310,300</u>	<u>1,359,790</u>

In addition, the Group has variable-rate borrowings which carry interest at HIBOR. Interest is repriced every one month.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2006	2005
Effective interest rate:		
Fixed-rate borrowings	2.50% to 10.50%	2.50% to 10.50%
Variable-rate borrowings	5.02% to 9.25%	2.12% to 8.00%

The carrying amounts of the Group's interest-bearing borrowings are denominated in the following currencies:

	Renminbi <i>HK\$'000</i>	Hong Kong dollars <i>HK\$'000</i>	US dollars <i>HK\$'000</i>	Total <i>HK\$'000</i>
2006				
Bank overdrafts	–	16,005	–	16,005
Bank and other loans	1,463,446	472,341	25,826	1,961,613
	<u>1,463,446</u>	<u>488,346</u>	<u>25,826</u>	<u>1,977,618</u>
2005				
Bank overdrafts	–	66,334	–	66,334
Bank and other loans	1,428,454	755,185	29,691	2,213,330
	<u>1,428,454</u>	<u>821,519</u>	<u>29,691</u>	<u>2,279,664</u>

During the year, the Group obtained new loans in the amount of HK\$1,476,146,000. The loans bear interest at market rates and will be repayable in or before 2012. The proceeds were used to finance operating activities of the Group.

38. INTEREST-FREE BORROWINGS

	THE GROUP		THE COMPANY	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Promissory note (<i>note a</i>)	40,000	40,000	–	–
Advances from minority shareholders	64,156	61,642	–	–
Amounts due to former minority shareholders	–	49,855	–	–
Amounts due to jointly controlled entities	104,458	59,254	–	–
Amounts due to associates	8,507	4,973	–	–
Amounts due to subsidiaries	–	–	30,926	70,744
	<u>217,121</u>	<u>215,724</u>	<u>30,926</u>	<u>70,744</u>
Carrying amount repayable:				
On demand or within one year	156,978	143,060	30,459	70,320
More than one year (<i>note b</i>)	60,143	72,664	467	424
	<u>217,121</u>	<u>215,724</u>	<u>30,926</u>	<u>70,744</u>
Less: Amounts due within one year shown under current liabilities	<u>(156,978)</u>	<u>(143,060)</u>	<u>(30,459)</u>	<u>(70,320)</u>
	<u>60,143</u>	<u>72,664</u>	<u>467</u>	<u>424</u>

Notes:

- (a) A promissory note with a principal amount of HK\$40,000,000, which was issued by the Group during the year ended 31st December, 2001, carried interest at 7% per annum and was repayable on 20th December, 2004. During the year ended 31st December, 2004, the noteholder agreed to waive the interest accrued but not yet paid and the promissory note became interest free since then.
- (b) The amounts are unsecured and not repayable within twelve months from the balance sheet date.

39. DEFERRED RENTAL INCOME FROM A TENANT

On 26th May, 2002, the Group entered into a tenancy agreement with a tenant in respect of leasing of an investment property for a period of 20 years. Pursuant to the agreement, the tenant agreed to bear the costs of fitting out works of the investment property at an agreed amount of HK\$178,140,000 payable on behalf of the Group in lieu of paying operating lease rental to the Group for a period of 6 years, and paying a monthly operating lease rental over the remaining lease period. During the year ended 31st December, 2005, the Group revised the terms of the lease and determined with the tenant that the costs of fitting out works of the investment property to be borne by the Group would be revised to HK\$60,577,000 and the annual operating rental payable by the tenant for the remaining period would be reduced. Taking consideration of the substance of the arrangements, the reduction of costs of fitting out works to be borne by the Group of HK\$117,563,000 was reclassified as deferred rental income from a tenant and is released to the profit or loss as rental income on a straight-line basis over the remaining lease term of 17 years. At 31st December, 2006, deferred rental income from a tenant to be released within one year of HK\$7,192,000 (2005: HK\$6,915,000) has been included in trade and other payables.

40. MEMBERSHIP DEBENTURES

Membership debentures represent golf guaranty fees which are refundable to members twenty years after joining the golf club or can be used by members to set off against the cost of purchasing villas at the golf course.

41. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	Business combinations (Note i) HK\$'000	Revaluation of properties HK\$'000	Accelerated tax depreciation HK\$'000	Adjustments to conform to the Group's accounting policies (Note ii) HK\$'000	Allowance for doubtful debts HK\$'000	Elimination of inter-company charges in properties (Note iii) HK\$'000	Land Appreciation tax HK\$'000	Tax losses HK\$'000	Others HK\$'000	Total HK\$'000
THE GROUP										
At 1st January, 2005	560,628	67,770	12,533	171,046	(6,492)	(36,695)	29,682	-	632	799,104
Exchange adjustments	1,062	1,012	556	3,699	(125)	-	573	-	-	6,777
Charge (credit) to income for the year	(44,612)	84,602	3,772	(35,011)	(2,668)	1,384	(14,620)	(3,840)	(8)	(11,001)
At 31st December, 2005	517,078	153,384	16,861	139,734	(9,285)	(35,311)	15,635	(3,840)	624	794,880
Exchange adjustments	1,224	8,560	1,351	2,529	(195)	-	6,022	(171)	-	19,320
Charge (credit) to income for the year	(4,096)	117,698	2,408	(124,141)	5,336	-	270,233	(868)	6	266,576
Charge to equity for the year	-	621	-	-	-	-	-	-	-	621
At 31st December, 2006	514,206	280,263	20,620	18,122	(4,144)	(35,311)	291,890	(4,879)	630	1,081,397

Notes:

- (i) This represents the tax effect of the temporary differences arising from the fair value adjustments to properties for and under development upon acquisition of property holding subsidiaries.
- (ii) This mainly represents the tax effect of the temporary differences arising from the adjustments to management accounts of certain subsidiaries to conform to the Group's policies of revenue recognition and capitalisation of property development cost.
- (iii) This represents the tax effect of the temporary differences arising from the elimination of inter-company charges originally capitalised as cost of properties under development, properties for sale and investment properties of subsidiaries.

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2006 HK\$'000	2005 HK\$'000
Deferred tax liabilities	1,085,436	799,830
Deferred tax assets	(4,039)	(4,950)
	<u>1,081,397</u>	<u>794,880</u>

At the balance sheet date, the Group has unused tax losses of HK\$340,051,000 (2005: HK\$329,497,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$14,784,000 (2005: HK\$11,636,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$325,267,000 (2005: HK\$317,861,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$148,150,000 (2005: HK\$148,271,000) that will gradually expire until 2011. Other losses may be carried forward indefinitely.

At the balance sheet date, the Group has other deductible temporary differences of HK\$315,437,000 (2005: HK\$217,417,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

42. LEASE ARRANGEMENTS

The Group as lessor

At the balance sheet date, certain investment properties are leased out for a period of 20 years from the date of commencement of operation of a lessee that occupies the properties, with a renewal option at the end of the lease. The rentals are calculated at a certain percentage of the turnover (net of value added tax) of the lessee, with a minimum annual rental. Other investment properties were leased out for periods ranging from 1 to 9 years and the majority of the leases did not have any renewal options given to the lessees. The Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	91,835	74,884
In the second to fifth years inclusive	156,152	175,525
After five years	193,798	203,671
	441,785	454,080
	441,785	454,080

The Group as lessee

At the balance sheet date, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, plant and equipment which fall due as follows:

	THE GROUP		THE COMPANY	
	2006	2005	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	4,080	10,468	67	569
In the second to fifth years inclusive	2,508	19,997	–	–
Over five years	76	252,892	–	–
	6,664	283,357	67	569
	6,664	283,357	67	569

In June 2001, the Group entered into an arrangement with a third party in the PRC to lease the production facilities for manufacture of cement with a term of twenty years. Under a supplemental agreement with the third party in the PRC, the Group has an option to terminate the said lease in June 2003 and at the end of every two years after June 2003. The Group has no current intention to terminate the lease.

Also, in prior years the Group entered into agreements with PRC parties to lease certain vacant land sites with a term of seventy years for future property development. Until the Group enters into agreements for the acquisition of the land use right of these sites, the Group is liable for the payment of rent, which is calculated based on the site area not yet acquired. The rental is fixed for the first three years and will be increased by 5% for each of the following three-year periods. The operating lease commitments for these land sites in prior year were calculated by reference to the planned development timeframe.

Other operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for a term ranging from one to eight years at fixed rentals.

43. CAPITAL COMMITMENTS

	THE GROUP		THE COMPANY	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditure in respect of contracted commitments for:				
– acquisition of land use rights in the PRC	1,316,534	1,449,530	–	–
– acquisition of property, plant and equipment	630	5,533	–	–
– acquisition of investment properties	46,000	–	–	–
– loans to associates	4,650	4,650	–	–
	<u>4,650</u>	<u>4,650</u>	<u>–</u>	<u>–</u>

44. CONTINGENT LIABILITIES

(a) At 31st December, 2006, the Company and the Group had guarantees as follows:

	THE GROUP		THE COMPANY	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees given to banks in respect of banking facilities utilised by:				
– subsidiaries	–	–	912,018	401,704
– a jointly controlled entity	30,000	–	–	–
Guarantees given to banks in respect of mortgage loans granted to property purchasers	252,986	382,110	616	1,908
Guarantee given to a bank in respect of a banking facility granted to a vendor of land use rights to a property development subsidiary	13,797	13,267	–	–
Guarantee in respect of a promissory note issued by a subsidiary	–	–	40,000	40,000
Guarantee given to a money lender in respect of a loan facility utilised by a subsidiary	–	–	–	245,000
	<u>–</u>	<u>–</u>	<u>–</u>	<u>245,000</u>

(b) During the year ended 31st December, 2006, the PRC government has reinforced the compliance of regulations on idle land confiscation which was issued by the Ministry of Land Resources of the PRC on 26th April, 1999. As at 31st December, 2006, a property for development with carrying value of HK\$119,423,000 was identified as idle land because the resettlement problem of local residence by the local authority cannot be resolved and the development is delayed. The Group is working on a proposal with the local land bureau of swapping this idle land with another land site without resettlement problem in the same city. The Group has assessed the issue and obtained legal advice, and considers that although the final outcome is uncertain, the idle land confiscation may be compensated by a replacement land site. Other properties for development and deposits for acquisition of properties for development with aggregate carrying values of HK\$359,819,000 may be potentially classified as idle land. The Group is currently working diligently to prevent the possible classification, including negotiating the feasibility of development plans with local authorities. Based on legal advice, the Directors have assessed the issue and considered that the idle land confiscation may not materialise.

- (c) A property purchaser who previously purchased a property in Shenzhen initiated legal proceedings against a wholly owned subsidiary of the Company to rescind the sale contract and claim for sales proceeds paid of approximately HK\$52,330,000 together with compensation. Inventories of completed properties with carrying value of HK\$37,499,000 are held in the custody of the court. The Group had appealed and the Supreme Court had ordered rehearing to the case. This property purchaser initiated another legal proceeding claiming for sales proceeds of another storey of the same shopping arcade and the underground car parks with the compensation amounting to approximately HK\$62,698,000. This case is under trial by the court in the PRC. Based on legal opinion, the Group considers that it has a strong defence to the claims and no provision is required to be made.
- (d) A former tenant has taken legal action against a jointly controlled entity of the Group claiming for resettlement compensation amounting to approximately HK\$14,969,000 due to the repossession of the property's land use rights by the local government. Trade receivable of a wholly owned subsidiary amounting to approximately HK\$7,952,000 is held in the custody of the court. The case is being tried by the court in the PRC. Based on legal opinion, the Group has assessed the claim and considers that the final outcome of the claim will not have material effect on the financial statements.
- (e) Certain banks have taken legal action against a wholly owned subsidiary of the Company, which has acted as a guarantor for mortgage loans granted to certain property purchasers, claiming for the defaulted repayment amounting to approximately HK\$12,237,000. Based on legal opinion, the Group has assessed the claims and considers that no provision is required to be made.
- (f) A sub-contractor has sued the main contractor, the tenant and a subsidiary jointly for outstanding construction cost of approximately HK\$28,000,000. The subsidiary has fully settled all construction costs with the main contractor and the tenant. The case is under trial by the court in the PRC.
- (g) A contractors have sued a subsidiary for outstanding construction costs and compensations of totally approximately HK\$32,553,000 which are in dispute. The case is under trial by the court in the PRC. The Group has assessed the claim obtained legal advice, and considers that the final outcome of the claim will not have material effect on the financial position of the Group.
- (h) A property purchaser initiated legal proceeding against a subsidiary of the Company claiming for the compensation of approximately HK\$1,000,000 for the alleged late issue of title deed and decrease in area of private garden of the property sold. The Group has assessed the claim and obtained legal advice, and considers that no provision is required to be made.
- (i) A joint venture partner in the PRC has taken legal action against certain subsidiaries of the Company claiming for compensation of approximately HK\$46,303,000 and withdrawal from the joint venture due to the suspension in development of the joint venture project. This case is under trial by the court in the PRC. The Group has assessed the claim and obtained legal advice, and considers that it is too early to assess the range of possible liability at this stage and no provision is required to be made.
- (j) A property purchaser initiated legal proceeding against a subsidiary of the Company to rescind the sale contract and claim for sales proceeds paid of HK\$2,670,000. The Group has assessed the claim and obtained legal advice, and considers that no provision is required to be made.
- (k) A contractor has sued the subsidiary for outstanding construction cost of approximately HK\$3,336,000 which is being disputed. Bank deposits of approximately HK\$3,336,000 are held in the custody of the court. The case is under trial by the court in the PRC. Based on legal opinion, the Group has assessed the claim and considers that the final outcome of the claim will not have material effect on the financial statements.
- (l) In the previous years, the Group has paid and recognised provisional LAT calculated according to certain rates (varying from 0.5% to 3%) over sales amounts assessed by local tax bureaux and full provisions for LAT have not been made in the financial statements. Should such full levies take place, then at 31st December, 2005, additional LAT of subsidiaries attributable to the Group amounted to HK\$148,098,000 and share of LAT of jointly controlled entities and an associate attributable to the Group amounted to HK\$88,056,000. During the year ended 31st December, 2006, the Group has provided for LAT fully in accordance with the requirements of SAT.

45. RETIREMENT BENEFIT PLANS

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the “ORSO Scheme”) and a Mandatory Provident Fund Scheme (the “MPF Scheme”) established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1st December, 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, both employees’ and the Group’s contributions are calculated at 5% of the employee’s monthly relevant income, with the mandatory cap of HK\$20,000, and the Group will make 5% top-up contribution if an employee’s monthly basic salary exceeds HK\$20,000.

The ORSO Scheme is funded by monthly contributions from the employees at rates ranging from 0% to 5% and from the Group at rates ranging from 5% to 10% of the employee’s basic salary, depending on the length of service with the Group. Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. During the year ended 31st December, 2006, the amount of forfeited contributions used to set off contributions was HK\$22,000 (2005: HK\$247,000). At the balance sheet date, no (2005: HK\$2,000) forfeited contributions, which arose upon employees leaving the ORSO Scheme, are available to reduce the contributions payable in future years.

The employees of the Company’s subsidiaries established in the PRC are members of state-managed retirement benefit schemes operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

During the year ended 31st December, 2006, the Group made contributions to the retirement benefits schemes of HK\$13,580,000 (2005: HK\$12,370,000).

46. RELATED PARTY TRANSACTIONS AND BALANCES

The Group had material transactions and balances with related parties as follows:

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
(i) SHK		
– Outstanding loan note, as detailed in note 37(a)	78,000	78,000
– Other loan payable, as detailed in note 37(b)	–	245,000
– Interest on loan note	1,950	1,950
– Interest on other loan payable	6,620	4,804
– Loan arrangement fee	–	1,250
– Insurance paid	895	905
– Amounts payable	1,371	3,609
(ii) Controlling shareholders of SHK (and which have common directors with the Company)		
– Rent, property management and air-conditioning fees paid	2,568	2,327
– Management fee	4,335	4,080
– Interest expenses	1,139	–
– Other loans payable	5,000	1,400
– Amounts payable	4,924	9,003
(iii) Jointly controlled entities of the Group		
– Guarantee provided by a jointly controlled entity to a bank for a banking facility granted to the Group	–	18,269
– Acquisition of investment properties from a jointly controlled entity	–	19,562
	<u>–</u>	<u>19,562</u>

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
(iv) Minority shareholders		
– Rental expenses for cement production facilities	5,769	5,852
(v) A company of which a non-executive director of the Company is a partner		
– Legal and professional fees	1,893	3,081
(vi) Key management personnel compensation		
– Salaries and other short-term benefits	8,662	7,454
– Post-employment costs	350	291
– Compensation for loss of office paid	575	–
	<u>575</u>	<u>–</u>

Certain key management personnel of the Group received remuneration from a company, or a wholly owned subsidiary of such company, which has significant beneficial interests in the Company. Such company provided management services to the Group and charged the Group a fee, which has been included in management fee as disclosed in part (ii) of this note, for services provided by those personnel as well as others who were not key management personnel of the Group.

The above-mentioned management fee commenced to be charged in 2005 and is calculated by reference to the time devoted by the management personnel on the affairs of the Group and can be apportioned to the above key management personnel. The total of such apportioned amounts, which has been included in the key management personnel compensation above, is HK\$2,699,000 (2005: HK\$1,774,000).

During the year ended 31st December, 2005,

- (a) The Group has disposed of its entire interest in a subsidiary engaged in property investment to a subsidiary of SHK for a cash consideration of approximately HK\$38,478,000.
- (b) The Group has entered into a loan agreement with a subsidiary of SHK, pursuant to which a revolving credit facility up to HK\$100,000,000 was made available to the Group. Subsequently, the Group has entered into a supplemental loan agreement with that subsidiary of SHK to increase the credit facility from HK\$100,000,000 to HK\$280,000,000 for a term of 36 months from 7th November, 2005. Such revolving credit facility is secured and carries interest at a rate of prime rate plus 1% per annum.
- (c) The Group has acquired from two minority shareholders their 40% interest in a subsidiary for an aggregate cash consideration of approximately HK\$19,263,000, as detailed in note 9(a).
- (d) The Group has disposed of its entire 51% interest in a jointly controlled entity to a minority shareholder of the Company's subsidiaries at a cash consideration of approximately HK\$7,759,000. The Group has also acquired from the same minority shareholder the additional interests in two subsidiaries at the aggregate cash consideration of approximately HK\$2,110,000, as detailed in note 9(b).

47. PLEDGED ASSETS

At 31st December, 2006,

- (a) The Group's 54.7% (2005: 54.7%) interest in SAC with consolidated net assets of HK\$154,038,000 (2005: HK\$142,177,000) was pledged against a bank overdraft facility granted to the Group.
- (b) The Group's 100% (2005: 100%) interest in Tian An Land (Shanghai) Limited ("Tian An Land") with carrying value of HK\$481,669,000 (2005: HK\$421,148,000) was pledged against a banking facility granted to the Company. Investment properties, properties for sale and property, plant and equipment held by a subsidiary of Tian An Land with carrying values of HK\$938,524,000 (2005: HK\$335,611,000), HK\$13,479,000 (2005: nil) and HK\$24,243,000 (2005: HK\$25,690,000) respectively were pledged against a banking facility granted to that subsidiary.

- (c) The Group's 100% (2005: 100%) interest in Tian An Real Estate Agency (China) Company Limited ("Tian An Real Estate") with carrying value of HK\$374,723,000 (2005: HK\$387,384,000) was pledged against another loan facility granted to the Group. As at 31st December, 2005, investment properties held by a subsidiary of Tian An Real Estate with carrying values of HK\$369,688,000 and HK\$154,569,000 respectively were pledged against banking facilities and another loan facility granted to the Group.
- (d) Bank deposits, property, plant and equipment, properties for development, properties under development, properties held for sale and investment properties of certain subsidiaries with carrying values of HK\$302,952,000 (2005: HK\$64,749,000), HK\$22,083,000 (2005: HK\$960,000), HK\$618,962,000 (2005: HK\$505,873,000), HK\$147,440,000 (2005: HK\$490,800,000), HK\$355,542,000 (2005: HK\$258,630,000) and HK\$802,372,000 (2005: HK\$789,227,000) respectively were pledged to banks for banking facilities granted to the Group. The pledged deposits carry fixed interest rate of 0.72% – 5.24%. The pledged deposits will be released upon the repayment of bank loans.
- (e) Properties for development with carrying value of HK\$2,824,000 (2005: HK\$2,845,000) were pledged against other loans.
- (f) Pledges of properties for development and under development with carrying values of HK\$42,381,000 (2005: HK\$44,628,000) and HK\$54,150,000 (2005: HK\$53,583,000) respectively against a trade payable which has been settled, have not been released.
- (g) Bank deposits with carrying value of HK\$3,926,000 (2005: HK\$3,521,000) were pledged against mortgage loans granted to property purchasers.
- (h) Certain assets of the Group are under the custody of courts, as described in note 44(c), (d) and (k).

At 31st December, 2005,

- (i) The Group's 100% interest in Sky Full Enterprise Limited with carrying value of HK\$5,212,000 was pledged against another loan facility granted to the Group. This security pledged was discharged during 2006.
- (j) SAC's 95% interest in Shandong Allied Wangchao Cement Limited with net assets of HK\$69,795,000 was pledged against another banking facility granted to a subsidiary of SAC. This security pledged was discharged during 2006.

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries which are incorporated and are operating principally in Hong Kong except where otherwise indicated are as follows:

Name of subsidiary	Paid up issued ordinary share capital/registered capital	Proportion of nominal value of issued ordinary share capital/registered capital held by the		Principal activities
		Company*/subsidiaries %	attributable to the Group %	
AII-Shanghai Inc. ⁽ⁱⁱⁱ⁾	US\$15,376,500	83.33	45.64	Investment holding
Allied Resort (Hangzhou) Company Limited ⁽ⁱⁱⁱ⁾	US\$1	100	100	Investment holding
Beijing Nanhu Huayuan Apartment Co., Ltd. ⁽ⁱⁱ⁾	US\$15,600,000	100	100	Property development and investment

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Name of subsidiary	Paid up issued ordinary share capital/registered capital	Proportion of nominal value of issued ordinary share capital/registered capital held by the Company*/subsidiaries		Principal activities
		Company*/subsidiaries %	attributable to the Group %	
Beijing Shanglian Shoufeng Construction Materials Limited ⁽ⁱⁱ⁾	RMB4,000,000	–	– ^(ix)	Manufacturing and distribution of slag powder
Best Advantage Limited ⁽ⁱⁱⁱ⁾	US\$1	100	100	Investment holding
CBI Investment Limited	HK\$151,031,629	64.58	64.58	Investment holding
Changchun Tian An Real Estate Development Co., Ltd. ^(v)	RMB50,000,000	100	100	Property development
Changzhou Tian An City Development Co., Ltd. ^(v)	US\$2,650,000	100	100	Property development
Changzhou Tian An Landmark Co., Ltd. ^(v)	US\$8,000,000	100	100	Property development and investment
Changzhou Tian An Yuan Cheng Real Estate Development Company Limited ^(v)	US\$10,000,000	100	100	Property development
Chinaland Management Limited	HK\$200	100*	100	Investment holding
Commander Ventures Limited ⁽ⁱⁱⁱ⁾	US\$1	100	100	Investment holding
Cornell Property Services (Shanghai) Co., Ltd. ⁽ⁱⁱ⁾	US\$620,000	100	100	Property management and investment holding
Dalian Tian An Property Development Co., Ltd. ⁽ⁱⁱ⁾	US\$6,800,000	60	60	Property development
Dalian Tian An Tower Co., Ltd. ^(v)	US\$10,000,000	100	100	Property development and investment
Foo Chow Holdings Limited ⁽ⁱⁱⁱ⁾	US\$1	100	100	Investment holding
Grand Rise Investments Limited ⁽ⁱⁱⁱ⁾	US\$1	100	100	Investment holding
Guangzhou Tian Sui Realty Development Co., Ltd. ⁽ⁱⁱ⁾	US\$12,000,000	90	90	Property development

Name of subsidiary	Paid up issued ordinary share capital/registered capital	Proportion of nominal value of issued ordinary share capital/registered capital held by the Company*/subsidiaries		Principal activities
		Company*/subsidiaries %	attributable to the Group %	
Huiyang Danshui Xinyangcheng Construction Company Limited ^(v)	HK\$50,000,000	100	100	Property investment
Jiangmen City Tian An Property Development Co., Ltd. ⁽ⁱⁱ⁾	RMB20,000,000	60	60	Property development
Jiangmen City Xinhui District Jin Fu Property Development Co., Ltd. ⁽ⁱⁱ⁾	RMB20,000,000	100	100	Property development
Join View Development Limited	HK\$2	100	100	Money lending
Kylie Nominees Limited	HK\$2	100	100	Provision of nominee services
Nanjing Tiandu Industry Co., Ltd. ^(v)	US\$7,500,000	100	100	Property development and investment
Oasis Star Limited ⁽ⁱⁱⁱ⁾	US\$1	100	100	Investment holding
Regal Asset Investment Limited	HK\$100	85	85	Investment holding
SAC Enterprises Limited	HK\$1,000	100	54.77	Provision of management services to group companies
Shandong Allied Wangchao Cement Limited ⁽ⁱⁱ⁾	US\$9,200,000	95	52.03	Manufacturing and distribution of cement and clinker
Shandong Shanghai Allied Cement Co., Ltd. ^(v)	US\$1,000,000	100	54.77	Manufacturing and distribution of cement and clinker
Shanghai Allied Cement Co., Ltd. ⁽ⁱⁱ⁾	US\$24,000,000	60	27.38	Manufacturing and distribution of cement and clinker
Shanghai Allied Cement Holdings Limited	HK\$10,000,000	100	54.77	Investment holding
Shanghai Allied Cement Limited ^(iv)	HK\$182,348,761	100	54.77	Investment holding

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Name of subsidiary	Paid up issued ordinary share capital/registered capital	Proportion of nominal value of issued ordinary share capital/registered capital held by the Company*/subsidiaries		Principal activities
		Company*/subsidiaries %	attributable to the Group %	
Shanghai Sheshan Country Club Company Limited ^(v)	US\$15,000,000	100	85	Property development
Shanghai Tian An Centre Building Co., Ltd. ⁽ⁱⁱ⁾	US\$28,000,000	98	98	Property development and investment
Shanghai Tianan Riverview Co., Ltd. ⁽ⁱⁱ⁾	RMB65,000,000	99	99	Property development and investment
Shanghai Tianyang Real Estate Co., Ltd. ⁽ⁱⁱ⁾	RMB50,000,000	80	80	Property development and investment
Sky Full Enterprises Limited	HK\$10	100	100	Investment holding
Strait Investments (Shanghai) Limited ⁽ⁱⁱⁱ⁾	US\$10,000	73.74	73.74	Investment holding
Sunhaitung Co., Ltd. ^(v)	US\$27,000,000	100	100	Property development and investment holding
Sun Hung Kai (China) Limited ⁽ⁱ⁾	HK\$2,000,000	100*	100	Property investment
T.A. Secretarial Services Limited	HK\$2	100	100	Provision of secretarial services
Tanya Nominees Limited	HK\$2	100	100	Provision of nominee services
Tian An China Enterprise Limited	HK\$2	100*	100	Investment holding and securities dealing
Tian An China Hotel and Property Investments Company Limited	HK\$2	100*	100	Investment holding
Tian An (Guangzhou) Investment Company Limited	HK\$10,000	65	65	Investment holding
Tian An (Guang Zhou) Investments Co., Ltd. ^(v)	US\$10,000,000	100*	100	Property development
Tian An Pearl River Company Limited	HK\$2	100*	100	Investment holding

Name of subsidiary	Paid up issued ordinary share capital/registered capital	Proportion of nominal value of issued ordinary share capital/registered capital held by the Company*/subsidiaries		Principal activities
		attributable to the Group %	attributable to the Group %	
Tian An (Shanghai) Investments Co., Ltd. (“TASH”) ^(v)	US\$30,000,000	100 ^(vii)	100	Property development and investment and investment holding
Tian An (Shenzhen) Enterprise Development Ltd. ^(v)	HK\$150,000,000	100	100	Property development
Tian An (Shenzhen) Industrial Development Company Limited	HK\$2	100	100	Investment holding
Tian An (Shou Du) Investment Company Limited	HK\$2	100	100	Investment holding
Tian An (Sui An) Investment Company Limited	HK\$2	100	100	Investment holding and property investment
Tian An (Tianjin) Investment Company Limited	HK\$2	100	100	Investment holding
Tian An (Wuhan) Investment Company Limited	HK\$2	100	100	Investment holding
Tian An (Xiamen) Property Investments Co., Ltd. ^(v)	US\$1,500,000	100	100	Property development
Value Harvest Real Estate (Shanghai) Co., Ltd. ^(v)	US\$16,000,000	100	100	Property development
Winshine Group Limited ⁽ⁱⁱⁱ⁾	US\$1	100	100	Property investment
World Market Limited	HK\$100	90	90	Investment holding
Wuhan Changfu Property Development Co., Ltd. ⁽ⁱⁱ⁾	RMB10,000,000	90	90	Property development
Wuxi Redhill Properties Co., Ltd. ⁽ⁱⁱ⁾	US\$5,000,000	95	95	Property development
Wuxi Tianan Real Estate Exploring Co., Ltd. ⁽ⁱⁱ⁾	US\$3,000,000	95	95	Property investment
Wuxi Tianxin Properties Co., Ltd. ^(v)	US\$10,000,000	100	100	Property development

Name of subsidiary	Paid up issued ordinary share capital/registered capital	Proportion of nominal value of issued ordinary share capital/registered capital held by the Company*/attributable to the Group		Principal activities
		Company*/subsidiaries %	attributable to the Group %	
Zhao Qing Golf and Development Co., Ltd. ⁽ⁱⁱ⁾	US\$12,000,000	88	56.83	Property development and golf course operation
上海凱旋門企業發展有限公司 ⁽ⁱⁱ⁾	RMB50,000,000	100	100	Property development
上海海峽思泉房地產有限公司 ⁽ⁱⁱ⁾	US\$30,000,000	100	75.05	Property development
南京華軒房地產開發有限公司 ⁽ⁱⁱ⁾	US\$5,125,100	95	95	Property development
深圳市賽華順升建材有限公司 ^(vi) ("SZ TRIWA")	RMB1,500,000	–	– ^(viii)	Investment holding

Notes:

- (i) Operating principally in the PRC.
- (ii) Established as sino-foreign owned equity joint ventures and operating principally in the PRC.
- (iii) Incorporated in the British Virgin Islands.
- (iv) Incorporated in Bermuda.
- (v) Established as wholly foreign owned enterprises and operating principally in the PRC.
- (vi) Established as private limited liability companies and operating principally in the PRC.
- (vii) The 40% interest in TASH is held directly by the Company and the remaining 60% is held by a subsidiary.
- (viii) The Company does not have any equity interest in the registered capital of SZ TRIWA as it is owned by three individuals. Pursuant to certain agreements among SZ TRIWA, the owners of SZ TRIWA and the Group, the owners of SZ TRIWA agreed to assign the power to appoint and remove all the members of the board of directors of and to govern the financial and operating policies of SZ TRIWA to the Group and to transfer all results of SZ TRIWA to the Group. Accordingly, SZ TRIWA is treated as a subsidiary of the Company and its results, assets and liabilities are consolidated with those of the Group. The registered capital of SZ TRIWA was contributed by the Group.
- (ix) The subsidiary is a non-wholly owned subsidiary of SZ TRIWA, of which 80% registered capital was contributed by the Group.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets 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 outstanding at the end of the year.

49. PARTICULARS OF PRINCIPAL ASSOCIATES

At 31st December, 2006, the Group had interests in the following associates, all of which are incorporated and are operating principally in Hong Kong except as otherwise indicated:

Name of associate	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Group %	Principal activities
Bonson Properties Limited	30	Investment holding
Consco Investment Company Limited	31.25	Investment holding
Ensen Investment Limited	30	Investment holding
Jack Rock Development Limited ⁽ⁱ⁾	48.82	Investment holding
Pacific (Fujian) Real Estate Development Co., Ltd. ^{(ii) & (iii)}	48.82	Property development
Pacific (Fuzhou) Resort Enterprises Ltd. ^{(ii) & (iii)}	48.82	Golf course operation
Tianjin International Building Co., Ltd. ^{(ii) & (iii)}	25	Property investment
Yue Xiu Tian An Management Company Limited ⁽ⁱ⁾	50	Property management

Notes:

- (i) Operating in the PRC.
- (ii) Established and operating in the PRC.
- (iii) Subsidiaries, associates or jointly controlled entities held by the associates of the Group.

50. PARTICULARS OF PRINCIPAL JOINTLY CONTROLLED ENTITIES

At 31st December, 2006, the Group had interests in the following jointly controlled entities which are corporate joint ventures established in the PRC except where otherwise indicated:

Name of jointly controlled entity	Principal place of operation	Proportion of registered capital held by the Group %	Principal activities
Beijing Tian An Building Company Limited	Beijing	40	Property investment
Guangzhou Panyu Hi-Tech Ecological Park Development Co., Ltd. ⁽ⁱⁱ⁾	Panyu	49	Property development
Shanghai Min Hoong Real Estate Development Co., Ltd.	Shanghai	N/A ⁽ⁱ⁾	Property development
Shenzhen ITC Tian An Co., Ltd.	Shenzhen	50	Property investment
Shenzhen Tian An Cyberpark Co., Ltd.	Shenzhen	50	Property development and investment and investment holding
Wuhan Tian An Hotel Co., Ltd.	Wuhan	55	Hotel operation
Yuexiu Tian An Building Company Limited	Guangzhou	48.75	Hotel operation
Zhejiang Union Real Property Development Co., Ltd.	Hangzhou	53	Property letting
深圳天安物業管理有限公司	Shenzhen	50	Property management and investment holding
深圳市龍崗天安數碼新城有限公司 ⁽ⁱⁱ⁾	Shenzhen	50	Property development
佛山市天安數碼城有限公司 ⁽ⁱⁱ⁾	Foshan	45	Property development

Notes:

(i) The Group is entitled to a 60% share of profit in certain phases of the development properties of the joint venture.

(ii) Private limited liability companies

3. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

The following is the unaudited condensed consolidated financial statements and notes to the financial statements of the Group for the six months ended 30th June, 2007 extracted from the 2007 interim report of the Company.

Condensed Consolidated Income Statement

(For the six months ended 30th June, 2007)

		(Unaudited) Six months ended 30th June,	
	NOTES	2007 HK\$'000	2006 HK\$'000
Continuing operations			
Turnover	3	244,455	182,759
Cost of sales		(136,782)	(106,546)
Gross profit		107,673	76,213
Other income	4	42,794	37,911
Marketing and distribution costs		(5,932)	(8,486)
Administrative expenses		(64,957)	(64,894)
Other operating expenses		–	(3,779)
Fair value gain on transfer of inventories of completed properties to investment properties		9,547	6,447
Increase in fair value of investment properties		48,942	25,566
Reversal of write-down (write-down) of properties		21,298	(10,005)
Allowance for bad and doubtful debts		(2,940)	–
Amortisation of properties for development		(14,620)	(9,342)
Gain on disposal of a jointly controlled entity	6	–	150,390
Discount on acquisition of subsidiaries	7	28,415	–
Finance costs	8	(51,233)	(52,221)
Share of profit (loss) of associates		22,796	(5,542)
Share of profit of jointly controlled entities		72,897	27,054
Profit before taxation		214,680	169,312
Taxation	9	(37,349)	(33,335)
Profit for the period from continuing operations		177,331	135,977
Discontinued operations			
Profit for the period from discontinued operations	5	144,330	956
Profit for the period	10	321,661	136,933
Attributable to:			
Equity holders of the Company		335,654	141,312
Minority interests		(13,993)	(4,379)
		321,661	136,933
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
From continuing and discontinued operations	12		
– Basic		29.7	14.8
– Diluted		29.7	14.5
From continuing operations			
– Basic		17.5	14.9
– Diluted		17.5	14.7

Condensed Consolidated Balance Sheet*(At 30th June, 2007)*

		(Unaudited) 30th June, 2007	(Audited) 31st December, 2006
	NOTES	HK\$'000	HK\$'000
Non-current Assets			
Property, plant and equipment	13	253,574	590,812
Deposit for acquisition of property, plant and equipment and investment properties		1,358	76,860
Investment properties	14	3,310,200	3,042,800
Intangible asset		–	7,142
Properties for development		2,827,783	1,415,251
Deposits for acquisition of properties for development		1,853,854	1,791,745
Prepaid lease payments on land use rights	13	63,333	34,138
Interests in associates		193,285	540,550
Interests in jointly controlled entities		709,788	631,102
Available-for-sale investments		26,913	3,306
Goodwill		640	39,386
Instalments receivable		52,995	50,340
Deferred tax assets		2,215	4,039
		9,295,938	8,227,471
Current Assets			
Inventories of properties			
– under development		358,877	324,553
– completed		786,573	880,258
Other inventories		2,345	38,566
Amounts due from associates		12,290	12,369
Amounts due from jointly controlled entities		69,593	67,370
Amounts due from minority shareholders		24,835	24,601
Loans receivable		60,441	62,131
Instalments receivable		18,290	32,965
Trade and other receivables, deposits and prepayments	15	514,021	479,177
Prepaid lease payments on land use rights	13	1,399	1,036
Held for trading investments		31,872	11,579
Prepaid tax		44,381	26,319
Pledged bank deposits	19	37,045	306,878
Bank balances and cash		630,341	369,625
		2,592,303	2,637,427

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		(Unaudited) 30th June, 2007	(Audited) 31st December, 2006
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current Liabilities			
Trade and other payables	<i>16</i>	1,026,117	881,796
Pre-sale deposits		129,995	135,994
Tax liabilities		23,033	52,842
Dividends payable to minority shareholders		177	8,109
Interest-bearing borrowings	<i>17</i>	457,518	712,841
Interest-free borrowings	<i>17</i>	157,270	156,978
Financial guarantee contracts		2,390	–
		<u>1,796,500</u>	<u>1,948,560</u>
Net Current Assets		<u>795,803</u>	<u>688,867</u>
		<u>10,091,741</u>	<u>8,916,338</u>
Capital and Reserves			
Share capital		225,854	225,854
Reserves		6,128,555	5,718,150
Equity attributable to equity holders of the Company		6,354,409	5,944,004
Minority interests		478,782	407,173
Total Equity		<u>6,833,191</u>	<u>6,351,177</u>
Non-current Liabilities			
Interest-bearing borrowings	<i>17</i>	1,359,339	1,264,777
Interest-free borrowings	<i>17</i>	63,304	60,143
Deferred rental income from a tenant		106,414	107,882
Rental deposits from tenants		15,278	14,332
Membership debentures		33,771	32,591
Deferred tax liabilities		1,680,444	1,085,436
		<u>3,258,550</u>	<u>2,565,161</u>
		<u>10,091,741</u>	<u>8,916,338</u>

Condensed Consolidated Statement of Changes in Equity

(For the six months ended 30th June, 2007)

	Attributable to equity holders of the Company											
	Share capital	Share premium account	Special capital reserve	Warrant reserve	Capital redemption reserve	Exchange translation reserve	Revaluation reserve	Other reserves	Accumulated profits	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2006 (audited)	175,094	357,164	1,417,669	7,800	130,691	25,111	767	4,871	2,536,935	4,656,102	416,889	5,072,991
Exchange differences arising on translation of foreign operations	-	-	-	-	-	25,940	-	-	-	25,940	4,318	30,258
Share of changes in equity of associates and jointly controlled entities that are recognised directly in equity	-	-	-	-	-	10,379	-	-	-	10,379	-	10,379
Income recognised directly in equity	-	-	-	-	-	36,319	-	-	-	36,319	4,318	40,637
Profit for the period	-	-	-	-	-	-	-	-	141,312	141,312	(4,379)	136,933
Realised on disposal of investments	-	-	-	-	-	-	(1,516)	-	-	(1,516)	-	(1,516)
Realised on disposal of properties	-	-	-	-	-	-	-	43	-	43	-	43
Total recognised income and expense for the period	-	-	-	-	-	36,319	(1,516)	43	141,312	176,158	(61)	176,097
Issue of shares	50,760	1,058,440	-	-	-	-	-	-	-	1,109,200	-	1,109,200
Share issue expenses	-	(31,446)	-	-	-	-	-	-	-	(31,446)	-	(31,446)
Transfer of warrant reserve to share premium upon the exercise of warrants	-	7,800	-	(7,800)	-	-	-	-	-	-	-	-
At 30th June, 2006 (unaudited)	225,854	1,391,958	1,417,669	-	130,691	61,430	(749)	4,914	2,678,247	5,910,014	416,828	6,326,842
Surplus on revaluation of properties upon transfer to investment properties (net of tax)	-	-	-	-	-	-	3,519	-	-	3,519	-	3,519
Exchange differences arising on translation of foreign operations	-	-	-	-	-	103,617	-	-	-	103,617	13,089	116,706
Share of changes in equity of associates and jointly controlled entities that are recognised directly in equity	-	-	-	-	-	17,559	-	-	-	17,559	-	17,559
Income recognised directly in equity	-	-	-	-	-	121,176	3,519	-	-	124,695	13,089	137,784
Transfer of profit or loss on disposal of a jointly controlled entity	-	-	-	-	-	(1,258)	-	-	-	(1,258)	-	(1,258)
Profit for the period	-	-	-	-	-	-	-	-	(89,816)	(89,816)	(20,847)	(110,663)
Realised on disposal of properties	-	-	-	-	-	-	-	369	-	369	-	369
Total recognised income and expense for the period	-	-	-	-	-	119,918	3,519	369	(89,816)	33,990	(7,758)	26,232
Decrease in minority interests as a result of acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	(1,765)	(1,765)
Dividend paid to minority interests	-	-	-	-	-	-	-	-	-	-	(132)	(132)
At 31st December, 2006 (audited)	225,854	1,391,958	1,417,669	-	130,691	181,348	2,770	5,283	2,588,431	5,944,004	407,173	6,351,177

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Attributable to equity holders of the Company

	Share capital	Share premium account	Special capital reserve	Warrant reserve	Capital redemption reserve	Exchange translation reserve	Revaluation reserve	Other reserves	Accumulated profits	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2007 (audited)	225,854	1,391,958	1,417,669	-	130,691	181,348	2,770	5,283	2,588,431	5,944,004	407,173	6,351,177
Exchange differences arising on translation of foreign operations	-	-	-	-	-	76,841	-	-	-	76,841	10,825	87,666
Share of changes in equity of associates and jointly controlled entities that are recognised directly in equity	-	-	-	-	-	6,386	-	-	-	6,386	-	6,386
Surplus on revaluation on acquisition of subsidiaries	-	-	-	-	-	-	-	15,986	-	15,986	-	15,986
Increase in fair value of available-for-sale investments	-	-	-	-	-	-	23,540	-	-	23,540	-	23,540
Income recognised directly in equity	-	-	-	-	-	83,227	23,540	15,986	-	122,753	10,825	133,578
Profit for the period	-	-	-	-	-	-	-	-	335,654	335,654	(13,993)	321,661
Realised on disposal of a subsidiary	-	-	-	-	-	(12,047)	-	(8,178)	-	(20,225)	(258,051)	(278,276)
Realised on disposal of properties	-	-	-	-	-	-	-	455	-	455	-	455
Total recognised income and expense for the period	-	-	-	-	-	71,180	23,540	8,263	335,654	438,637	(261,219)	177,418
Minority interests arising on acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	332,828	332,828
Dividend recognised as distribution (Note 11)	-	-	-	-	-	-	-	-	(28,232)	(28,232)	-	(28,232)
At 30th June, 2007 (unaudited)	225,854	1,391,958	1,417,669	-	130,691	252,528	26,310	13,546	2,895,853	6,354,409	478,782	6,833,191

Condensed Consolidated Cash Flow Statement*(For the six months ended 30th June, 2007)*

	(Unaudited)	
	Six months ended	
	30th June,	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(88,468)	(445,034)
Net cash from investing activities		
Dividends received from jointly controlled entities and an associate	9,116	685
Purchases of property, plant and equipment and prepaid lease payments on land use rights	(5,412)	(8,688)
Purchases of investment properties	(48,127)	–
Proceeds from disposal of investment properties	1,412	3,289
Purchase of subsidiaries	(33,084)	–
Proceeds from disposal of subsidiaries	226,339	–
Proceeds from disposal of available-for-sale investments	–	59,365
Decrease in pledged bank deposits with maturity of more than three months	244,519	28,315
Other investing cash flows	7,171	6,646
	<u>401,934</u>	<u>89,612</u>
Net cash (used in) from financing activities		
Interest paid	(57,913)	(64,548)
Proceeds from issue of shares	–	1,109,200
Share issue expenses	–	(30,446)
New bank and other loans	406,774	541,632
Repayment of bank and other loans	(368,878)	(977,601)
Repayment to former minority shareholders (included in interest-free borrowings)	–	(49,855)
Dividend paid	(28,232)	–
Other financing cash flows	(5,861)	(699)
	<u>(54,110)</u>	<u>527,683</u>
Net increase in cash and cash equivalents	259,356	172,261
Cash and cash equivalents at the beginning of the period	353,620	499,339
Effect of foreign exchange rate changes	17,207	6,339
Cash and cash equivalents at the end of the period	<u><u>630,183</u></u>	<u><u>677,939</u></u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	630,341	680,271
Bank overdrafts	(158)	(2,332)
	<u><u>630,183</u></u>	<u><u>677,939</u></u>

Notes to the Condensed Consolidated Financial Statements*(For the six months ended 30th June, 2007)***1. BASIS OF PREPARATION**

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2006.

In the current period, the Group has adopted, for the first time, a number of new standards, amendments and interpretations (hereinafter collectively referred to as the “new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1st January, 2007.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC)-INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC)-INT 8	Scope of HKFRS 2 ³
HK(IFRIC)-INT 9	Reassessment of Embedded Derivatives ⁴
HK(IFRIC)-INT 10	Interim Financial Reporting and Impairment ⁵

¹ Effective for annual periods beginning on or after 1st January, 2007.

² Effective for annual periods beginning on or after 1st March, 2006.

³ Effective for annual periods beginning on or after 1st May, 2006.

⁴ Effective for annual periods beginning on or after 1st June, 2006.

⁵ Effective for annual periods beginning on or after 1st November, 2006.

The adoption of the new HKFRSs has had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective. The Group is still not in the position to reasonably estimate the impact that may arise from the application of these standards or interpretations.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC)-INT 11	HKFRS2 – Group and Treasury Share Transactions ²
HK(IFRIC)-INT 12	Service Concession Arrangements ³

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

² Effective for annual periods beginning on or after 1st March, 2007.

³ Effective for annual periods beginning on or after 1st January, 2008.

3. SEGMENTAL INFORMATION

The Group's turnover for the period was derived mainly from activities carried out in the People's Republic of China (the "PRC") other than Hong Kong. An analysis of the Group's turnover and segment results by business segment is as follows:

Income statement for the six months ended 30th June, 2007

	Continuing operations				Discontinued operations	Consolidated HK\$'000
	Property development HK\$'000	Property investment HK\$'000	Other operations HK\$'000	Total HK\$'000	Manufacture and sale of cement, clinker and slag powder HK\$'000	
TURNOVER	158,945	52,332	33,178	244,455	192,482	436,937
RESULTS						
Segment results	34,735	82,065	(4,588)	112,212	(942)	111,270
Unallocated corporate expenses				(13,201)	-	(13,201)
Other income	790	14	41,990	42,794	13,033	55,827
Discount on acquisition of subsidiaries	28,415	-	-	28,415	-	28,415
Gain on disposal of subsidiaries	-	-	-	-	137,738	137,738
Finance costs				(51,233)	(7,692)	(58,925)
Share of profit (loss) of associates	(3,135)	25,696	235	22,796	-	22,796
Share of profit of jointly controlled entities	9,691	62,845	361	72,897	-	72,897
Profit before taxation				214,680	142,137	356,817
Taxation				(37,349)	2,193	(35,156)
Profit for the period				177,331	144,330	321,661

Income statement for the six months ended 30th June, 2006

	Continuing operations				Discontinued operations	Consolidated HK\$'000
	Property development HK\$'000	Property investment HK\$'000	Other operations HK\$'000	Total HK\$'000	Manufacture and sale of cement, clinker and slag powder	
					HK\$'000	
TURNOVER	109,569	43,642	29,548	182,759	180,453	363,212
RESULTS						
Segment results	(10,341)	56,198	(6,523)	39,334	2,744	42,078
Unallocated corporate expenses				(27,614)	-	(27,614)
Other income	15,608	-	22,303	37,911	6,972	44,883
Gain on disposal of a jointly controlled entity	150,390	-	-	150,390	-	150,390
Finance costs				(52,221)	(6,833)	(59,054)
Share of profit (loss) of associates	(7,379)	1,628	209	(5,542)	-	(5,542)
Share of profit of jointly controlled entities	8,048	18,811	195	27,054	-	27,054
Profit before taxation				169,312	2,883	172,195
Taxation				(33,335)	(1,927)	(35,262)
Profit for the period				135,977	956	136,933

4. OTHER INCOME

	Continuing operations (Unaudited)		Discontinued operations (Unaudited)		Consolidated (Unaudited)	
	Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Interest income on bank deposits and receivables	10,586	9,748	442	554	11,028	10,302
Imputed interest income on non-current interest-free receivables	2,234	5,570	-	-	2,234	5,570
Refund of PRC value-added tax	-	-	9,341	5,972	9,341	5,972
Increase in fair value of investments held for trading	20,191	268	-	-	20,191	268
Income from a property development project (note)	-	14,138	-	-	-	14,138
Net foreign exchange gains	-	2,254	-	-	-	2,254
Other income	9,783	5,933	3,250	446	13,033	6,379
	42,794	37,911	13,033	6,972	55,827	44,883

Note: The Group sold certain interest in a property development project in prior years and the receivable is repayable based on the progress of development and sale of property project. In addition to the consideration, the Group is entitled to share part of the profit from this project.

5. DISCONTINUED OPERATIONS

During the six months ended 30th June, 2007, the Group disposed of its entire 54.77% interest in a company established in Bermuda, which together with its subsidiaries, principally engaged in manufacturing and distribution of cement, clinker and slag powder (“manufacture and sale of cement, clinker and slag powder operations”). The disposal was completed on 29th June, 2007, on which date control of the subsidiaries passed to the acquirer.

The profit for the period from the discontinued operations is analysed as follows:

	(Unaudited)	
	Six months ended	
	30th June,	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit of manufacture and sale of cement, clinker and slag powder operations (<i>Note A</i>)	6,592	956
Gain on disposal of manufacture and sale of cement, clinker and slag powder operations (<i>Note B</i>)	137,738	–
	<u>144,330</u>	<u>956</u>
 <i>Note A</i>		
Profit for the period from discontinued operations (other than gain on disposal of such operations)		
Turnover	192,482	180,453
Other income	13,033	6,972
Expenses	(201,116)	(184,542)
	<u>4,399</u>	<u>2,883</u>
Profit before taxation	4,399	2,883
Taxation	2,193	(1,927)
	<u>6,592</u>	<u>956</u>
Profit for the period	<u>6,592</u>	<u>956</u>

Note B

The net assets of the subsidiaries at the date of disposal were as follows:

	(Unaudited) HK\$'000
Net assets disposed of:	
Property, plant and equipment	404,612
Intangible asset	7,210
Prepaid lease payments on land use rights	15,811
Other inventories	40,366
Trade and other receivables	233,626
Pledged bank deposit	25,314
Bank balances and cash	51,199
Other assets	2,032
Trade and other payables	(156,273)
Bank borrowings	(226,858)
Other liabilities	(17,709)
	<u>379,330</u>
Exchange translation reserve released	(12,047)
Other reserve released	(8,178)
Minority interests	(258,051)
Attributable goodwill	38,746
	<u>139,800</u>
Gain on disposal	137,738
	<u>277,538</u>
Total consideration satisfied by cash	<u>277,538</u>
Net cash inflow arising on disposal:	
Cash consideration	277,538
Bank balances and cash disposed of	(51,199)
	<u>226,339</u>

During the six months ended 30th June, 2007, the manufacture and sale of cement, clinker and slag powder operations contributed HK\$15,530,000 (2006: paid HK\$27,341,000) to the Group's net operation cash flows, contributed HK\$1,115,000 (2006: contributed HK\$24,098,000) in respect of investing activities and paid HK\$8,467,000 (2006: paid HK\$11,639,000) in respect of financing activities.

6. GAIN ON DISPOSAL OF A JOINTLY CONTROLLED ENTITY

During the six months ended 30th June, 2006, the Group disposed of its entire 50% interest in and shareholder's loan to a jointly controlled entity which is established in the PRC and engaged in property development for a cash consideration of HK\$272,470,000 resulting in a gain on disposal of HK\$150,390,000.

7. ACQUISITION OF SUBSIDIARIES

On 2nd May, 2007, the Group acquired approximately 8% of issued share capital of Jack Rock Development Limited for a total consideration of approximately HK\$36,000,000. After such acquisition, the Group's interest in Jack Rock Development Limited increased from approximately 49% to approximately 57%. The amount of discount on acquisition arising as a result of the acquisition was HK\$28,415,000.

The net assets acquired in the transaction are as follows:

	Acquiree's carrying amount before combination	Provisional fair value adjustment	Provisional fair value
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets acquired:			
Property, plant and equipment	61,041	–	61,041
Prepaid lease payments of land use rights	6,915	–	6,915
Property for development	962,175	387,999	1,350,174
Trade and other receivables	7,917	951	8,868
Bank balances and cash	2,925	–	2,925
Trade and other payables	(70,109)	–	(70,109)
Borrowings	(13,000)	–	(13,000)
Deferred tax liabilities	(216,146)	(355,274)	(571,420)
	<u>741,718</u>	<u>33,676</u>	775,394
Minority interests			(332,828)
Interest acquired in previous years as interests in associates			(362,156)
Provisional fair value adjustment that related to Group's previously held interests in the subsidiaries acquired			(15,986)
Discount on acquisition of subsidiaries			<u>(28,415)</u>
			<u><u>36,009</u></u>
Total consideration, satisfied by:			
Cash			7,579
Assignment of shareholders' loan			<u>28,430</u>
			<u><u>36,009</u></u>
Net cash outflow arising on acquisition:			
Cash consideration paid			(7,579)
Assignment of shareholders' loan			(28,430)
Bank balances and cash acquired			<u>2,925</u>
			<u><u>(33,084)</u></u>

The fair value of the assets and liabilities acquired has been determined on a provisional basis and management is in process of determining the appropriate fair values. If the provisional fair value recognised was to change, the related deferred tax liabilities and discounts on acquisition may change.

APPENDIX I

FINANCIAL INFORMATION OF THE GROUP

If the acquisition had been completed on 1st January, 2007, total group turnover (including continuing and discontinued operations) for the period would have been HK\$437,000,000, and profit (including continuing and discontinued operations) for the period would have been HK\$354,000,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2007, nor is it intended to be a projection of future results.

8. FINANCE COSTS

	Continuing operations (Unaudited)		Discontinued operations (Unaudited)		Consolidated (Unaudited)	
	Six months ended		Six months ended		Six months ended	
	30th June,		30th June,		30th June,	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on:						
Bank loans and overdrafts	53,651	49,456	6,734	6,820	60,385	56,276
Loan notes	972	972	–	–	972	972
Obligations under finance leases	–	–	–	1	–	1
Other loans	963	7,030	–	–	963	7,030
Imputed interest expenses on non-current interest-free borrowings	2,867	4,322	958	12	3,825	4,334
	58,453	61,780	7,692	6,833	66,145	68,613
Less: amount capitalised on properties under development	(7,220)	(9,559)	–	–	(7,220)	(9,559)
	51,233	52,221	7,692	6,833	58,925	59,054

9. TAXATION

	Continuing operations (Unaudited)		Discontinued operations (Unaudited)		Consolidated (Unaudited)	
	Six months ended		Six months ended		Six months ended	
	30th June,		30th June,		30th June,	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The charge (credit) comprises:						
PRC Enterprise Income Tax and Land Appreciation Tax						
– current period provision	7,153	19,577	615	16	7,768	19,593
– underprovision in prior years	13	670	–	–	13	670
	7,166	20,247	615	16	7,781	20,263
Deferred tax	30,183	13,088	(2,808)	1,911	27,375	14,999
	37,349	33,335	(2,193)	1,927	35,156	35,262

No provision for Hong Kong Profits Tax is made as the group companies operating in Hong Kong do not have any assessable profit for both periods. Certain of the Company's subsidiaries operating in the PRC are eligible for tax exemptions and concessions. The PRC Enterprise Income Tax is calculated at the rates applicable to respective subsidiaries.

The National People's Congress passed the new unified enterprise income tax law ("New Law") on 16th March, 2007, which will take effect on 1st January, 2008. The effects of the New Law on future tax rates cause the Group's prior expectation of future tax rates to change significantly. As a result, the Group has recalculated deferred tax asset and liability accounts taking into account the effect of any changes to the expected tax rates at the time temporary differences will reverse.

Before 1st July, 2006, the Group recognised provisional land appreciation tax ("LAT") paid and calculated according to certain rates (varying from 0.5% to 3%) over sales amounts assessed by local tax bureaux and full provisions for LAT had not been made in the financial statements. Should such levies take place, at 30th June, 2006, additional LAT of subsidiaries attributable to the Group amounted to HK\$145,925,000 and share of LAT of jointly controlled entities and an associate attributable to the Group amounted to HK\$93,376,000. Starting from the audited financial results for the year ended 31st December, 2006, the Group has provided for LAT in full in accordance with the requirements of The State Administration of Taxation.

10. PROFIT FOR THE PERIOD

	Continuing operations (Unaudited)		Discontinued operations (Unaudited)		Consolidated (Unaudited)	
	Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging (crediting):						
Depreciation of property, plant and equipment						
– Owned assets	5,699	14,004	674	854	6,373	14,858
– Assets held under finance leases	–	–	–	4	–	4
Less: amount capitalised on properties under development	(410)	(307)	–	–	(410)	(307)
	5,289	13,697	674	858	5,963	14,555
Amortisation of:						
Intangible asset	–	–	77	74	77	74
Properties for development	14,620	9,342	–	–	14,620	9,342
Prepaid lease payments on land use rights	372	310	197	176	569	486
	20,281	23,349	948	1,108	21,229	24,457
Loss on disposal of available-for-sale investments	–	1,786	–	–	–	1,786
	<u>–</u>	<u>1,786</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,786</u>

11. DIVIDEND

	(Unaudited)	
	Six months ended	
	30th June,	
	2007	2006
	HK\$'000	HK\$'000
Dividends recognised as distributions during the period:		
Final dividend paid in respect of 2006 of HK2.5 cents per share	28,232	–

12. EARNINGS PER SHARE

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

	(Unaudited)	
	Six months ended	
	30th June,	
	2007	2006
	HK\$'000	HK\$'000
Earnings from continuing and discontinued operations		
Earnings for the purposes of basic earnings per share (profit for the period attributable to equity holders of the Company)	335,654	141,312
Effect of dilutive potential ordinary shares:		
Adjustment to the share of result of a subsidiary based on dilution of its earnings per share	(1)	–
Earnings for the purposes of dilutive earnings per share	<u>335,653</u>	<u>141,312</u>
Earnings from continuing operations		
Earnings for the purposes of basic earnings per share (profit for the period attributable to equity holders of the Company)	197,812	142,584
Effect of dilutive potential ordinary shares:		
Adjustment to the share of result of a subsidiary based on dilution of its earnings per share	(1)	–
Earnings for the purposes of dilutive earnings per share	<u>197,811</u>	<u>142,584</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,129,269,918	954,225,719
Effect of dilutive potential ordinary shares:		
– Warrants	–	18,304,009
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,129,269,918</u>	<u>972,529,728</u>

13. PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS ON LAND USE RIGHTS

During the six months ended 30th June, 2007, the Group acquired property, plant and equipment and prepaid lease payments on land use rights at a cost of HK\$114,871,000 including that acquired through the acquisition of subsidiaries.

14. INVESTMENT PROPERTIES

During the six months ended 30th June, 2007,

- (a) Investment properties of HK\$1,412,000 were disposed of and investment properties of HK\$74,015,000 were transferred from inventories of completed properties.
- (b) The fair value of the Group's investment properties at 30th June, 2007 have been arrived at on the basis of a valuation carried out on that date by Norton Appraisals Limited, a firm of independent and qualified professional valuers not connected with the Group. Norton Appraisals Limited have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to The Hong Kong Institute of Surveyors Valuation Standards on Properties (1st Edition) published by the Hong Kong Institute of Surveyors, was based on the rental capitalisation or the direct comparison to market values of similar properties approach, as appropriate.

15. TRADE RECEIVABLES

Rental receivables from tenants are payable on presentation of invoices. The Group generally allows a credit period of 30 to 120 days to property purchasers and other customers.

The following is an aged analysis of trade receivables, which are included in trade and other receivables, deposits and prepayments, at the reporting date:

	(Unaudited) 30th June, 2007 HK\$'000	(Audited) 31st December, 2006 HK\$'000
Not yet due	61,277	59,187
Overdue within 3 months	8,179	150,743
Overdue between 4 and 6 months	4,023	28,623
Overdue between 7 and 12 months	724	19,697
Overdue over 12 months	16,302	34,107
	<u>90,505</u>	<u>292,357</u>

16. TRADE PAYABLES

The following is an aged analysis of trade payables, which are included in trade and other payables, at the reporting date:

	(Unaudited) 30th June, 2007 HK\$'000	(Audited) 31st December, 2006 HK\$'000
Not yet due	272,792	295,011
Overdue within 3 months	3	116,265
Overdue between 4 and 6 months	2,595	44,360
Overdue between 7 and 12 months	76,435	80,760
Overdue over 12 months	156,189	77,646
	<u>508,014</u>	<u>614,042</u>

17. BORROWINGS

During the six months ended 30th June, 2007, the Group obtained new bank and other loans of HK\$406,774,000 and repaid bank and other loans of HK\$368,878,000. The majority of the loans are repayable within 5 years and bear interest at fixed or floating market rates which on average range from 2.5% to 11.23%. Proceeds from new borrowings were used to finance the payment of land use rights, progress payments for properties under development and the acquisition of new property projects in the PRC.

18. CONTINGENT LIABILITIES

- (a) At 30th June, 2007, the Group had guarantees as follows:

	(Unaudited) 30th June, 2007 <i>HK\$'000</i>	(Audited) 31st December, 2006 <i>HK\$'000</i>
Guarantees given to banks in respect of mortgage loans granted to property purchasers	223,157	252,986
Guarantee given to a bank in respect of banking facility granted to a vendor of land use rights to a property development subsidiary	14,079	13,797
Guarantee given to banks in respect of a banking facility utilised by		
– related companies	159,520	–
– a jointly controlled entity	–	30,000
	<u> </u>	<u> </u>

- (b) During the year ended 31st December, 2006, the PRC government has reinforced the compliance of regulations on idle land confiscation which was issued by the Ministry of Land Resources of the PRC on 26th April, 1999. As at 30th June, 2007, a property for development with carrying value of HK\$118,589,000 was identified as idle land because the resettlement problem of local residence by the local authority cannot be resolved and the development is delayed. The Group is working with the local land bureau on a compensation proposal if the resettlement problem cannot be overcome. The Group has assessed the issue and obtained legal advice, and considers that although the final outcome is uncertain, compensation is likely to be obtained for the idle land confiscation. In addition, another property for development with carrying value of HK\$97,813,000 was identified as idle land, which delayed development was due to the legal action taken by a minority shareholder against the subsidiary. This legal case was settled during the period and the Group intends to continue the development of this property. Other properties for development and deposits for acquisition of properties for development with aggregate carrying values of HK\$364,763,000 may be potentially classified as idle land. The Group is currently working diligently to prevent the possible classification, including negotiating the feasibility of development plans with local authorities. Based on legal advice, the Directors have assessed the issue and consider that the idle land confiscation may not materialise.
- (c) A property purchaser who previously purchased a property in Shenzhen initiated legal proceedings against a wholly owned subsidiary of the Company to rescind the sale contract and claim for sales proceeds paid of approximately HK\$53,398,000 together with compensation. Inventories of completed properties with carrying value of HK\$38,264,000 are held in the custody of the court. The Group had appealed and the Supreme Court had ordered rehearing to the case. This property purchaser initiated another legal proceeding claiming for sales proceeds of another storey of the same shopping arcade and the underground car parks with the compensation amounting to approximately HK\$63,978,000. This case is under trial by the court in the PRC. The management, took into the advice from the legal opinion, considers that it has a strong defence against the claims and no provision is required to be made.
- (d) A bank has taken legal action against a wholly owned subsidiary of the Company, which has acted as a guarantor for mortgage loans granted to certain property purchasers, claiming for the defaulted repayment amounting to approximately HK\$5,021,000. Based on legal opinion, the Group has assessed the claims and considers that no provision is required to be made.

- (e) Certain contractors have sued subsidiaries for outstanding construction costs and compensations of totally approximately HK\$3,439,000 which are in dispute. Properties for development with carrying value of HK\$97,813,000 are held in the custody of the court. The cases are under trial by the courts in the PRC. The Group has assessed the claims and obtained legal advices, and considers that the final outcome of the claims will not have material effect on the financial position of the Group.
- (f) A sub-contractor has applied for arbitration against a subsidiary claiming for outstanding construction costs of approximately HK\$25,847,000 which are being disputed. Based on legal opinion, the Group has assessed the claim and considers that the final outcome of the claim will not have material effect on the financial position of the Group.

19. PLEDGED ASSETS

At 30th June, 2007,

- (a) The Group's 100% (31st December, 2006: 100%) interest in Tian An Land (Shanghai) Limited ("Tian An Land") with carrying value of HK\$507,276,000 (31st December, 2006: HK\$481,669,000) was pledged against a banking facility granted to the Company. Investment properties, inventories of completed properties and property, plant and equipment held by a subsidiary of Tian An Land with carrying values of HK\$1,009,935,000 (31st December, 2006: HK\$938,524,000), HK\$11,883,000 (31st December, 2006: 13,479,000) and HK\$22,437,000 (31st December, 2006: HK\$24,243,000) respectively were pledged against a banking facility granted to that subsidiary.
- (b) The Group's 100% (31st December, 2006: 100%) interests in Tian An Real Estate Agency (China) Company Limited ("Tian An Real Estate") with carrying values of HK\$342,805,000 (31st December, 2006: HK\$374,723,000) was pledged against another loan facility granted to the Group. Inventories of completed properties and investment properties held by a subsidiary of Tian An Real Estate with carrying values of HK\$16,086,000 (31st December, 2006: Nil) and HK\$602,963,000 (31st December, 2006: Nil) respectively were pledged against a banking facility grant to that subsidiary.
- (c) Bank deposits, property, plant and equipment, properties for development, properties under development, inventories of completed properties and investment properties of certain subsidiaries with carrying values of HK\$31,599,000 (31st December, 2006: HK\$302,952,000), HK\$22,733,000 (31st December, 2006: HK\$22,083,000), HK\$859,027,000 (31st December, 2006: HK\$618,962,000), HK\$92,245,000 (31st December, 2006: HK\$147,440,000), HK\$378,165,000 (31st December, 2006: HK\$355,542,000) and HK\$776,161,000 (31st December, 2006: HK\$802,372,000) respectively were pledged to banks for banking facilities granted to the Group.
- (d) Properties for development with carrying value of HK\$2,810,000 (31st December, 2006: HK\$2,824,000) were pledged against other loans.
- (e) Pledges of properties for development with carrying value of HK\$97,813,000 (31st December, 2006: HK\$96,531,000) against a trade payable which has been settled, but have not been released.
- (f) Bank deposits with carrying value of HK\$5,446,000 (31st December, 2006: HK\$3,926,000) were pledged against mortgage loans granted to property purchasers.
- (g) Certain assets of the Group are under the custody of courts, as described in note 18(c) and (e).

At 31st December, 2006, the Group's 54.7% interest in Shanghai Allied Cement Limited ("SAC") with consolidated net assets of HK\$154,038,000 was pledged against a bank overdraft facility granted to the Group.

20. RELATED PARTY TRANSACTIONS AND BALANCES

During the six months ended 30th June, 2007, the Group had transactions and balances with related parties as follows:

	(Unaudited)	
	Six months ended	
	30th June,	
	2007	2006
	HK\$'000	HK\$'000
(i) A major shareholder with significant influence, Sun Hung Kai & Co. Limited ("SHK")		
– Interest on loan note	967	967
– Interest on other loan payable	–	6,620
(ii) Controlling shareholders of SHK (and which have common directors with the Company)		
– Rent, property management and air-conditioning fees paid	1,490	1,333
– Management fee	2,295	2,168
– Interest expenses	419	528
(iii) A company of which a non-executive director of the Company is a partner		
– Legal and professional fee	446	1,112
(iv) Key management personnel compensation		
– Salaries and other short-term benefits	3,930	2,997
– Post-employment benefits	218	169
	<u> </u>	<u> </u>

Certain key management personnel of the Group received remuneration from a company which is a controlling shareholder of SHK, or its wholly-owned subsidiary. Such company provided management services to the Group and charged the Group a fee, which is included in management fee as disclosed above in part (ii) of this note, for services provided by those personnel as well as others who are not key management personnel of the Group.

The above-mentioned management fee commenced to be charged during the second half of 2005 and is calculated by reference to the time devoted by the management personnel on the affairs of the Group and can be apportioned to the above key management personnel. The total of such apportioned amounts, which have been included in the key management personnel compensation above for 2007, is HK\$706,000.

	(Unaudited)	(Audited)
	30th June,	31st December,
	2007	2006
	HK\$'000	HK\$'000
(v) SHK		
– Outstanding loan note payable	78,000	78,000
– Amounts payable	2,489	1,371
(vi) Controlling shareholders of SHK		
– Other loans payable	5,000	5,000
– Amounts payable	5,747	4,924
	<u> </u>	<u> </u>

21. POST BALANCE SHEET EVENTS

- (a) The Group has entered into an acquisition agreement with minority shareholders of a subsidiary in relation to the acquisition of an additional 22.55% interest in that subsidiary at the aggregate cash consideration of approximately HK\$10,046,000. The acquisition was completed on 27th August, 2007.
- (b) Pursuant to an agreement entered into between the Group and a third party on 16th August, 2007, the Group will dispose of its entire interest in a subsidiary at a cash consideration of approximately HK\$51,110,000. The subsidiary is engaged in property development.

4. WORKING CAPITAL

The Directors are of the opinion that after taking into account the financial resources available to the Group including the proceeds from the Revised Open Offer, the Group has sufficient working capital for its present requirement for the next twelve months from the date of this circular, in the absence of unforeseen circumstances.

5. STATEMENT OF INDEBTEDNESS

At the close of business on 30th September, 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$1,895,573,000 comprising secured bank loans and overdrafts of approximately HK\$1,475,724,000, other secured loans of approximately HK\$1,184,000, unsecured bank loans and overdrafts of approximately HK\$80,408,000, unsecured loans from certain minority shareholders of approximately HK\$59,994,000, unsecured loans from jointly controlled entities of approximately HK\$116,320,000, an unsecured loan from associates of approximately HK\$12,052,000, unsecured loan notes of approximately HK\$78,405,000 and other unsecured loans of approximately HK\$71,486,000. The Group's banking facilities and other loans were secured by charges over its assets, including bank deposits, property, plant and equipment, properties for development, properties under development, properties held for sale, investment properties and interests in subsidiaries.

During the year ended 31st December, 2006, the PRC government has reinforced the compliance of regulations on idle land confiscation which was issued by the Ministry of Land Resources of the PRC on 26th April, 1999. As at 30th September, 2007, a property for development with carrying value of HK\$118,064,000 was identified as idle land because the resettlement problem of local residence by the local authority cannot be resolved and the development is delayed. The Group is working with the local land bureau on a compensation proposal if the resettlement problem cannot be overcome. The Group has assessed the issue and obtained legal advice, and considers that although the final outcome is uncertain, compensation is likely to be obtained for the idle land confiscation. In addition, another property for development with carrying value of HK\$97,469,000 was identified as idle land, which delayed development was due to the legal action taken by a minority shareholder against the subsidiary. This legal case was settled during the period and the Group intends to continue the development of this property. Other properties for development and deposits for acquisition of properties for development with aggregate carrying values of HK\$361,297,000 may be potentially classified as idle land. The Group is currently working diligently to prevent the possible classification, including negotiating the feasibility of development plans with local authorities. Based on legal advice, the Directors have assessed the issue and consider that the idle land confiscation may not materialise.

In addition, the Group had contingent liabilities in the sum of approximately HK\$410,010,000 in respect of guarantees for banking facilities granted to property purchasers and related companies. There were also claims arising from litigation with property purchasers, former tenant, joint venture partner, banks and contractors, further particulars of which litigation is set out in the section headed "Litigation" in Appendix V to this circular.

Save as aforesaid or as otherwise disclosed herein, the Group did not have any debt securities issued and outstanding, or authorised or otherwise created but unissued, any term loans (secured, unsecured, guaranteed or not), any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments (whether secured or unsecured, guaranteed or not), any mortgages or charges, or other material contingent liabilities or guarantee at the close of business of 30th September, 2007.

Foreign currency amounts have been translated into Hong Kong dollars at the rates of exchange prevailing at the close of business on 30th September, 2007.

6. PROSPECTS

Since 31st December, 2006, the Group has continued to implement its stated objectives of:

- (1) continuing to dispose of non-core assets,
- (2) increasing recurrent income,
- (3) maximising development profit,
- (4) increasing landbank in major cities,
- (5) streamlining operating processes, and
- (6) continuing to strengthen the professional management team.

As a result, the Group recorded a substantial increase in profit in the first half of 2007.

The GDP growth of PRC in the first half year increased by 11.5% on a year-on-year basis fuelling not only RMB appreciation, but also creating strong inflationary pressure. The PRC Government is attempting to control the inflationary pressure with higher interest rates. This together with Land Appreciation Tax may weaken property market sentiment. Such measures, however, have not adversely affected property prices to date and property market sentiment remains strong with developers passing the cost of Land Appreciation Tax to consumers. Property prices at auctions are constantly hitting new records. These high auction prices reinforce the Group's concern regarding the difficulties of replenishing good quality landbank at reasonable prices.

The Directors are confident that the Group is in a strong position, and expect to be able to carry out its stated strategies and objectives for the benefit of all Shareholders.

I. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED
NET TANGIBLE ASSETS

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group which has been prepared to illustrate the effect of the Revised Open Offer of 251,853,983 Revised Offer Shares at the Subscription Price of HK\$6.00 per Revised Offer Shares in the proportion of one Revised Offer Share for every five Shares held at the Record Date on the net tangible assets of the Group as if the Revised Open Offer had been completed on 30th June, 2007. As it is prepared for illustrative purposes only, and because of its nature, it may not give a true picture of the financial position of the Group upon completion of the Revised Open Offer.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the unaudited condensed consolidated balance sheet of the Group as at 30th June, 2007 included in the published interim results of the Group as of 30th June, 2007 and has been adjusted for the effect of the Revised Open Offer.

Unaudited consolidated net assets attributable to equity holders of the Company as at 30th June, 2007	Unaudited intangible assets of the Group as at 30th June, 2007	Adjusted unaudited net tangible assets attributable to equity holders of the Company as at 30th June, 2007	Estimated net proceeds from the Revised Open Offer	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company after the completion of the Revised Open Offer	Unaudited pro forma adjusted consolidated net tangible assets per Share immediately after the completion of the Revised Open Offer
HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000	HK\$'000 (Note 3)	HK\$'000	HK\$ (Note 4)
6,833,191	1,923	6,831,268	1,496,000	8,327,268	6.0269

Notes:

- The unaudited consolidated net assets attributable to equity holders of the Company as at 30th June, 2007 have been extracted from the published interim report of the Company for the six months ended 30th June, 2007.
- Unaudited intangible assets of the Group as at 30th June, 2007 represent the goodwill arising on acquisition of subsidiaries shown in the unaudited consolidated balance sheet of the Group as at 30th June, 2007 of HK\$640,000, goodwill arising on acquisition of associates included in the interest in associates of HK\$874,000 and goodwill arising on acquisition of jointly controlled entities included in interests in jointly controlled entities of HK\$409,000.
- The estimated net proceeds of approximately HK\$1,496,000,000 from the Revised Open Offer being proceeds of approximately HK\$1,511,000,000 based on 251,853,983 Revised Offer Shares to be issued at the Subscription Price of HK\$6.00 per Revised Offer Shares and after deducting estimated expenses and commission of approximately HK\$15,000,000 attributable to the Revised Open Offer.

4. The calculation of the unaudited pro forma adjusted consolidated net tangible assets per Share of the Group is based on 1,381,123,901 Shares (including the issued share capital of the Company of 1,129,269,918 Shares as at the Latest Practicable Date and 251,853,983 Revised Offer Shares) in issue after the completion of the Revised Open Offer.
5. The above calculation has not taken into accounts the effect of the 130,000,000 Subscription Shares to be issued. If these shares are taken into account, the unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company after the Revised Open Offer would be approximately HK\$9,472,268,000, which comprise the adjusted unaudited consolidated net tangible assets attributable to equity holders of approximately HK\$6,831,268,000, the net proceeds from the Subscription of approximately HK\$1,145,000,000 and the estimated net proceeds from the Revised Open Offer of approximately HK\$1,496,000,000.

The net proceeds from the Subscription of approximately HK\$1,145,000,000 is based on 130,000,000 Subscription Shares to be issued at the subscription price of HK\$9.10 per Subscription Shares and after deducting estimated expenses and commission of approximately HK\$38,000,000 attributable to the Subscription.

The unaudited pro forma adjusted consolidated net tangible assets per Share immediately after the Revised Open Offer and the Subscription would be HK\$6.2684. The calculation is based on 1,511,123,901 Shares (including the issued share capital of the Company of 1,129,269,918 Shares as at the Latest Practicable Date, 251,853,983 Revised Offer Shares and 130,000,000 Subscription Shares) in issue after the completion of the Revised Open Offer.

6. The above calculation has also not taken into accounts the effect of the exercise of the Warrants. If the Subscription as mentioned in Note 5 above and the exercise of the Warrants are taken into account, the unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company after the Revised Open Offer would be approximately HK\$11,990,808,000, which comprise the adjusted unaudited consolidated net tangible assets attributable to equity holders of approximately HK\$6,831,268,000, the net proceeds from the Subscription of approximately HK\$1,145,000,000, the estimated net proceeds from the Revised Open Offer of approximately HK\$1,496,000,000 and the estimated proceeds from the exercise of the Warrants of approximately HK\$2,518,540,000.

The proceeds from the exercise of the Warrants of approximately HK\$2,518,540,000 would be based on 251,853,983 shares to be issued at the exercise price of HK\$10 per Share.

The unaudited pro forma adjusted consolidated net tangible assets per Share immediately after the Revised Open Offer, the Subscription and the exercise of the Warrants would be HK\$6.8015. The calculation would be based on 1,762,977,884 Shares (including the issued share capital of the Company of 1,129,269,918 Share as at the Latest Practicable Date, 251,853,983 Revised Offer Shares, 130,000,000 Subscription Shares and the 251,853,983 Shares to be issued upon the exercise of the Warrants) in issue after the completion of the Revised Open Offer.

II. REPORT FROM THE REPORTING ACCOUNTANTS

The following is the full text of a report received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular:

Deloitte.
德勤

**ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE GROUP TO THE DIRECTORS OF TIAN AN CHINA
INVESTMENTS COMPANY LIMITED**

We report on the unaudited pro forma financial information of Tian An China Investments Company 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 Proposed Revised Open Offer to Qualifying Shareholders on the basis of one Revised Offer Share for every five Shares held at the Record Date might have affected the financial information presented for inclusion in Appendix II to the circular issued by the Company dated 19th November, 2007 (the “Circular”). The basis of preparation of the unaudited pro forma financial information is set out on page 113 and 114 of the Circular.

Respective responsibilities of directors of the Company and reporting accountants

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

It is our responsibilities 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.

Basic of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial

Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with the 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 the future and may not be indicative of the financial position of the Group as at 30th June, 2007, or any future date.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

19th November, 2007

SUMMARY OF THE TERMS OF THE WARRANTS

The Warrants are proposed to be created and constituted by the instrument by way of deed poll to be executed by the Company (the “Instrument”) and will be issued in registered form and will form one class and rank pari passu in all respects with each other.

Warrantheolders (as defined below) shall be entitled to the benefit of, be bound by, and be deemed to have notice of all the provisions of the Instrument. Copies of the Instrument, the principal provisions of which are summarised below, will be available at the registered office of the Company or such other place as may be notified to the Warrantheolders (as defined below) from time to time.

References in this summary to “Shares” are to the shares of HK\$0.20 each in the authorised share capital of the Company existing on the date of issue of the Warrants and all other shares from time to time and for the time being ranking pari passu therewith and all other shares in the capital of the Company resulting from any sub-division, consolidation or re-classification of Shares.

1. Subscription

- (a) The registered holder or joint holders for the time being of a Warrant (“Warrantheolder”) shall have rights (“Subscription Rights”) to subscribe in cash for fully-paid Shares but not in respect of any fraction of a Share at a price (subject to the adjustments referred to below) of HK\$10.00 per Share (“Subscription Price”). The Subscription Rights attaching to the Warrants held by a Warrantheolder may be exercised, in respect of all or part of the Warrants so held, at any time between the date when dealings in the Warrants on the Stock Exchange commence (which is expected to be 2nd January, 2008) (“Commencement Date”) and a date falling two years from the Commencement Date (which is expected to be 2nd January, 2010) (both dates inclusive, and if either such date is not a Business Day, then the Business Day immediately preceding such date) (“Subscription Period”). Any Subscription Rights which have not been exercised on or before the end of the Subscription Period will thereafter lapse and the relevant Warrants will cease to be valid for any purpose.
- (b) A Warrantheolder may exercise his Subscription Rights by completing and signing the subscription form endorsed on the Warrant certificate or the separate subscription form which the Company permits to be used (both of which shall, once signed and completed, be irrevocable) and delivering the Warrant certificate, together with the separate subscription form if appropriate, to the registrar of the Company for the time being (“Registrar”), together with a remittance for the subscription moneys for the Shares in respect of which the Subscription Rights are being exercised. The date on which such documents (duly completed and signed) and the relevant remittances are delivered to the Registrar shall be the date on which the relevant Subscription Rights are exercised and is hereafter referred to as the “Subscription Date”. In each case, compliance must also be made with any exchange control, fiscal or other laws or regulations for the time being applicable.

- (c) No fraction of a Share will be allotted but any balance of the subscription moneys paid on the exercise of the Subscription Rights will be refunded by the Company to the relevant Warrantholder, provided that if the Subscription Rights comprised in two or more Warrant certificates are exercised by a Warrantholder on the same Subscription Date then, for the purpose of determining whether any (and if so what) fraction of a Share arises, the Subscription Rights represented by such Warrant certificates shall be aggregated.

- (d) The Company undertakes in the Instrument that Shares falling to be issued upon the exercise of the Subscription Rights will be issued and allotted not later than twenty-eight (28) days after the relevant Subscription Date and will rank *pari passu* in all respects with the fully-paid Shares in issue on the relevant Subscription Date and accordingly shall entitle the holders thereof to participate in all dividends and/or other distributions declared, paid or made and/or offers of further securities made by the Company on or after the relevant Subscription Date unless adjustment thereof has been made as provided in the Conditions (as defined in the Instrument) and other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the Record Date (as defined in the Instrument) therefore is before the relevant Subscription Date and notice of the amount and Record Date therefor has been given to the Stock Exchange prior to the relevant Subscription Date.

- (e) As soon as practicable after the relevant allotment of Shares (and not later than twenty-eight (28) days after the relevant Subscription Date), there will be issued free of charge to the Warrantholder:
 - (i) a certificate (or certificates) for the relevant Shares in the name(s) of the Warrantholder(s);

 - (ii) (if applicable) a balancing Warrant certificate in registered form in the name(s) of such Warrantholder(s) in respect of any Subscription Rights comprised within the Warrant certificate(s) delivered as described in sub-paragraph (b) above remaining unexercised;

 - (iii) (if applicable) a cheque representing any fractional entitlement to Shares not allotted as mentioned in sub-paragraph (c) above; and

 - (iv) (if applicable) a Deficiency Certificate (as defined in the Instrument).

The certificates for Shares arising on the exercise of Subscription Rights, the balancing Warrant certificate (if any), the cheque in respect of a refund (if any) and the Deficiency Certificate (if any) will be sent by post at the risk of the said Warrantholder to the address of such Warrantholder as set out in the register of Warrantholders (or in the case of a joint holding, to that one of the joint Warrantholders whose name stands first in the register of Warrantholders). If the Company agrees, such certificates and cheques may by prior arrangement be retained by the Registrar to await collection by the relevant Warrantholder.

2. Adjustment of Subscription Price

The Instrument contains detailed provisions relating to the adjustment of the Subscription Price. The following is a summary of, and is subject to, the provisions of the Instrument.

- (a) The Subscription Price shall (except as mentioned in sub-paragraphs (b) and (c) below) be adjusted as provided in the Instrument in each of the following cases:
 - (i) an alteration to the nominal amount of the Shares by reason of any consolidation or subdivision;
 - (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully-paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);
 - (iii) a Capital Distribution (as defined in the Instrument) being made by the Company, whether on a reduction of capital or otherwise, to holders of Shares in their capacity as such;
 - (iv) a grant by the Company to the holders of Shares (in their capacity as such) of rights to acquire for cash any assets of the Company or any of its Subsidiaries (as defined in the Instrument);
 - (v) an offer or grant of Shares being made by the Company to holders of Shares by way of rights or of options or warrants to subscribe for new Shares, at a price which is less than 90% of the market price (calculation as provided in the Instrument);
 - (vi) an issue wholly for cash being made by the Company or any other company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total Effective Consideration (as defined in the Instrument) per Share is less than 90% of the market price (calculation as provided in the Instrument), or the terms of any such issue are altered so that the said total Effective Consideration is less than 90% of the market price (calculation as provided in the Instrument);
 - (vii) an issue being made by the Company wholly for cash of new Shares other than pursuant to a Share Option Scheme (as defined in the Instrument) at a price less than 90% of the market price (calculation as provided in the Instrument); and

- (viii) the purchase by the Company of Shares or securities convertible into new Shares or any rights to acquire Shares (other than on the Stock Exchange or any other stock exchange) in circumstances where the Directors consider that it may be appropriate to make an adjustment to the Subscription Price.
- (b) Except as mentioned in sub-paragraph (c) below, no such adjustment as is referred to in sub-paragraphs (a)(ii) to (viii) above will be made in respect of:
- (i) an issue of fully-paid Shares upon the exercise of any conversion rights attached to securities convertible into Shares or upon the exercise of any rights (including the Subscription Rights) to acquire Shares;
 - (ii) an issue of Shares, or other securities of the Company or any Subsidiary, wholly or partly convertible into or exchangeable for, or carrying rights to acquire Shares pursuant to a Share Option Scheme;
 - (iii) an issue by the Company of Shares, or by the Company or any Subsidiary of securities convertible into or carrying rights to acquire Shares, in consideration in whole or in part for the acquisition of any other securities, assets or business;
 - (iv) an issue of fully-paid Shares by way of capitalisation of all or part of the Subscription Right Reserve (as defined in the Instrument) which has been or may be established in certain circumstances pursuant to the terms and conditions contained in the Instrument (or any similar reserve which has been or may be established pursuant to the terms of any other securities convertible into or carrying rights to acquire Shares); or
 - (v) an issue of Shares pursuant to a scrip dividend scheme in lieu of a cash dividend where an amount not less than the nominal amount of the Shares so issued is capitalised and the market value (calculation as provided in the Instrument) of the Shares is not more than 110% of the amount of dividend which holders of Shares could elect to or would otherwise receive in cash.
- (c) Notwithstanding the provisions referred to in sub-paragraphs (a) and (b) above, in any circumstances where the Directors consider that an adjustment to the Subscription Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Subscription Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or with effect from a different time from that provided for under the said provisions, the Company may appoint either an Approved Merchant Bank or the Auditors (both as defined in the Instrument) to consider whether for any reason whatsoever the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relevant interests of the persons affected thereby and, if

such Approved Merchant Bank or the Auditors (as the case may be) shall consider this to be the case, the adjustment shall be modified or nullified, or an adjustment made instead of no adjustment, in such manner (including, without limitation, making an adjustment calculated on a different basis and/or the adjustment shall take effect from such other date and/or time) as shall be certified by the Approved Merchant Bank or the Auditors to be in their opinion appropriate.

- (d) Any adjustment to the Subscription Price shall be made to the nearest one cent so that any amount under half a cent shall be rounded down and any amount of half a cent or more shall be rounded up and in no event shall any adjustment be made to the Subscription Price in any case in which the amount by which the Subscription Price would be reduced would be less than one cent and any adjustment which would otherwise then be required shall not be carried forward. In no event shall an adjustment be made (otherwise than upon the consolidation of Shares into shares of a larger nominal amount each or upon a repurchase of Shares) which would increase the Subscription Price or which would result in the Shares being issued at a discount to their nominal value.
- (e) Every adjustment to the Subscription Price shall be certified by the Approved Merchant Bank or the Auditors (acting as experts whose decision, in the absence of manifest error, shall be conclusive and binding on the Company and the Warrantheolders) and notice of each adjustment (giving the relevant particulars) shall be given to the Warrantheolders. Any such certificates of the Approved Merchant Bank and/or the Auditors will be available for inspection at the registered office of the Company or such other place as may be notified to the Warrantheolders from time to time where copies may be obtained.

3. Registered Warrants

The Warrants will be issued in registered form. The Company shall be entitled to treat the registered holder(s) of any Warrants as the absolute owner(s) thereof and accordingly shall not, except as ordered by a court of competent jurisdiction or as required by law, be bound to recognise any equitable or other claim to or interest in such Warrants on the part of any other person, whether or not the Company has express or other notice thereof.

4. Transfer, transmission and registration

The Warrants will be transferable, in whole amounts or integral multiples of HK\$10.00, by instrument of transfer in any usual or common form or in any other form which may be approved by the Directors. Where the transferor or the transferee is HKSCC Nominees Limited or its successor thereto (or such other company as may be approved by the Directors for this purpose), the transfers may be executed under the hands of authorised person(s) or by machine imprinted signature(s) on its behalf or of such person(s), as the case may be. The Company shall maintain a register of Warrantheolders accordingly. Transfers of Warrants must be executed by both the transferor and the transferee. The provisions of the Company's Articles

of Association relating to the registration, transfer and transmission of Shares shall apply, mutatis mutandis, to the registration, transfer and transmission of the Warrants (except where there are express provisions in the Instrument to the contrary).

Persons who hold Warrants and have not registered the Warrants in their own names and wish to exercise the Warrants should note that they may incur additional costs and expenses in connection with any expedited re-registration of the Warrants prior to the transfer or exercise of the Warrants, in particular during the period commencing ten (10) Business Days prior to and including the last day for subscription (which is expected to be 2nd January, 2010).

Since the Warrants will be admitted to CCASS, so far as applicable laws or regulations of relevant regulatory authorities, terms of the Instrument and circumstances permit, the Company may determine the last trading day of the Warrants to be a date at least three trading days before the last day of the Subscription Period (which is expected to be 2nd January, 2010).

5. Closure of register of Warrantholders

The registration of transfers may be suspended and the register of Warrantholders may be closed for such periods as the Directors may from time to time direct, provided that the same may not be closed for a period, or for periods together, of more than thirty (30) days in any one year. Any transfer or exercise of the Subscription Rights attached to the Warrants made while the register of Warrantholders is so closed shall, as between the Company and the person claiming under the relevant transfer of Warrants or, as the case may be, as between the Company and the Warrantholder who has so exercised the Subscription Rights attached to his Warrants (but not otherwise), be considered as made immediately after the re-opening of the register of Warrantholders.

6. Purchase and cancellation

The Company or any Subsidiaries may at any time purchase Warrants:

- (a) in the open market or by tender (available to all Warrantholders alike) at any price; or
- (b) by private treaty at a price per Warrant, exclusive of expenses, not exceeding 110% of the closing price of the Warrants on the Stock Exchange prior to the date of purchase of the Warrants,

but not otherwise. All Warrants purchased shall be cancelled forthwith and may not be re-issued or re-sold.

7. Meetings of Warrantholders and modification of rights

- (a) The Instrument contains provisions for convening meetings of Warrantholders to consider any matter affecting the interests of Warrantholders, including the modification by Special Resolution (as defined in the Instrument) of the provisions

of the Instrument and/or of the Conditions. A Special Resolution duly passed at any such meeting of Warrantholders shall be binding on the Warrantholders, whether present or not.

- (b) All or any of the rights for the time being attached to the Warrants (including any of the provisions of the Instrument) may from time to time (whether or not the Company is being wound up) be altered or abrogated (including, but without prejudice to that generality, by waiving compliance with, or by waiving or authorising any past or proposed breach of any of the provisions of the Conditions and/or the Instrument) with the prior sanction of a Special Resolution and may be effected only by deed poll executed by the Company and expressed to be supplemental to the Instrument.
- (c) Where the Warrantholder is a recognised clearing house (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) or its nominee(s), it may authorise such person or persons as it thinks fit to act as its representative (or representatives) or proxy (or proxies) at any Warrantholders' meeting provided that, if more than one person is so authorised, the authorisation or proxy form must specify the number and class of Warrants in respect of which each such person is so authorised. The person so authorised will be entitled to exercise the same power on behalf of the recognised clearing house as that clearing house or its nominee(s) could exercise as if such person were an individual Warrantholder.

8. Quorum

A quorum of a meeting of Warrantholders will be two or more persons representing in aggregate the holders of not less than 5% of the Warrants for the time being outstanding, present in person or by proxy.

9. Replacement of Warrant certificates

If a Warrant certificate is mutilated, defaced, lost or destroyed, it may, at the Company's discretion, be replaced at the office of the Registrar on payment of such costs which may be incurred in connection therewith and on such terms as to evidence, indemnity and/or security which the Company may require and on payment of such fee not exceeding HK\$2.50 per certificate (or such other amount as may from time to time be permitted under the rules of the Stock Exchange) as the Company may determine. Mutilated or defaced Warrant certificates must be surrendered before replacements will be issued.

In the case of lost Warrant certificates, section 71A of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) shall apply as if shares referred to therein included Warrants.

10. Protection of Subscription Rights

The Instrument contains certain undertakings by and restrictions on the Company designed to protect the Subscription Rights.

11. Call

If at any time the aggregate of the amount of Exercise Moneys (as defined in the Instrument) attached to the outstanding Warrants is equal to or less than 20% of the amount of moneys payable on exercise of all the Warrants issued under the Instrument, then the Company may, on giving not less than three months' notice, require Warrantholders either to exercise their Subscription Rights or to allow them to lapse. On expiry of such notice, all unexercised Warrants will be automatically cancelled, without compensation to Warrantholders.

12. Further issues

The Company shall be at liberty to issue further subscription warrants in such manner and on such terms as it sees fit.

13. Undertakings by the Company

The Company undertakes in the Instrument that:

- (a) upon the exercise of any Subscription Rights it will within twenty-eight (28) days after the relevant Subscription Date allot and issue the number of Shares for which subscription is made;
- (b) all Shares allotted on the exercise of the Subscription Rights will, taking into account of any adjustment which may have been made pursuant to paragraph 2(a) of this Appendix, rank *pari passu* in all respects with the fully-paid Shares in issue on the relevant Subscription Date and shall accordingly entitle the holders thereof to participate in full in all dividends and/or other distributions, declared, paid or made and/or offers of further securities made by the Company on or after the relevant Subscription Date unless adjustment therefor has been made as provided in the Instrument and other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the Record Date therefor shall be before the relevant Subscription Date and notice of the amount and Record Date for which shall have been given to the Stock Exchange prior to the relevant Subscription Date;
- (c) it will send to each Warrantholder, at the same time as the same are sent to Shareholders, its audited financial statements and all other notices, reports and communications despatched by it to Shareholders generally;
- (d) it will pay (if applicable) all Hong Kong stamp and capital duties, registration fees or similar charges in respect of the execution of the Instrument, the creation and initial issue of the Warrants in registered form, the exercise of the Subscription Rights and the issue of Shares upon exercise of the Subscription Rights;
- (e) it will use its best endeavours to ensure that all Shares allotted on exercise of the Subscription Rights shall be admitted to listing on the Stock Exchange provided that

no admission shall be obtained in the event that the Shares cease to be listed on the Stock Exchange as a result of an offer being made to the holders of Shares (or to holders excluding the offeror and/or its nominee(s) to acquire all or a proportion of the Shares);

- (f) it will keep available for issue sufficient Ordinary Capital (as defined in the Instrument) to satisfy in full all rights for the time being outstanding of subscription or conversion into Shares; and
- (g) it will use its best endeavours to procure that at all times during the Subscription Period, the Warrants may be dealt in on the Stock Exchange (save that this obligation will lapse in the event that the listing of the Warrants on the Stock Exchange is withdrawn following an offer for all or any other Warrants), and all Shares allotted and issued upon exercise of the Subscription Rights may upon allotment and issue or as soon as reasonably practicable thereafter, be dealt on the Stock Exchange (save that this obligation will lapse in the event that the listing of the Shares on the Stock Exchange is withdrawn following an offer for all or any of the Shares where a like offer is extended to the Warrantholders).

14. Winding up of the Company

- (a) If an effective resolution is passed during the Subscription Period for the voluntary winding-up of the Company, then if such winding-up is for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warrantholders, or some person(s) designated by them for such purpose by Special Resolution, shall be a party or in conjunction with which a proposal is made to the Warrantholders and is approved by Special Resolution, the terms of such scheme of arrangement or (as the case may be) proposal will be binding on all the Warrantholders; and
- (b) in the event a notice is given by the Company to its Shareholders during the Subscription Period to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each Shareholder give notice thereof to all Warrantholders (together with a notice of the existence of this provision) and thereupon, each Warrantholder shall be entitled to exercise all or any of the Subscription Rights attaching to his Warrants at any time not later than two Business Days prior to the proposed general meeting of the Company by delivering to the Company the completed Subscription Form(s), accompanied by payment of the relevant subscription money, whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Warrantholders credited as fully paid.

Subject to the foregoing, if the Company is wound-up, all Subscription Rights which have not been exercised at the date of the passing of such resolution will lapse and each Warrant certificate will cease to be valid for any purpose.

15. Overseas Warranholders

The Instrument contains provisions giving certain discretion to the Directors in the case of any Warranholder who has a registered address in any territory (other than Hong Kong) where (after making enquiry regarding the legal restrictions under the laws of the relevant jurisdiction and the requirements of the relevant regulatory body or stock exchange), in the opinion of the Directors, the issue of Shares upon exercise of any of the Subscription Rights represented by any Warrants held by such Warranholder may be unlawful or impracticable.

16. Notices

The Instrument contains provisions relating to notices to be given to Warranholders.

17. Governing law

The Instrument and the Warrants are governed by and will be construed in accordance with the laws of Hong Kong.

This Appendix serves as an explanatory statement, as required by the Listing Rules, to provide requisite information to the Shareholders to enable them to make an informed decision on whether to vote for or against the ordinary resolution to be proposed at the EGM in relation to the granting of the general mandate to repurchase securities of the Company.

1. REASONS FOR REPURCHASES

The Directors believe that the proposed granting of the general mandate to repurchase securities of the Company (i.e. Shares and Warrants to be issued under the Warrant Issue) gives the Company additional flexibility that would be beneficial to and is in the interests of the Company and the Shareholders taken as a whole.

Such repurchase may, depending on the market conditions, and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or earnings per Share and will only be made when the Directors believe that such a repurchase will benefit the Company and the Shareholders.

2. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company was HK\$251,853,983.60 divided into 1,259,269,918 fully paid Shares. Under the Warrant Issue, 251,853,983 Warrants will be issued.

Subject to the passing of the resolution granting of the proposed general mandate to repurchase securities of the Company and on the basis that no Shares are issued or repurchased by the Company prior to the date of the EGM, the Directors would be authorised under the mandate to repurchase Shares not exceeding 10% of the Company's issued share capital as enlarged by the Revised Open Offer, being 151,112,390 Shares and Warrants not exceeding 10% of the aggregate nominal amount of subscription rights attaching to all outstanding Warrants of the Company as at the date of passing of the relevant resolution approving the mandate to repurchase securities of the Company at the EGM, being 151,112,390 Warrants carrying aggregate nominal amount of subscription rights of HK\$1,511,123,900.00 exercisable into 151,112,390 Shares at the initial subscription price of HK\$10.00 per Share, subject to adjustment, during the period in which the mandate to repurchase securities of the Company remains in force.

3. FUNDING OF REPURCHASES

Any repurchase of Shares or Warrants would be funded entirely from the cash flow or working capital facilities available to the Company, and will, in any event be made out of funds legally available for the purpose in accordance with the memorandum and articles of association of the Company and the applicable laws of Hong Kong and the Listing Rules. Such funds include, but are not limited to, profits available for distribution.

The Directors have no present intention to repurchase any Shares or Warrants and they would only exercise the power to repurchase in circumstances where they consider that the repurchase would be in the best interests of the Company and in circumstances where they consider that the Shares or Warrants can be repurchased on terms favourable to the Company. On the basis of the consolidated financial position of the Company as at 31st December, 2006, being the date to which the latest published audited financial statements of the Company were made up, the Directors consider that if the general mandate to repurchase Shares and Warrants were to be exercised in full at the currently prevailing market value, it may have an adverse impact on the working capital and gearing level of the Company.

The Directors do not propose to exercise the mandate to repurchase Shares and Warrants to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company as compared with the position disclosed in the latest published audited financial statements or the gearing level which, in the opinion of the Directors, are from time to time appropriate for the Company.

4. EFFECT OF THE TAKEOVERS CODE

If as a result of a repurchase of Shares or Warrants, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. Accordingly, a Shareholder, or group of Shareholders acting in concert, depending on the level of increase of the Shareholder's interest, could obtain or consolidate control of the Company and may become obliged to make a mandatory general offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, SHK was interested in an aggregate of 447,045,603 Shares, representing approximately 35.50% of the issued share capital of the Company. Based on such interests and assuming that no further Shares are issued or repurchased prior to the EGM and in the event that the Directors exercise in full the power to repurchase Shares in full under the general mandate to repurchase securities of the Company before the completion of the Revised Open Offer and the Warrant Issue, the interest of SHK will be increased to approximately 38.99% of the issued share capital of the Company. To the best of the knowledge and belief of the Directors, the increase in the interests of SHK will give rise to an obligation to make a mandatory general offer under Rule 26 of the Takeovers Code.

Assuming that SHK and the parties acting in concert with it have taken up their maximum entitlements of 89,409,119 Revised Offer Shares pursuant to the SHK Irrevocable Undertaking given to the Company and 89,409,119 Warrants, representing 89,409,119 Shares if exercised in full, the shareholding of SHK and the parties acting in concert with it in the Company would remain as approximately 35.50% of the then issued share capital of the Company (after completion of the Revised Open Offer and the Warrant Issue (assuming all the Warrants are exercised in full)) and as a result the then issued share capital of the Company will be 1,762,977,884 Shares), and would increase to approximately 38.83% of the then issued share capital of the Company after completion of the Revised Open Offer and the Warrant Issue (assuming the Warrants are exercised in full), if the new general mandate to repurchase Shares

were exercised in full after completion of the Revised Open Offer and the Warrant Issue (based on the number of issued Shares being reduced to 1,611,865,494 Shares). Such increase would give rise to an obligation on the part of SHK and the parties acting in concert with it to make a mandatory general offer under Rule 26 of the Takeovers Code.

The Directors have no present intention to repurchase Shares to the extent that it will trigger the obligations under the Takeovers Code for SHK to make a mandatory general offer.

In the event that the general mandate to repurchase securities of the Company is exercised in full, the number of Shares held by the public will not fall below 25% of the total number of Shares in issue.

5. SHARE PRICE

The following table shows the highest and lowest prices at which the Shares have been traded on the Stock Exchange in each of the last twelve months:

	Shares	
	Highest <i>(HK\$)</i>	Lowest <i>(HK\$)</i>
2006		
November	6.27	4.52
December	6.64	5.46
2007		
January	6.35	5.30
February	6.10	5.35
March	6.25	5.30
April	6.00	5.50
May	5.95	5.48
June	5.91	5.15
July	7.83	5.26
August	11.00	6.13
September	10.40	8.99
October	12.70	9.40
November (up to the Latest Practicable Date)	14.20	11.30

6. REPURCHASE OF SHARES

In the six months immediately preceding the Latest Practicable Date, the Company has not repurchased any Shares on the Stock Exchange or otherwise.

7. GENERAL

To the best of their knowledge and having made all reasonable enquiries, none of the Directors nor any of their associates (as defined in the Listing Rules) have any present intention to sell Shares to the Company or its subsidiaries.

No connected persons (as defined in the Listing Rules) of the Company have notified the Company that they have a present intention to sell Shares held by them to the Company, or have undertaken not to do so in the event that the Company is authorised to make repurchases of the Shares.

The Directors have undertaken to the Stock Exchange that, as far as the same may be applicable, they will exercise the general mandate to the repurchase securities of the Company in accordance with the Listing Rules and applicable laws of 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, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised and issued capital of the Company as at the Latest Practicable Date and completion of the Revised Open Offer, full exercise of the Warrants were as follows:

<i>Authorised</i>	<i>HK\$</i>
<u>2,000,000,000</u> Shares as at the Latest Practicable Date	<u>400,000,000.00</u>
 <i>Issued and fully paid or credited as fully paid</i>	
1,259,269,918 Shares as at the Latest Practicable Date	251,853,983.60
1,511,123,901 Shares after completion of the Revised Open Offer	302,224,780.20
<u>1,762,977,884</u> Shares after completion of the Revised Open Offer and full exercise of the Warrants	<u>352,595,576.80</u>

The issued Shares are listed on the Stock Exchange. No part of the Shares of the Company is listed or dealt in, nor is listing or permission to deal in the securities of the Company being or proposed to be sought, on any other stock exchange.

The nominal value of the Shares is HK\$0.20 each.

The registered capital of the subsidiaries of the Group had been changed after the date of audited financial statements as at 31st December, 2006 were as follows:

	Registered capital	
	31st December, 2006	Latest Practicable Date
Changzhou Tian An Yuen Cheng Real Estate Development Co., Ltd	USD10,000,000	USD15,200,000
Nanjing Tiandu Industry Co., Ltd	USD7,500,000	USD13,500,000
Shanghai Tianan Riverview Co., Ltd	RMB65,000,000	RMB50,000,000
Sunhaitung Co., Ltd	USD27,000,000	USD30,000,000
上海海峽思泉房地產有限公司	USD30,000,000	USD50,000,000

Save as disclosed, there were no alterations in the capital of any member of the Group since the date to which the latest published audited accounts of the Company were made up.

Save as disclosed, there were no capital or no member of the Group were under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

3. DIRECTORS' INTEREST

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executive of the Company has any interests or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange:

Name of Directors	Nature of interests	Number of Shares held	Percentage to the issued share capital
Lee Seng Hui	Other interests	447,045,603 (Note)	35.50%
Ma Sun	Personal interests (held as beneficial owner)	52,125	0.004%

Note: Mr. Lee Seng Hui together with Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees of the Lee and Lee Trust ("LL Trust"), being a discretionary trust. They together, through the LL Trust, own approximately 42.60% interest in the issued share capital of AGL and were therefore deemed to have an interest in the Shares in which AGL was interested.

All the interests stated above represent long positions. As at the Latest Practicable Date, no short positions were recorded in the register required to be kept under section 352 of the SFO.

Save as disclosed above, none of the Directors or proposed directors of the Company (if any) had any interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

Save as disclosed below, as at the Latest Practicable Date and so far as was known to the Directors and chief executive of the Company, there were no other persons other than the Directors or chief executive of the Company, who has an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or 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 any member of the Group.

(a) Interests in Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO

Name of Shareholders	Number of Shares held			Total interests	Percentage of total interests to the relevant issued share capital
	Personal interests (held as beneficial owner)	Corporate interests (interest of controlled corporation)	Other interests		
SHK	447,045,603	–	–	447,045,603	39.58%
Allied Properties (H.K.) Limited (“APL”)	–	447,045,603 (Note 1)	–	447,045,603 (Note 2)	39.58%
AGL	–	447,045,603 (Note 3)	–	447,045,603 (Note 2)	39.58%
LL Trust	–	447,045,603 (Note 4)	–	447,045,603 (Note 2)	39.58%
Penta	–	–	242,823,000 (held as investment manager)	242,823,000	21.50%
John Zwaanstra	–	242,823,000 (Note 5)	–	242,823,000 (Note 6)	21.50%

Name of Shareholders	Number of Shares held				Percentage of total interests to the relevant issued share capital
	Personal interests (held as beneficial owner)	Corporate interests (interest of controlled corporation)	Other interests	Total interests	
Penta Asia Fund, Ltd. ("Penta Asia")	–	87,278,000 (Note 7)	–	87,278,000 (Note 8)	7.73%
Todd Zwaanstra	–	87,278,000 (Note 7)	–	87,278,000 (Note 8)	7.73%
Mercurius GP LLC ("Mercurius")	–	–	–	87,278,000 (Note 9)	7.73%
ORIX Corporation	87,500,000	–	–	87,500,000	7.75%
The Goldman Sachs Group Inc. ("Goldman Sachs")	–	86,977,000	–	86,977,000 (Note 10)	7.70%
3V Group Limited	–	89,115,264	–	89,115,264 (Note 11)	5.90%
Ong Guan Ten	–	89,115,264	–	89,115,264 (Note 11)	5.90%
Tang Chui Yee	–	–	89,115,264	89,115,264 (Note 11)	5.90%

Notes:

- Through AP Jade Limited and AP Emerald Limited, direct and indirect wholly owned subsidiaries of APL respectively, APL owned approximately 65.16% interest in the issued share capital of SHK and was therefore deemed to have an interest in the Shares in which SHK was interested.
- The figure refers to the same interest of SHK in 447,045,603 Shares.
- AGL owned approximately 74.93% interest in the issued share capital of APL and was therefore deemed to have an interest in the Shares in which APL was interested.
- Mr. Lee Seng Hui, a Director, together with Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees of the LL Trust, being a discretionary trust. They together owned approximately 42.11% interest in the issued share capital of AGL and were therefore deemed to have an interest in the Shares in which AGL was interested.
- The figure refers to the same interest in 242,823,000 Shares held by Penta.
- Mr. John Zwaanstra was deemed to have interests in the Shares through his 100% interest in Penta. Mr. John Zwaanstra was also deemed to have interests in the Shares in which Penta Asia and Mercurius were interested through his control of more than one-third of the voting power of Penta Asia and Mercurius.
- These duplicated parts of the interests of Penta and Mr. John Zwaanstra and include an interest in 87,278,000 Shares.

8. The interests were held by Penta Master Fund, Ltd. (“Penta Master”), a wholly-owned subsidiary of Penta Asia. Mr. Todd Zwaanstra was deemed to have interests in the Shares in which Penta Master was interested pursuant to his control of more than one-third of the voting power of Penta Asia as trustee of the Mercurius Partners Trust (“Mercurius Trust”), being a discretionary trust.
9. Mercurius was the founder of the Mercurius Trust and was therefore deemed to have interests in the Shares in which Mr. Todd Zwaanstra and Mercurius Trust were interested.
10. Goldman Sachs (through various of its affiliates including, following the Subscription, Elevatech and Sky (Delaware)) was deemed to be interested in 86,977,000 Shares as at the Latest Practicable Date.
11. 3V Capital was interested in 89,115,264 Offer Shares pursuant to its underwriting commitment under the Underwriting Agreement (as supplemented on 30th October, 2007). As per notices made pursuant to Section 324 of Part XV of the SFO received by the Company, 3V Group Limited, Ong Guan Ten and Tang Chui Yee each was deemed to be interested in 89,115,264 Offer Shares underwritten by 3V Capital. The percentage holding was calculated by the number of shares interested or deemed to be interested over 1,511,123,901 Shares, being the enlarged issued share capital of the Company assuming the Revised Open Offer has been completed as the Latest Practicable Date.

All the interests stated above represent long positions. As at the Latest Practicable Date, no short positions were recorded in the register required to be kept under section 336 of the SFO.

(b) Interests in other members of the Group

Company incorporated in Hong Kong

Name of non-wholly owned subsidiary of the Company	Name of Substantial Shareholder	No. of shares	Percentage
Tian An (Guangzhou) Investment Company Limited	China Century Oriental Hotel & Tourism Holdings (BVI) Co. Ltd.	3,500	35%

Company incorporated in the British Virgin Islands

Name of non-wholly owned subsidiary of the Company	Name of Substantial Shareholder	No. of shares	Percentage
Strait Investments (Shanghai) Limited	Fabulous Assets Limited	1,985	19.85%

Companies incorporated in the PRC

Name of non-wholly owned subsidiaries of the Company	Name of Substantial Shareholders	No. of shares	Percentage
大連天安房地產開發有限公司 Dalian Tian An Property Development Co., Ltd.	大連德泰控股有限公司	N/A	40%
廣州市天穗房地產開發建設有限公司 Guangzhou Tian Sui Realty Development Co., Ltd.	廣州市建築置業公司	N/A	10%
江門市天安房地產開發建設有限公司 Jianmen City Tian An Property Development Co., Ltd.	深圳市旭濤貿易有限公司	N/A	40%
上海天洋房地產有限公司 Shanghai Tianyang Real Estate Co., Ltd.	上海聯洋集團有限公司	N/A	20%
武漢長福房地產開發有限公司 Wuhan Changfu Property Development Co., Ltd.	武漢長福新型建築材料房屋聯合開發公司	N/A	10%
肇慶高爾夫發展有限公司 Zhao Qing Golf and Development Co., Ltd.	肇慶市七星發展有限公司	N/A	12%

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Save as disclosed below, as at the Latest Practicable Date, none of the Directors (not being the Independent Non-Executive Directors) or their respective associates (as defined in the Listing Rules) was considered to have interests in any competing businesses of the Group pursuant to the Listing Rules:

- (a) Mr. Patrick Lee Seng Wei is a director of SHK which, through certain of its subsidiaries, is partly engaged in the business of money lending;
- (b) Messrs. Patrick Lee Seng Wei and Li Chi Kong are directors of APL which, through a subsidiary, is partly engaged in the business of money lending;
- (c) Messrs. Lee Seng Hui and Edwin Lo King Yau are directors of AGL which, through certain of its subsidiaries, is partly engaged in the business of money lending. Both Messrs. Edwin Lo King Yau and Li Chi Kong are directors of AG Capital Limited, a subsidiary of AGL, which is partly engaged in the business of money lending; and
- (d) Mr. Lee Seng Hui is one of the trustees of the LL Trust which is a deemed substantial shareholder of each of AGL, APL and SHK which, through their subsidiaries, are partly engaged in the business of money lending and property development in Hong Kong.

As the board of Directors is independent from the boards of the abovementioned companies and none of the above Directors can control the board of Directors, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies.

Save as disclosed, there were no commissions, discounts, brokerages or other special terms granted since the date to which the latest published audited accounts of the Company were made up in connection with the issue or sale of any capital of any member of the Group, and there were no directors or proposed directors, promoters or experts (as named in this circular) who received any such payment or benefit as at the Latest Practicable Date.

7. CORPORATE INFORMATION

Registered Office

22nd Floor
Allied Kajima Building
138 Gloucester Road
Wanchai
Hong Kong

Registrar

Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

Legal Adviser

P. C. Woo & Co.
12th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

Principal bankers

Hong Kong
Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

The Bank of East Asia, Limited
10 Des Voeux Road Central
Hong Kong

CITIC Ka Wah Bank Limited
Suites 2701-9, 27th Floor
CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

The Hong Kong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Standard Chartered Bank (Hong Kong) Limited
Standard Chartered Bank Building
4-4A Des Voeux Road Central
Hong Kong

Wing Hang Bank, Limited
161 Queen's Road Central
Hong Kong

PRC

Bank of China
No. 1, Fuxingmennei Avenue
Beijing
PRC

Bank of Communications
No. 188 Yin Cheng Zhong Lu
Pudong New District
Shanghai
PRC

China Construction Bank Corporation
No. 25, Finance Street
Xicheng District
Beijing
PRC

China Merchants Bank
7088, Shennan Boulevard
Futian District
Shenzhen
Guangdong Province
PRC

Industrial and Commercial Bank of China
No. 55, Fuxingmennei Avenue
Xicheng District
Beijing
PRC

Shanghai Pudong Development Bank Co., Ltd.
No. 12 Chong Shan 1 Road
Shanghai
PRC

Qualified Accountant

Sunny Tao Tsan Sang

Company Secretary

Cindy Yung Yee Mei

Authorised Representatives

Patrick Lee Seng Wei
22nd Floor
Allied Kajima Building
138 Gloucester Road
Wanchai
Hong Kong

Li Chi Kong
22nd Floor
Allied Kajima Building
138 Gloucester Road
Wanchai
Hong Kong

8. PARTICULARS OF DIRECTORS

Executive Directors

PATRICK LEE SENG WEI

Patrick Lee Seng Wei, aged 55, was appointed an Executive Director of the Company in June 1996 and became the Chairman of the board of Directors and the Acting Managing Director of the Company in February 2004 and December 2005 respectively. He relinquished his role as the Chairman of the board of Directors and was re-designated from the Acting Managing Director to the Managing Director of the Company in April 2007. Mr. Lee is an architect and worked for IBM Australia before becoming involved in property development in Malaysia and Hong Kong for more than twenty-one years. He has extensive experience in the property field. Mr. Lee is also the chief executive of APL and a non-executive director of SHK, both are substantial shareholders of the Company, and the securities of which are listed on the Stock Exchange. He is a cousin of Mr. Lee Seng Hui (the Chairman of the board of Directors of the Company). Save as disclosed above, Mr. Lee did not hold any other directorships in listed public companies during the last three years.

Save as disclosed above, as at the Latest Practicable Date, Mr. Lee did not have any relationship with any other Director, senior management, substantial or controlling shareholder of the Company and he had no interests in the Shares within the meaning of Part XV of the SFO.

NG QING HAI

Ng Qing Hai, aged 51, was appointed an Executive Director of the Company in April 2003 and became the Managing Director of the Company in October 2003. He was re-designated as the Deputy Managing Director of the Company in December 2005. Mr. Ng graduated from the Accounting Department of Shanghai Institute of Building Materials in 1983 and became a member of the Association of Registered Accountants of the PRC in 1994. He was admitted as Management Consultant by Group ESSEC of France in 1988. He became the vice chairman of China Building Materials Enterprises Management Association in 2004 and a fellow of Asian Knowledge Management Association in 2006. Mr. Ng has extensive experience in managing enterprises. He is also the president and chief executive officer of Shanghai Allied Cement Limited, and the shares of which are listed on the Stock Exchange. Save as disclosed above, Mr. Ng did not hold any other directorships in listed public companies during the last three years.

Save as disclosed above, as at the Latest Practicable Date, Mr. Ng did not have any relationship with any other Director, senior management, substantial or controlling shareholder of the Company and he had no interests in the Shares within the meaning of Part XV of the SFO.

MA SUN

Ma Sun, aged 66, was appointed an Executive Director of the Company in April 2003. Mr. Ma Joined Sun Hung Kai Securities Limited in 1984 and was then transferred to the Group in 1985. Besides holding a Bachelor's Degree of Electrical Engineering, he has extensive experience in electrical engineering and over twenty-one years of experience in China commercial business, financial investment and property development. Save as disclosed above, Mr. Ma did not hold any other directorships in listed public companies during the last three years.

As at the Latest Practicable Date, Mr. Ma had a personal interest in 52,125 Shares.

Save as disclosed above, as at the Latest Practicable Date, Mr. Ma did not have any relationship with any other Director, senior management, substantial or controlling shareholder of the Company and he had no interests in the Shares within the meaning of Part XV of the SFO.

EDWIN LO KING YAU

Edwin Lo King Yau, aged 46, a chartered company secretary and holder of a Master's Degree in Applied Finance from Macquarie University, Australia, was appointed an Executive Director of the Company in August 1999. He had served in various executive roles in several companies in Hong Kong including company secretary for publicly listed companies. He is currently an executive director of AGL. Mr. Lo was previously an executive director of The Hong Kong Building and Loan Agency Limited, and the shares of which are listed on the Stock Exchange. Save as disclosed above, Mr. Lo did not hold any other directorships in listed public companies during the last three years.

Save as disclosed above, as at the Latest Practicable Date, Mr. Lo did not have any relationship with any other Director, senior management, substantial or controlling shareholder of the Company and he had no interests in the Shares within the meaning of Part XV of the SFO.

LI CHI KONG

Li Chi Kong, aged 54, a member of the Institute of Chartered Accountants of Scotland and a fellow of the Hong Kong Institute of Certified Public Accountants, was appointed an Executive Director of the Company in February 2004. He has broad experience in the finance and accounting field, having worked in two major audit firms

and as group financial controller for several sizeable listed companies in Hong Kong. He is also an executive director of APL and the group financial controller of AGL. Mr. Li was previously an executive director of Shanghai Allied Cement Limited, and the shares of which are listed on the Stock Exchange. Save as disclosed above, Mr. Li did not hold any other directorships in listed public companies during the last three years.

Save as disclosed above, as at the Latest Practicable Date, Mr. Li did not have any relationship with any other Director, senior management, substantial or controlling shareholder of the Company and he had no interests in the Shares within the meaning of Part XV of the SFO.

YASUSHI ICHIKAWA

Yasushi Ichikawa, aged 56, was appointed an Executive Director of the Company in May 2006. He was the managing director overseeing the subsidiaries in the Greater China Region and the development of new business at the International Business Department of ORIX Corporation. He has over twenty-five years of experience in structuring and marketing of structured asset finance. Mr. Ichikawa graduated from Osaka City University in Japan with a Bachelor's Degree in Commerce. Save as disclosed above, Mr. Ichikawa did not hold any other directorships in listed public companies during the last three years.

Save as disclosed above, as at the Latest Practicable Date, Mr. Ichikawa did not have any relationship with any other Director, senior management, substantial or controlling shareholder of the Company and he had no interests in the Shares within the meaning of Part XV of the SFO.

Non-Executive Directors

LEE SENG HUI

Lee Seng Hui, aged 38, was appointed the Chairman of the board of Directors and a Non-Executive Director of the Company in April 2007. Mr. Lee graduated from the Law School of the University of Sydney with Honours. Previously, he worked with Baker & McKenzie and N M Rothschild & Sons (Hong Kong) Limited. He is also the chief executive and an executive director of AGL and a non-executive director of Yu Ming Investments Limited, and the securities of both are listed on the Stock Exchange. He is a cousin of Mr. Patrick Lee Seng Wei (the Managing Director of the Company). Save as disclosed above, Mr. Lee did not hold any other directorships in listed public companies during the last three years.

Mr. Lee is one of the trustees of the Lee and Lee Trust, being a discretionary trust which, as at the Latest Practicable Date, owns approximately 42.59% interest in the issued share capital of AGL. AGL owns approximately 74.08% interest in the issued share capital of APL which in turn owns approximately 58.03% interest in the issued share capital of SHK, a substantial shareholder holding approximately 39.58% interest in the issued share capital of the Company.

Save as disclosed above, as at the Latest Practicable Date, Mr. Lee did not have any relationship with any other Director, senior management, substantial or controlling shareholder of the Company and he had no interests in the Shares within the meaning of Part XV of the SFO.

MOSES CHENG MO CHI

Moses Cheng Mo Chi, aged 57, was appointed an Independent Non-Executive Director of the Company in May 1997 and was re-designated as Non-Executive Director of the Company in September 2004. Mr. Cheng is the senior partner of P. C. Woo & Co., a firm of solicitors and notaries in Hong Kong, and also one of the Company's solicitors. He is the Chairman of the Betting and Lotteries Commission and Deputy Chairman of the Council of the Hong Kong Academy for Performing Arts. He is also the Founder Chairman of the Hong Kong Institute of Directors of which he is now the Honorary President and Chairman Emeritus. Mr. Cheng served as a member of the Legislative Council of Hong Kong from 1991 to 1995 and Chairman of the Council and Court of the Hong Kong Baptist University between 1997 and 2006. Mr. Cheng also serves on the boards of various listed companies both as independent non-executive director and non-executive director. Save as disclosed above, Mr. Cheng did not hold any other directorships in listed public companies during the last three years.

Save as disclosed above, as at the Latest Practicable Date, Mr. Cheng did not have any relationship with any other Director, senior management, substantial or controlling shareholder of the Company and he had no interests in the Shares within the meaning of Part XV of the SFO.

YUKI OSHIMA

Yuki Oshima, aged 60, was appointed a Non-Executive Director of the Company in May 2006. He is a member of the Association of Economics in Waseda, Japan and is currently the executive officer of ORIX Corporation. He also serves on the boards of various overseas listed companies namely ORIX Investment Bank Pakistan Limited, ORIX Leasing Pakistan Limited and Lanka ORIX Leasing Company Limited. He has over thirty-six years of experience in leasing and finance. Mr. Oshima graduated from Waseda University in Japan with a Bachelor's Degree in Commerce. Save as disclosed above, Mr. Oshima did not hold any other directorships in listed public companies during the last three years.

Save as disclosed above, as at the Latest Practicable Date, Mr. Oshima did not have any relationship with any other Director, senior management, substantial or controlling shareholder of the Company and he had no interests in the Shares within the meaning of Part XV of the SFO.

Independent Non-Executive Directors

FRANCIS J. CHANG CHU FAI

Francis J. Chang Chu Fai, aged 53, was appointed an Independent Non-Executive Director of the Company in September 2004. Mr. Chang is currently the chairman and an

executive director of Trasy Gold Ex Limited; the deputy chairman and an independent non-executive director of Quality HealthCare Asia Limited; and an independent non-executive director of Chitaly Holdings Limited and APAC Resources Limited. He was previously an executive director of Golden 21 Investment Holdings Limited. Mr. Chang is a registered person under the Securities and Futures Ordinance and since 2000 has been the managing director of Ceres Capital Limited. He has over twenty-nine years of experience in banking, corporate finance, investment and management. Mr. Chang holds a Bachelor's Degree in Commerce from Concordia University in Montreal, Canada since 1976 and a Master's Degree in Business Administration from York University in Toronto, Canada since 1977. Save as disclosed above, Mr. Chang did not hold any other directorships in listed public companies during the last three years.

Save as disclosed above, as at the Latest Practicable Date, Mr. Chang did not have any relationship with any other Director, senior management, substantial or controlling shareholder of the Company and he had no interests in the Shares within the meaning of Part XV of the SFO.

NGAI WAH SANG

Ngai Wah Sang, aged 49, was appointed an Independent Non-Executive Director of the Company in September 2004. He is currently the deputy chairman of the board and the chief executive officer of Earnest Investments Holdings Limited. Mr. Ngai was previously a non-executive director of QMASTOR Limited, the shares of which are listed on the Australian Stock Exchange. He has broad experience in auditing, accounting, financial management and dealing with business development and investments and previously worked for international accounting firms and listed companies in Hong Kong and overseas. Mr. Ngai holds a Bachelor's Degree in Science from the University of London in United Kingdom. He is a fellow of The Institute of Chartered Accountants in Australia and also a fellow of the Hong Kong Institute of Certified Public Accountants in Hong Kong. Save as disclosed above, Mr. Ngai did not hold any other directorships in listed public companies during the last three years.

Save as disclosed above, as at the Latest Practicable Date, Mr. Ngai did not have any relationship with any other Director, senior management, substantial or controlling shareholder of the Company and he had no interests in the Shares within the meaning of Part XV of the SFO.

XU SU JING

Xu Su Jing, aged 62, was appointed an Independent Non-Executive Director of the Company in September 2004. He was the director of the Department of Enterprise Reform of Sinopec Group Company and has retired since June 2005. He has extensive experience in the macro-management of petrochemical enterprises. Mr. Xu graduated from the Beijing Research Institute of Labor Safety in 1983 majoring in safety technology engineering and holds a Master of Engineering and the title of a senior economist of professor level. Save as disclosed above, Mr. Xu did not hold any other directorships in listed public companies during the last three years.

Save as disclosed above, as at the Latest Practicable Date, Mr. Xu did not have any relationship with any other Director, senior management, substantial or controlling shareholder of the Company and he had no interests in the Shares within the meaning of Part XV of the SFO.

LISA YANG LAI SUM

Lisa Yang Lai Sum, aged 40, was appointed an Independent Non-Executive Director of the Company in November 1999 and was re-designated as Non-Executive Director of the Company in September 2004. She was re-designated from a Non-Executive Director to an Independent Non-Executive Director of the Company in July 2007. She is a practicing solicitor in Hong Kong and is a consultant of Maurice Lee, Tsang, Ng-Quinn & Tang. Ms. Yang graduated from the University of Sydney with a Bachelor's Degree in Law and Economics and is also qualified as a solicitor in Australia and England. Save as disclosed above, Ms. Yang did not hold any other directorships in listed public companies during the last three years.

Save as disclosed above, as at the Latest Practicable Date, Ms. Yang did not have any relationship with any other Director, senior management, substantial or controlling shareholder of the Company and she had no interests in the Shares within the meaning of Part XV of the SFO.

RESIDENTIAL ADDRESSES OF THE DIRECTORS

Patrick Lee Seng Wei

Room 324, Novotel Century Hong Kong
238 Jaffe Road
Wanchai
Hong Kong

Ng Qing Hai

Flat A, 2nd Floor
9-13 Shelley Street
Central
Hong Kong

Ma Sun

Flat B, 11th Floor
Hong Fuk Yuen
58 King's Road
North Point
Hong Kong

Edwin Lo King Yau

Flat B, 14th Floor
Block 3, Bauhinia Mansion
Whampoa Garden
Hung Hom
Kowloon

Li Chi Kong

Flat F, 24th Floor
Block 16, Yee Tsui Court
South Horizons
Ap Lei Chau
Hong Kong

Yasushi Ichikawa

C201, 1151 Hong Xu Road
Shanghai
PRC

Lee Seng Hui

60 Plantation Road
The Peak
Hong Kong

Moses Cheng Mo Chi

Suite 4B, Hollywood Heights
6 Old Peak Road
Hong Kong

Yuki Oshima

3-19-11 Mitsuura-Minami
Kanazawa-Ku
Yokohama-City
Kanagawa-Prefecture
Japan

Francis J. Chang Chu Fai

8, The Riveria
10 Pik Sha Road
Clearwater Bay
Kowloon

Ngai Wah Sang

Flat E, 30th Floor
One Park Towers
1 King's Road
Hong Kong

Xu Su Jing

Room 1105, Block 8
Third Residential Quarter
No. 8 Yuhui North Street
Chaoyang District
Beijing
PRC

Lisa Yang Lai Sum

Lot 1045 DD167
30 Cheung Muk Tau
14 Vil N Yeuk
Sai Kung
New Territories

9. LITIGATION

Save as disclosed below, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance nor was any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group:

- (a) A property purchaser who previously purchased a property in Shenzhen initiated legal proceedings against a wholly owned subsidiary of the Company to rescind the sale contract and claim for sales proceeds paid of approximately HK\$53,398,000 together with compensation. Inventories of completed properties with carrying value of HK\$38,264,000 are held in the custody of the court. The Group had appealed and the Supreme Court had ordered rehearing to the case. This property purchaser initiated another legal proceeding claiming for sales proceeds of another storey of the same shopping arcade and the underground car parks with the compensation amounting to approximately HK\$63,978,000. This case is under trial by the court in the PRC. The management, took into the advice from the legal opinion, considers that it has a strong defence against the claims and no provision is required to be made.
- (b) A bank has taken legal action against a wholly owned subsidiary of the Company, which has acted as a guarantor for mortgage loans granted to certain property purchasers, claiming for the defaulted repayment amounting to approximately HK\$5,021,000. Based on legal opinion, the Group has assessed the claims and considers that no provision is required to be made.
- (c) Certain contractors have sued subsidiaries for outstanding construction costs and compensations of totally approximately HK\$3,439,000 which are in dispute. Properties for development with carrying value of HK\$97,469,000 are held in the custody of the court. The cases are under trial by the courts in the PRC. The Group has assessed the claims and obtained legal advices, and considers that the final outcome of the claims will not have material effect on the financial position of the Group.

- (d) A sub-contractor has applied for arbitration against a subsidiary claiming for outstanding construction costs of approximately HK\$25,847,000 which are being disputed. Based on legal opinion, the Group has assessed the claim and considers that the final outcome of the claim will not have material effect on the financial position of the Group.

10. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) A supplemental loan agreement dated 7th November, 2005 was entered into between Ranbridge Finance Limited as lender, Join View Development Limited as borrower, the Company, Sky Full Enterprises Limited (“Sky Full”) and Tian An Real Estate Agency (China) Limited (“Tian An Real Estate Agency”) collectively as guarantors, in relation to the increase of the revolving loan facility granted under a loan agreement dated 2nd March, 2005 from HK\$100,000,000 to HK\$280,000,000 (“Supplemental Loan Facility”) and the Company, Sky Full and Tian An Real Estate Agency agreed to jointly and severally guarantee the repayment of the loan by Join View under the Supplemental Loan Facility. Further details were disclosed in a press announcement of the Company dated 8th November, 2005 and a circular of the Company dated 18th November, 2005.
- (b) Two sale and purchase agreements, both dated 7th December, 2005 were entered into between (i) 天安(上海)投資有限公司 (Tian An (Shanghai) Investments Co., Ltd.) (“Tian An Shanghai”) as vendor and 錦江國際(集團)有限公司 (Jinjiang International Holdings Co., Ltd.) (“Jinjiang International”) as purchaser, in relation to the disposal of 5% interest in the registered capital of 上海國聯有限公司 (Shanghai Interunited Co., Ltd.) (“Shanghai Interunited”) at a consideration of RMB10,270,000 (equivalent to approximately HK\$9,875,000); and (ii) Tian An Shanghai as vendor and 錦江國際集團(香港)有限公司 (Jin Jiang International Group (HK) Co., Limited) as purchaser, in relation to the disposal of 5% interest in the registered capital of Shanghai Interunited at a consideration of RMB10,270,000 (equivalent to approximately HK\$9,875,000). Further details were disclosed in a press announcement of the Company dated 23rd December, 2005 and a circular of the Company dated 18th January, 2006.
- (c) A sale and purchase agreement dated 7th December, 2005 was entered into between Sky Full as vendor and Jinjiang International and 上海錦江國際地產有限公司 (Shanghai Jinjiang International Realty Co., Ltd.) (“Jinjiang Realty”) as purchasers, in relation to (i) the disposal of 40% interest in the registered capital of 上海新聯誼大廈有限公司 (Shanghai New Union Building Co., Ltd.) (“Shanghai New Union”) to Jinjiang International at a consideration of RMB174,928,000 (equivalent to approximately HK\$168,200,000); (ii) the disposal of 10% interest in

the registered capital of Shanghai New Union to Jinjiang Realty at a consideration of RMB43,732,000 (equivalent to approximately HK\$42,050,000); and (iii) the repayment by Jinjiang International to Sky Full for and on behalf of Shanghai New Union the shareholder's loan in the sum of RMB63,340,000 (equivalent to approximately HK\$60,904,000) owed by Shanghai New Union to Sky Full. Further details were disclosed in a press announcement of the Company dated 23rd December, 2005 and a circular of the Company dated 18th January, 2006.

- (d) A placing agreement dated 6th April, 2006 was entered into between SHK as vendor and 3V Capital as placing agent in relation to the placing of 175,000,000 Shares by SHK, through the placing agent, to independent investors at the price of HK\$5.10 per Share. Further details were disclosed in a press announcement of the Company dated 7th April, 2006.
- (e) A subscription agreement dated 6th April, 2006 was entered into between SHK as subscriber and the Company in relation to the subscription of 175,000,000 new Shares at the price of HK\$5.10 per Share. Further details were disclosed in a press announcement of the Company dated 7th April, 2006.
- (f) A sale and purchase agreement dated 29th April, 2006 was entered into between Dayabay Hong Kong Limited as vendor and Tenure Development Limited as purchaser in relation to the acquisition of the entire interest in 惠陽市淡水新陽城建設有限公司 (Huiyang Danshui Xinyangcheng Construction Company Limited) at a consideration of RMB254,780,000 (equivalent to approximately HK\$246,641,000). Further details were disclosed in a press announcement of the Company dated 11th May, 2006 and a circular of the Company dated 2nd June, 2006.
- (g) A sale and purchase agreement dated 2nd April, 2007 was entered into between Mr. Cheng Ming Chi ("Mr. Cheng") as vendor and Benjamin Resources Limited ("Benjamin Resources") as purchaser ("Sky Talent Agreement") in relation to the acquisition of the entire issued share capital of Sky Talent Holdings Limited ("Sky Talent") and the shareholder's loan in the sum of HK\$17,795,547 due from Sky Talent to Mr. Cheng as at the completion of the Sky Talent Agreement, at the aggregate consideration of HK\$24,270,000. Further details were disclosed in a press announcement of the Company dated 4th April, 2007 and a circular of the Company dated 23rd April, 2007.
- (h) A sale and purchase agreement dated 2nd April, 2007 was entered into between Elegant Tone Consultants Limited ("Elegant Tone") as vendor and Benjamin Resources as purchaser ("Ace Result Agreement") in relation to the acquisition of the entire issued share capital of Ace Result Limited ("Ace Result") and the shareholder's loan in the sum of HK\$10,635,167.67 due from Ace Result to Elegant Tone as at the completion of the Ace Result Agreement, at the aggregate consideration of HK\$10,940,000. Further details were disclosed in a press announcement of the Company dated 4th April, 2007 and a circular of the Company dated 23rd April, 2007.

- (i) A placing agreement dated 8th May, 2007 was entered into between the Company and Sun Hung Kai Investment Services Limited as placing agent in relation to the placing of 399,485,640 ordinary shares of nominal value of HK\$0.25 each in Shanghai Allied Cement Limited (“SAC Shares”), through the placing agent, to independent investors at the price of HK\$0.70 per SAC Share. Further details were disclosed in a press announcement of the Company dated 14th May, 2007 and a circular of the Company dated 4th June, 2007.
- (j) A sale and purchase agreement dated 24th August, 2007 was entered into between Sinoford Limited, Jennex Investment Limited, Eastern Beauty Consultants Limited, Ming Shun Investments Limited and Mr. Fung Yiu Fai, Peter as vendors and Asia Coast Investments Limited as purchaser in relation to the acquisition of an aggregate of 29,300,000 ordinary “A” shares of HK\$1.00 each and 147,200,000 ordinary “B” shares of HK\$0.10 each, representing approximately 29.15% of the issued share capital of CBI Investment Limited (“CBI”) and representing approximately 22.55% of the total voting power exercisable at general meetings of CBI at which every share, regardless of class, entitles the holder to one vote, at an aggregate consideration of HK\$10,045,531. Further details were disclosed in an announcement of the Company dated 30th August, 2007.
- (k) The Underwriting Agreement.
- (l) The Subscription Agreement.
- (m) The Supplemental Agreement.

11. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31st December, 2006, the date to which the latest published audited financial statements of the Group were made up.

12. DIRECTORS’ INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31st December, 2006 (being the date to which the latest published audited financial statements of the Group were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

13. EXPERT AND CONSENT

The following is the qualifications of the expert who have given opinion or advice which are contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu ("Deloitte")	certified public accountants in Hong Kong

As at the Latest Practicable Date, Deloitte:

- (a) did not have any direct or indirect interest in any assets which have since 31st December, 2006 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) did not have 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.

Deloitte has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its reports or letters, as the case may be, and reference to its name in the form and context in which they respectively appear.

14. GENERAL

- (a) The registered office of the Company is 22nd Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong.
- (b) The registrar of the Company is Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (c) The company secretary of the Company is Miss Cindy Yung Yee Mei, who is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.
- (d) The qualified accountant of the Company appointed pursuant to Rule 3.24 of the Listing Rules is Mr. Sunny Tao Tsan Sang, who is an associate of the Hong Kong Institute of Certified Public Accountants and The Chartered Institute of Management Accountants.
- (e) The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of P. C. Woo & Co. at 12th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the material contracts referred to under the paragraph headed "Material Contracts" in this Appendix;
- (c) the annual reports of the Company for the three financial years ended 31st December, 2004, 31st December, 2005 and 31st December, 2006;
- (d) the unaudited consolidated financial statements of the Company for the six months ended 30th June, 2007;
- (e) the accountants' report from Deloitte on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular;
- (f) the consent letter from Deloitte referred to in the paragraph headed "Expert and consent" in this appendix;
- (g) the circular of the Company dated 23rd April, 2007;
- (h) the circular of the Company dated 4th June, 2007;
- (i) the circular of the Company dated 22nd October, 2007; and
- (j) this circular.

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天安中國投資有限公司

TIAN AN CHINA INVESTMENTS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 28)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “Meeting”) of Tian An China Investments Company Limited (the “Company”) will be held at Plaza I-III, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Thursday, 6th December, 2007 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT**, conditional upon (i) the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, the Revised Offer Shares (as defined below), the Warrants (as defined below) and the Shares which may fall to be issued upon the exercise of the Warrants to be allotted and issued to the qualifying shareholders of the Company pursuant to the terms and conditions of the Revised Open Offer (as defined below); (ii) the registration and filing of all relevant documents relating to the Revised Open Offer required by law to be registered or filed with the Registrar of Companies in Hong Kong; and (iii) the obligations of 3V Capital Limited (the “Underwriter”) under the underwriting agreement dated 25th September, 2007 (the “Underwriting Agreement” including, if any, all supplemental agreements relating thereto) made between the Company and the Underwriter becoming unconditional and the Underwriting Agreement not being terminated in accordance with the terms thereof prior to 4:00 p.m. on the second business day after the date which is the latest time for acceptance of, and payment for, the Revised Offer Shares (as defined below), as set out in the circular dated 22nd October, 2007 (the “Circular”) despatched by the Company to the Shareholders (a copy of which has been produced to the Meeting marked “A” and signed by the chairman of the Meeting for the purpose of identification):
 - (a) the issue, by way of an open offer, of 251,853,983 new shares of par value of HK\$0.20 each (the “Shares”) in the issued share capital of the Company (the “Revised Open Offer”), such 251,853,983 new Shares (the “Revised Offer Shares”) to be issued at a price of HK\$6.00 per Revised Offer Share (the “Subscription Price”) to the Shareholders whose names appear on the register of members of the Company on the date by reference to which entitlements under the Revised Open Offer will be determined (other than those Shareholders (the “Excluded Shareholders”) with registered addresses outside Hong Kong and whom the directors of the Company (the “Directors”), after making relevant enquiry, considers their exclusion from the Revised Open Offer to be necessary or expedient on account either of the legal restrictions under the laws of the relevant jurisdiction or any

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requirements of the relevant regulatory body or stock exchange in that jurisdiction) in the proportion of one Revised Offer Share for every five Shares then held and otherwise pursuant to and in accordance with the terms and conditions set out in the Circular be and is hereby approved;

- (b) the issue of 251,853,983 warrants (the “Warrants”) which entitle the holder thereto to subscribe for Shares at an initial price of HK\$10.00 per Share (subject to adjustment), on the basis of one unit of subscription right for every one Revised Offer Share taken up (the “Warrant Issue”) be and is hereby approved;
- (c) the issue of 251,853,983 new Shares which fall to be issued upon the exercise of the Warrants pursuant to the Warrant Issue be and is hereby approved;
- (d) (i) the Directors be and are hereby authorised to allot and issue the Revised Offer Shares and the Warrants pursuant to or in connection with the Revised Open Offer and the Warrant Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing Shareholders and, in particular, (ii) the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements or Excluded Shareholders as they may, at their absolute discretion, deem necessary or expedient or appropriate;
- (e) the Underwriting Agreement, a copy of which has been produced at the Meeting marked “B” and signed by the chairman of the Meeting for identification purpose, be and is hereby approved, confirmed and ratified, and that all the transactions contemplated under the Underwriting Agreement be and are hereby approved, confirmed and ratified, and that the Directors be and are hereby authorised to do such acts and execute such other documents with or without amendments and affix the common seal of the Company thereto (if required) as they may consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with or in relation to the Underwriting Agreement; and
- (f) the Directors be and are hereby authorised to do all such acts and execute such other documents with or without amendments and affix the common seal of the Company thereto (if required) as they may consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with or in relation to the Revised Open Offer and the Warrant Issue.”

2. **“THAT:**

- (a) subject to the passing of the ordinary resolution numbered 1 above, and subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to repurchase securities (i.e. Shares or Warrants to be issued under the Warrant Issue) be and is hereby generally and unconditionally approved;

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- (b) the aggregate nominal amount of the Shares which may be repurchased by the Company pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this Resolution as enlarged (subject to the completion of the Revised Open Offer) by the allotment and issue of the Revised Offer Shares and the aggregate nominal amount of subscription rights attaching to all Warrants outstanding which may be repurchased by the Company pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of subscription rights attaching to all Warrants outstanding as at the date of the passing of this Resolution (subject to the completion of the Warrant Issue), and such approval shall be limited accordingly;
- (c) the general mandate granted to the Directors to exercise the powers of the Company to repurchase the Shares as approved by the Shareholders in the annual general meeting held on 18th May, 2007 (the “2007 AGM”) be and is hereby revoked (without prejudice to any valid exercise of such general mandate prior to the passing of this Resolution); and
- (d) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by articles of association of the Company or any applicable laws to be held; or
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company (the “Shareholders”) in general meeting.”

3. **“THAT:**

- (a) subject to the passing of the ordinary resolution numbered 2 above, and subject further to paragraph (c) below, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue or otherwise deal with additional Shares or securities convertible into Shares, options, warrants or similar rights to subscribe for any Shares, and to make or grant offers, agreements and options which might require the exercise of such powers, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;

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- (b) the approval given in paragraph (a) above shall be in addition to any other authorisations given to the Directors and shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval given in paragraph (a) above, otherwise than pursuant to:
 - (i) a Rights Issue (as defined below);

 - (ii) the exercise of rights of subscription or conversion under the terms of any Warrants issued by the Company or any securities which are convertible into Shares;

 - (iii) the exercise of any options granted under any option scheme or similar arrangement for the time being adopted for the grant or issue to employees of the Company and/or any of its subsidiaries of any options to subscribe for, Shares or rights to acquire Shares; or

 - (iv) any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on the Shares in accordance with the articles of association of the Company from time to time,

shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this Resolution as enlarged (subject to the completion of the Revised Open Offer) by the allotment and issue of the Revised Offer Shares (such percentage being a refreshment of the unused portion of the general mandate granted by the shareholders of the Company at the 2007 AGM authorising the Directors, amongst other things, to allot, issue and deal in the Shares of the then issued share capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers during or after the end of the relevant period which shall not exceed an aggregate of 20% of the nominal amount of the share capital of the Company in issue as at the date of the 2007 AGM) and the said approval shall be limited accordingly; and

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(d) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; or
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the Shareholders in general meeting; and

“Rights Issue” means the allotment, issue or grant of Shares pursuant to an offer of Shares open for a period fixed by the Directors to holders of Shares or any class thereof on the register of members on a fixed record date in proportion to their then holdings of such Shares at that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in, any territory applicable to the Company).”

4. **“THAT** conditional upon the passing of the ordinary resolutions numbered 2 and 3 set out above, the general mandate granted to the Directors to exercise the powers of the Company to allot, issue or otherwise deal with additional Shares pursuant to the ordinary resolution numbered 3 above be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted by the Directors pursuant to such general mandate an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to the ordinary resolution numbered 2 above, provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this Resolution as enlarged by the allotment and issue of the Revised Offer Shares.”
5. **“THAT** subject to the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Revised Offer Shares, the Warrants and the Shares which may fall to be issued upon the exercise of the Warrants either unconditionally or subject to such condition as may be reasonably acceptable to the Company, the Directors be and are hereby authorised to allot and issue up to a maximum of not more than 251,853,983 Offer Shares, 251,853,983 Warrants which entitle the holder thereto to subscribe for Shares at an initial price of HK\$10.00 per Share (subject to adjustment) and 251,853,983 new Shares which fall to be issued upon the exercise of the Warrants pursuant to the Warrant Issue, to qualifying shareholders in accordance with the terms and conditions of the Revised Open Offer be and are hereby approved, and the Directors be and are hereby

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authorised to do all such acts and things, to do all such acts and things, to sign and execute all such further documents and to take such steps as the Directors may in their discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the allotment and issue of the Revised Offer Shares, the Warrants and new Shares which fall to be issued upon the exercise of the Warrants.”

By Order of the Board
Tian An China Investments Company Limited
Cindy Yung Yee Mei
Company Secretary

Hong Kong, 19th November, 2007

Registered Office:

22nd Floor
Allied Kajima Building
138 Gloucester Road
Wanchai
Hong Kong

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint more than one proxy to attend and, on a poll, vote in his behalf. A proxy need not be a member of the Company.
2. A form of proxy in respect of the Meeting is enclosed. Whether or not you intend to attend the Meeting in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Meeting or any adjournment thereof if you so wish. In the event that you attend the Meeting after having returned the completed form of proxy, your form of proxy will be deemed to have been revoked.
3. To be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be deposited at the Company's registrar, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, not less than 48 hours before the time fixed for the Meeting or any adjournment thereof.
4. Where there are joint holders of a share of the Company, any one of such holders may vote at the Meeting, either personally or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such holders are present at the Meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company shall alone be entitled to vote in respect of such share.
5. In relation to the ordinary resolutions nos. 2 and 3 set out in the above notice, the Directors wish to state that they have no immediate plan to issue any new shares or repurchase any existing shares of the Company.