THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your securities 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, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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)

MAJOR TRANSACTION

Acquisition of the Entire Issued Share Capital of Shanghai Allied Cement Holdings Limited

A letter from the board of directors of the Company is set out on pages 5 to 14 of this circular.

A notice convening an extraordinary general meeting of the Company (the "EGM") to be held at Falcon Room II, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong on Friday, 17th July, 2009 at 10:00 a.m. is set out on pages 147 and 148 of 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 share registrars 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 prevent shareholders of the Company from attending and voting in person at the EGM or any adjournment thereof if they so wish.

29th June, 2009

CONTENTS

In this circular (other than in the notice of the EGM and the accompanying form of proxy), unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition"	the sale and purchase of the Sale Shares contemplated under the SP Agreement
"AII-Cement"	AII-Cement Limited, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of the Target Company
"AII-Shanghai"	AII-Shanghai Inc., a company incorporated in BVI with limited liability and a subsidiary of the Target Company as to which the Target Company beneficially owns approximately 83.3% of the entire issued share capital in AII-Shanghai
"Announcement"	the announcement of the Company dated 26th May, 2009 in respect of, inter alia, the Transactions
"Assignment"	the assignment of the Loan by the Vendor as the assignor to the Purchaser as the assignee on the terms and subject to the conditions set out in the Deed of Loan Assignment
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"Company"	Tian An China Investments Company Limited, a company incorporated in Hong Kong with limited liability, the securities of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of (i) the sale and purchase of the Sale Shares; and (ii) the Assignment in accordance with the SP Agreement
"connected person"	has the meaning ascribed to it under the Listing Rules
"Deed of Loan Assignment"	the deed of assignment to be entered into between the Vendor as the assignor and the Purchaser as the assignee at Completion pursuant to which the Vendor assigns the Loan free from any encumbrance to the Purchaser or its nominee(s)

"Director(s)"	the director(s) of the Company
"Distributor"	the distributor under the Distributorship Agreement and a wholly-owned subsidiary of the Vendor and/or its nominees (other than a member of the Target Group)
"Distributorship Agreement(s)"	the agreement(s) to be entered into between the PRC Subsidiaries and the Distributor prior to Completion, pursuant to which the Distributor will purchase products from the PRC Subsidiaries for resale to the customers of the Distributor at such prices to be determined solely at the discretion of the Distributor
"EGM"	an extraordinary general meeting of the Company to be held on 17th July, 2009 for the purpose of considering and, if thought fit, approving (inter alia) the SP Agreement and the Transactions by the Shareholders, notice of which is set out on pages 147 and 148 of this circular
"Enlarged Group"	the Group and the Target Group
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Latest Practicable Date"	23rd June, 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Loan"	the amount in the sum of HK$278,503,677 owed by the Target Group to the Vendor as recorded as at the date of the SP Agreement, which will be assigned by the Vendor to the Purchaser or its nominee(s) pursuant to the Deed of Loan Assignment on Completion
"Long Stop Date"	21st November, 2009, being a date falling on sixth months from the date of the SP Agreement (or such other date as may be agreed by the Vendor and the Purchaser in writing)

"Percentage Ratio"	the "percentage ratio" as defined in Rule 14.04(9) of the Listing Rules
"PRC"	the People's Republic of China, not including Taiwan, Hong Kong and Macau
"PRC Subsidiaries"	Shandong Cement, Wangchao Cement and Shanghai Cement
"Products"	the cement and clinker manufactured and produced by the PRC Subsidiaries
"Purchaser"	Sunwealth Holdings Limited, a company incorporated in BVI with limited liability and an indirect wholly-owned subsidiary of the Company, being the purchaser under the SP Agreement
"Refundable Deposit"	the refundable deposit in the amount of HK$20,000,000, representing 10% of the Total Consideration
"Sale Shares"	10,000,000 shares, representing the entire issued share capital of the Target Company to be sold by the Vendor to the Purchaser pursuant to the SP Agreement
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shandong Cement"	山東上聯水泥發展有限公司 (Shandong Shanghai Allied Cement Co., Ltd.*), a limited liability company incorporated in the PRC and an indirect wholly-owned subsidiary of the Target Company
"Shanghai Cement"	上海聯合水泥有限公司 (Shanghai Allied Cement Co., Ltd.*), a limited liability company incorporated in the PRC and an indirect non-wholly owned subsidiary of the Target Company
"Share(s)"	ordinary share(s) of HK$0.20 each in the issued share capital of the Company and a "Share" shall mean any of such Shares
"Shareholder(s)"	holder(s) of the Share(s)

"SP Agreement"	the sale and purchase agreement entered into between the Purchaser, the Vendor and the Company as the Purchaser's guarantor on 21st May, 2009, pursuant to which (i) the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Shares; and (ii) the Vendor agreed to assign and the Purchaser agreed to take the assignment of the Loan
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Target Company"	Shanghai Allied Cement Holdings Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Vendor
"Target Group"	the Target Company and its subsidiaries, namely, AII-Cement, Shandong Cement, AII-Shanghai, Shanghai Cement and Wangchao Cement
"Transactions"	the transactions contemplated under the SP Agreement, in particular, the Acquisition and the Assignment
"Vendor"	Shanghai Allied Cement Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1060), being the vendor under the SP Agreement
"Wangchao Cement"	山東聯合王晁水泥有限公司 (Shandong Allied Wangchao Cement Limited*), a limited liability company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
"%"	per cent.

* *for identification purpose only*

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 *(Deputy Managing Director)*
Edwin Lo King Yau
Li Chi Kong
Yasushi Ichikawa

Non-Executive Directors:
Lee Seng Hui *(Chairman)*
Song Zengbin *(Deputy Chairman)*
Moses Cheng Mo Chi

Independent Non-Executive Directors:
Francis J. Chang Chu Fai
Ngai Wah Sang
Xu Su Jing
Lisa Yang Lai Sum

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

29th June, 2009

To the Shareholders and, for information only,
the holders of warrants

Dear Sir or Madam,

MAJOR TRANSACTION

Acquisition of the Entire Issued Share Capital of Shanghai Allied Cement Holdings Limited

1. INTRODUCTION

Reference is made to the Announcement in which the Directors announced that on 21st May, 2009, the SP Agreement was entered into between the Purchaser, an indirect wholly-owned subsidiary of the Company, as the purchaser, the Company as the Purchaser's guarantor and the Vendor as the vendor, pursuant to which (i) the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Shares at the consideration of HK$50,027,000; and (ii) the Vendor agreed to assign and the Purchaser agreed to take the assignment of the Loan free from any encumbrance at the consideration of HK$149,973,000. Therefore, the Total Consideration for the Transactions was in the aggregate sum of HK$200,000,000.

The Transactions constitute a major transaction for the Company under Rule 14.06(3) of the Listing Rules, on the basis that the calculation of the relevant Percentage Ratio exceeds 25% but less than 100%, hence Completion is conditional upon, inter alia, the Shareholders' approval.

The purpose of this circular is (i) to provide the Shareholders, amongst other things, further information in relation to the Transactions; and (ii) to give the Shareholders notice of the EGM and other information in accordance with the requirements of the Listing Rules.

2. THE SP AGREEMENT

Date: 21st May, 2009

Parties:

(1)	Vendor	Shanghai Allied Cement Limited as the vendor
(2)	Purchaser	Sunwealth Holdings Limited, an indirect wholly-owned subsidiary of the Company, as the purchaser
(3)	Guarantor	the Company as guarantor of the Purchaser

To the best knowledge, information and belief of the Directors having made all reasonable enquiries and based on the information available on the website of the Stock Exchange as at the Latest Practicable Date, the Vendor and the Vendor's ultimate beneficial owners are independent third parties not connected with the Company and connected persons of the Company.

The Company advises that the Group was previously a shareholder of the Vendor. On 8th May, 2007, the Group entered into a placing agreement pursuant to which the Group placed (the "Placing") and disposed of all its shareholding interest being 399,485,640 shares, representing approximately 54% of the then issued share capital of the Vendor. Completion of the Placing took place on 29th June, 2007.

The Sale Shares and the Assignment of Loan

The Sale Shares represent the entire issued share capital of the Target Company. The Target Group is principally engaged in the business of manufacturing and distribution of cement, clinker and related products in the PRC and its major assets include manufacturing plants and equipment in the PRC, prepaid lease payments on land use rights, goodwill, inventories, trade and other receivables and bank deposits. The shareholding structure of the Target Group is set out under the sub-section headed "Completion" below.

The Loan is a shareholder's loan owed by the Target Company to the Vendor in the outstanding amount of HK$278,503,677 as at the date of the SP Agreement and will be assigned to the Purchaser or its nominee(s) free from any encumbrance. The Vendor confirms that the Loan represents the entire amount of the shareholder's loan owed by the Target Company and other than the Loan, the Target Group has no outstanding shareholder's loan as at the date of the SP Agreement.

Consideration

The aggregate consideration for the Acquisition and the Assignment is HK$200,000,000 (the "Total Consideration"), comprising (i) the sum of HK$50,027,000 for the Acquisition; and (ii) the sum of HK$149,973,000 for the Assignment.

The Total Consideration will be satisfied in the following manner:

(1) the Refundable Deposit of HK$20,000,000, representing 10% of the Total Consideration has been paid by the Purchaser to the Vendor in cash upon the signing of the SP Agreement; and

(2) the balance of the Total Consideration less the Refundable Deposit equalling the amount of HK$180,000,000 shall be paid by the Purchaser to the Vendor in cash upon Completion.

The Total Consideration was arrived at after arm's length negotiation and was determined with reference to the unaudited consolidated net tangible asset value of the Target Group (excluding the goodwill) of HK$50,027,000 (based upon the unaudited management accounts for the period ended 31st March, 2009 of the Target Group), the value of the Loan and the ability of repayment of the Loan by the Target Company. In assessing the Target Company's ability to repay the Loan, the Company has taken into account the revenue and profitability of the Target Group, based on the financial information of the Target Group for the year 2008. In view of the above, the Directors are of the view that the Total Consideration is fair and reasonable. The Total Consideration will be satisfied by the internal resources of the Group and bank financing.

Guarantee

The Company, as the ultimate holding company of the Purchaser, has agreed to provide a guarantee to the Vendor for the performance of obligations by the Purchaser under the SP Agreement. Save and except the guarantee, no other form of security has been provided by the Company.

Conditions Precedent

Completion is conditional upon, inter alia, fulfilment of the following:

(1) the Vendor's warranties under the SP Agreement remaining true and accurate and not misleading in any material respect as given as of the date of the SP Agreement and as of Completion and as if given at all times between the date of the SP Agreement and Completion;

(2) the Vendor, the Company and the Purchaser having duly performed and observed all of the obligations, undertakings and covenants required to be performed and observed by it under the SP Agreement, on or prior to Completion;

(3) all necessary authorisations of all relevant governmental or regulatory authorities, agencies or bodies, or any other third party, required for the implementation of the transactions contemplated in the SP Agreement being obtained and maintained;

(4) each of the Vendor, the Purchaser and the Company having obtained (where applicable) the approval by their respective shareholders of the SP Agreement and the Transactions as required by the Listing Rules;

(5) each of the Vendor and the Company having complied with and to the satisfaction of the Stock Exchange all requirements under the Listing Rules in relation to the Transactions;

(6) no matter, event, circumstance or change having occurred which has caused, causes or is likely to cause any material adverse effect on:

  (a) the business, operations, prospects or financial condition, or a material portion of the properties or assets, of any member of the Target Group;

  (b) the operations or legality of the business of the Target Group; or

  (c) the ability of the Vendor to perform or observe all or any of its obligations, undertakings or covenants under the SP Agreement;

(7) legal, financial, valuation, business and technical due diligence reviews having been conducted by the Purchaser over the Target Group and its business to the sole and absolute satisfaction of the Purchaser;

(8) a PRC legal opinion issued by a firm of reputable practising lawyers in the PRC appointed by the Purchaser at its sole and absolute discretion and in a form to the sole and absolute satisfaction of the Purchaser and prior to Completion, confirming the due establishment, valid existence, legality and shareholding structure and legality of the business and operation of each of the PRC Subsidiaries under the PRC law;

(9) the signing of the Distributorship Agreement by each of the PRC Subsidiaries and the Distributor; and

(10) there being no indication from the Stock Exchange that listing of the shares of the Vendor will be suspended, revoked or withdrawn at any time in connection with any of the Transactions.

The Vendor and the Purchaser may, at its sole and absolute discretion, waive any of the conditions above except conditions (3), (4), (5), (9) and (10).

If any of the conditions precedent not having been fulfilled (or waived by the Vendor or the Purchaser, except for conditions (3), (4), (5), (9) and (10)) before the Long Stop Date, neither the Purchaser nor the Vendor shall be required to proceed to Completion and the Vendor shall refund, in cash, the Refundable Deposit (together with interest accrued thereon at the rate of 15% per annum and calculated from the date of receipt of the Refundable Deposit by the Vendor to the date immediately preceding the date of return of the Refundable Deposit) to the Purchaser in accordance with the terms of the SP Agreement.

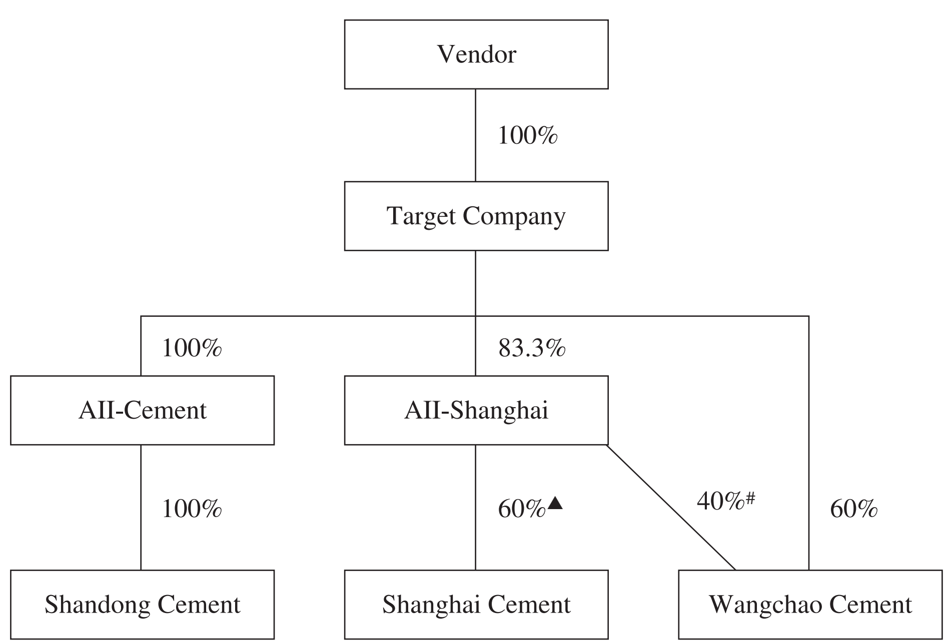
Completion

Completion will take place on the fifth business day following the day on which the last condition under the SP Agreement has been fulfilled or waived (or such other date as may be agreed between the Vendor and the Purchaser in writing). There are no restrictions in the SP Agreement restricting the Purchaser from subsequently selling any of the Sale Shares.

The change in shareholding structure of the Target Group as at the Latest Practicable Date and after Completion is summarised in the charts as below:

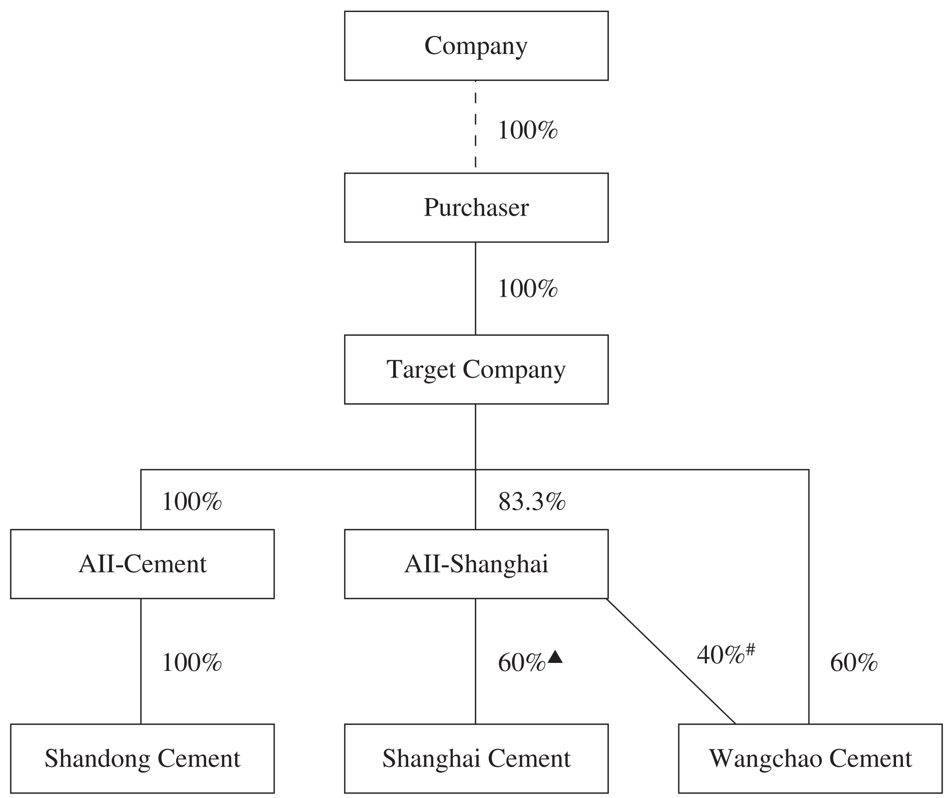
As at the Latest Practicable Date, the shareholding structure of the Target Group is as follows:

Chart 1



Upon Completion, the shareholding structure of the Target Group will be as follows:

Chart 2



Remarks:

--- represents indirect shareholding of the Company

\# AII-Shanghai holds 40% of the equity interest in Wangchao Cement in trust for the Target Company.

▲ The remaining 40% of the equity interest in Shanghai Cement is owned by an independent third party not connected with the Company and connected persons of the Company.

Termination

If Completion fails to take place as a result of the Vendor or the Purchaser failing to fulfil any of its obligations under the SP Agreement at Completion, the party not in default may, inter alia:

(1) defer Completion to a date not more than twenty-eight (28) days from the original date of Completion; or

(2) proceed to Completion so far as practicable; or

(3) sue for specific performance in accordance with the SP Agreement; or

(4) terminate the SP Agreement.

If termination of the SP Agreement occurs as a result of the Vendor's default, the Purchaser shall be entitled to, inter alia, a refund of the Refundable Deposit, in cash, in full (together with interest accrued thereon at the rate of 15% per annum and calculated from the date of receipt of the Refundable Deposit by the Vendor to the date immediately preceding the date of return of the Refundable Deposit) by the Vendor in accordance with the SP Agreement.

If termination of the SP Agreement occurs as a result of the Purchaser's default, the Vendor shall be entitled to, inter alia, forfeit and retain the Refundable Deposit in full in accordance with the SP Agreement.

3. INFORMATION RELATING TO THE COMPANY, THE PURCHASER, THE VENDOR AND THE TARGET COMPANY

(1) The Company

The Company is a company incorporated in Hong Kong with limited liability, the securities of which are listed on the Main Board of the Stock Exchange.

The principal business activity 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.

(2) The Purchaser

The Purchaser is a company incorporated in BVI with limited liability and is an indirect wholly-owned subsidiary of the Company.

The principal business activity of the Purchaser is investment holding.

(3) The Vendor

The Vendor is a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange.

The principal business activity of the Vendor is investment holding. The subsidiaries of the Vendor are engaged principally in manufacturing and distribution of cement and clinker.

(4) The Target Company

The Target Company is a company incorporated in Hong Kong with limited liability and is a direct wholly-owned subsidiary of the Vendor.

The principal business activity of the Target Company is investment holding. The major subsidiaries of the Target Company are engaged principally in manufacturing and distribution of cement and clinker.

4. SUMMARY OF FINANCIAL INFORMATION OF THE TARGET COMPANY

A summary of the unaudited consolidated financial information of the Target Group for the two financial years ended 31st December, 2007 and 31st December, 2008, as provided by the Vendor, are as follows:

	Year ended 31 December,	
	2008	2007
	HK$'000	*HK$'000*
Revenue	**552,847****	420,683**
Net profit before tax	**39,399**	18,739
Net profit after tax	**37,542**	20,139
Net profit attributable to the Target Group	**29,516**	13,386

** Based on the annual report of the Vendor for the year ended 31st December, 2008, these figures represent revenue derived from the manufacturing and distribution business of the Vendor and its subsidiaries.

As informed by the Vendor, the unaudited consolidated net asset value and net tangible asset value of the Target Company as at 31st December, 2008 were approximately HK$119,345,000 and HK$49,866,000 respectively.

According to the Vendor, the accounts summarised above have been prepared in accordance with the Hong Kong Financial Reporting Standards. The latest financial information of the Target Group are set out in Appendix II of this circular.

5. DISTRIBUTORSHIP AGREEMENT

The entering into of the Distributorship Agreement is one of the conditions precedent of the SP Agreement. Pursuant to the Distributorship Agreement, the PRC Subsidiaries will sell and the Distributor, being a non-exclusive distributor, will purchase the Products from the PRC Subsidiaries for resale by the Distributor to its customers at such prices to be determined solely by the Distributor within (i) the PRC; (ii) such other countries/territories that the PRC Subsidiaries are authorised to sell and/or distribute the Products as at the date of the Distributorship Agreement; and (iii) subject to the prior written consent of the PRC Subsidiaries, any other countries/territories. The Distributorship Agreement shall be for a term of five (5) years and may be terminated by mutual consent in writing. Pursuant to the Distributorship Agreement, it is agreed that the price for the selling of the Products by the PRC Subsidiaries shall be fixed at the ex-factory price (being a price excluding costs for delivery and insurance), which shall be set at cost with a premium subject to the market conditions from time to time, to be charged to customers who are independent third parties of the Company and the PRC Subsidiaries, with a 5% discount and the Distributor shall arrange for the delivery of the Products at its own costs and expenses.

By entering into the Distributorship Agreement, the Company will be able to carry on the business of distributing the Products through the PRC Subsidiaries and to rely on the distribution network of the Products established by the Vendor's subsidiaries. The Company considers that by engaging the Distributor, the distribution network for the Products will be broadened, which, in turn is expected to generate a higher volume of sale. Hence, it is in the interest of the Company to engage the Distributor to maintain the distribution of the Products after Completion.

6. REASONS AND BENEFITS FOR ENTERING INTO THE TRANSACTIONS

Following the disposal of, inter alia, the Target Group in 2007, the Company observed that the business of the Target Group has been in growth notwithstanding the macroeconomic measures to cool down the overheated economy by the PRC government and which was reflected in the revenue of the Target Group for the year 2008. Furthermore, based on the long term growth prospect of the PRC economy, the Board expects that property development in the PRC will continue to enjoy growth and as a result of which demand for construction materials will remain strong. The Board believes that the current market condition presents a good opportunity to acquire the business of manufacturing and production of construction material.

As a result of the Transactions, the Group expects to diversify its scope of business to that of manufacturing and distribution of construction material in the PRC. Through the diversification of the Group's business, the Board also expects to expand its source of revenue and to increase its clientele base in the PRC as well as achieving economic benefits in vertical integration through direct management on the business of the Target Group in manufacturing and distributing the Products and assistance with broadening the sourcing of materials for the Group's construction projects.

In addition to the above, in considering the entering into the Transactions, the Board has also taken into account of (i) the discount of approximately 46% to the Loan enjoyed by the Company calculated by comparing the amount of the Loan to the consideration for the Assignment; (ii) the discount of approximately 58% to the net asset value of the Target Group calculated by comparing such net asset value to the consideration for the Acquisition; and (iii) the recoverability of the Loan based on the performance of the Target Group in the year 2008.

In view of the above, the Board is of the view that the Transactions (including the entering into of the Distributorship Agreement between the PRC Subsidiaries and the Distributor) and the terms of the SP Agreement are fair and reasonable and in the interest of the Company and its Shareholders taken as a whole.

7. EFFECT OF THE TRANSACTIONS ON THE EARNINGS, ASSETS AND LIABILITIES OF THE GROUP

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the financial statement of the Company. Set out in Appendix III to this circular is the unaudited pro forma financial information of the Enlarged Group which illustrates the financial impact of the Transactions on the Group, assuming the Transactions had taken place on 31st December, 2008.

As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix III to this circular, the total assets and the total liabilities of the Group will be increased by approximately HK$716,511,000 and HK$328,909,000 respectively as a result of the Transactions.

It is expected that both turnover and earnings of the Group will increase as a result of Completion.

8. LISTING RULES IMPLICATIONS OF THE TRANSACTIONS

The Transactions constitute a major transaction for the Company under Rule 14.06(3) of the Listing Rules, on the basis that the calculation of the relevant Percentage Ratio exceeds 25% but less than 100%. Hence, Completion is conditional upon, inter alia, the Shareholders' approval.

9. EGM

A notice convening the EGM is set out on pages 147 and 148 of this circular. An ordinary resolution will be proposed to the Shareholders to consider and, if thought fit, to approve, inter alia, the terms of the SP Agreement and the Transactions. The vote of the Shareholders at the EGM will be taken by poll pursuant to Rule 13.39(4) of the Listing Rules. An announcement will be made in respect of the results of the poll.

As at the Latest Practicable Date, and to the best knowledge, belief and information of the Directors, and having made all reasonable enquiries, no Shareholder is required under the Listing Rules to abstain from voting on the resolutions regarding the SP Agreement and the Transactions at the EGM.

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 share registrars 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 prevent Shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish.

10. RECOMMENDATION

The Board considers that the terms of the SP Agreement are fair and reasonable, on normal commercial terms and are in the interest of the Company and the Shareholders taken as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the SP Agreement and the transactions contemplated thereunder.

11. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this circular. The English text of this circular shall prevail over the Chinese text.

Yours faithfully,
On behalf of the Board
Tian An China Investments Company Limited
Li Chi Kong
Executive Director

I. SUMMARY FINANCIAL INFORMATION

The financial information for the annual results of the Group for the years ended 31st December, 2006, 31st December, 2007 and 31st December, 2008 have been extracted from the respective published audited financial statements of the Group. The auditors have expressed an unqualified opinion on those financial statements in their report for the years ended 31st December, 2006, 31st December, 2007 and 31st December, 2008, respectively.

(i) Results

	Year ended		
	31st December, 2008	**31st December, 2007**	**31st December, 2006**
	HK$'000	*HK$'000*	*HK$'000*
Continuing operations			
Revenue	473,329	670,706	503,740
Cost of sales	(303,658)	(400,134)	(319,842)
Gross profit	169,671	270,572	183,898
Other income and gains	130,922	98,603	108,969
Marketing and distribution costs	(14,052)	(15,864)	(19,067)
Administrative expenses	(156,521)	(148,548)	(137,503)
Other operating expenses	(180,876)	(54)	(1,786)
(Decrease) increase in fair value of held-for-trading investments	(19,928)	30,540	659
Change in fair value of derivative financial instrument	794,420	(101,665)	–
Fair value gain on transfer of inventories of completed properties to investment properties	61,547	73,281	18,045
(Decrease) increase in fair value of investment properties	(187,283)	171,533	311,706
Write-down of properties for development and inventories of completed properties	(8,370)	(106,168)	(79,788)
Reversal of (allowance for) bad and doubtful debts	3,020	(12,349)	(3,317)
Amortisation of properties for development	(45,645)	(38,205)	(21,494)
Gain on disposal of a jointly controlled entity	–	–	150,390
Gain on disposal of subsidiaries	–	197,099	–
Discount on acquisition of subsidiaries	–	28,415	–
Discount on acquisition of additional interests in subsidiaries	24,273	98,261	1,147
Finance costs	(94,458)	(103,998)	(101,903)
Share of profit (loss) of associates	22,587	72,166	(6,004)
Share of profit of jointly controlled entities	189,943	176,114	(42,452)
Profit before taxation	689,250	689,733	361,500
Taxation	57	(162,550)	(340,356)
Profit for the year from continuing operations	689,307	527,183	21,144

	Year ended 31st December, 2008 *HK$'000*	31st December, 2007 *HK$'000*	31st December, 2006 *HK$'000*
Discontinued operations			
Profit for the year from discontinued operations	–	144,330	5,126
Profit for the year	689,307	671,513	26,270
Attributable to:			
Equity holders of the Company	711,087	702,976	51,496
Minority interests	(21,780)	(31,463)	(25,226)
	689,307	671,513	26,270
Dividend			
Paid	151,106	28,232	–
Proposed	45,203	151,112	28,232
	HK cents	*HK cents*	*HK cents*
Earnings per share			
From continuing and discontinued operations			
Basic	46.98	54.55	4.39
Diluted	46.98	54.55	4.36
From continuing operations			
Basic	46.98	43.85	4.64
Diluted	46.98	43.85	4.60

(ii) Assets and liabilities

	31st December, 2008 *HK$'000*	31st December, 2007 *HK$'000*	31st December, 2006 *HK$'000*
Non-current assets			
Property, plant and equipment	153,979	263,796	590,812
Deposits for acquisition of property, plant and equipment	–	1,970	76,860
Investment properties	4,352,200	3,985,200	3,042,800
Intangible assets	–	–	7,142
Properties for development	3,388,544	2,592,037	1,415,251
Deposits for acquisition of properties for development	1,327,907	1,730,890	1,791,745
Prepaid lease payments on land use rights	53,980	67,392	34,138
Interests in associates	254,945	242,703	540,550
Interests in jointly controlled entities	721,499	982,250	631,102
Available-for-sale investments	17,583	40,345	3,306
Goodwill	640	640	39,386
Instalments receivable	–	–	50,340
Deferred tax assets	7,303	5,975	4,039
	10,278,580	9,913,198	8,227,471
Current assets			
Inventories of properties			
– under development	628,224	592,573	324,553
– completed	477,097	544,230	880,258
Other inventories	996	3,041	38,566
Amounts due from associates	–	–	12,369
Amounts due from jointly controlled entities	172,392	193,056	67,370
Amounts due from minority shareholders	24,320	23,504	24,601
Loans receivable	165,650	80,048	62,131
Instalments receivable	–	74,642	32,965
Trade and other receivables, deposits and prepayments	199,490	190,480	479,177
Prepaid lease payments on land use rights	896	1,437	1,036
Held-for-trading investments	22,513	42,131	11,579
Prepaid tax	26,577	24,424	26,319
Pledged bank deposits	600,672	89,912	306,878
Bank balances and cash	1,892,715	3,073,336	369,625
	4,211,542	4,932,814	2,637,427
Assets classified as held for sale	445,901	–	–
	4,657,443	4,932,814	2,637,427

	31st December, 2008 *HK$'000*	31st December, 2007 *HK$'000*	31st December, 2006 *HK$'000*
Current liabilities			
Trade and other payables	901,422	891,678	881,796
Pre-sale deposits	78,748	117,387	135,994
Tax liabilities	428,929	459,816	344,732
Dividends payable to minority shareholders	453	186	8,109
Interest-bearing borrowings	297,618	605,492	712,841
Interest-free borrowings	166,770	168,705	156,978
Derivative financial instrument	9,066	803,516	–
	1,883,006	3,046,780	2,240,450
Liabilities associated with assets classified as held for sale	178,701	–	–
	2,061,707	3,046,780	2,240,450
Net current assets	2,595,736	1,886,034	396,977
Total assets less current liabilities	12,874,316	11,799,232	8,624,448
Capital and reserves			
Share capital	301,350	302,225	225,854
Reserves	9,545,737	8,570,334	5,718,150
Equity attributable to equity holders of the Company	9,847,087	8,872,559	5,944,004
Minority interests	291,234	390,549	407,173
Total equity	10,138,321	9,263,108	6,351,177
Non-current liabilities			
Interest-bearing borrowings	1,446,378	1,092,944	1,264,777
Interest-free borrowings	–	36,999	60,143
Deferred rental income from a tenant	106,247	107,574	107,882
Rental deposits from tenants	10,444	18,076	14,332
Membership debentures	–	34,995	32,591
Deferred tax liabilities	1,172,926	1,245,536	793,546
	2,735,995	2,536,124	2,273,271
	12,874,316	11,799,232	8,624,448

II. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31ST DECEMBER, 2008

Set out below are the consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity and consolidated cash flow statement of the Group and the balance sheet of the Company and notes to the consolidated financial statements reproduced from the audited financial statements published in the Company's annual report for the year ended 31st December, 2008.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2008

	Notes	2008 HK$'000	2007 HK$'000
Continuing operations			
Revenue	6	473,329	670,706
Cost of sales		(303,658)	(400,134)
Gross profit		169,671	270,572
Other income and gains	7	130,922	98,603
Marketing and distribution costs		(14,052)	(15,864)
Administrative expenses		(156,521)	(148,548)
Other operating expenses		(180,876)	(54)
(Decrease) increase in fair value of held-for-trading investments		(19,928)	30,540
Change in fair value of derivative financial instrument		794,420	(101,665)
Fair value gain on transfer of inventories of completed properties to investment properties		61,547	73,281
(Decrease) increase in fair value of investment properties		(187,283)	171,533
Write-down of properties for development and inventories of completed properties		(8,370)	(106,168)
Reversal of (allowance for) bad and doubtful debts		3,020	(12,349)
Amortisation of properties for development		(45,645)	(38,205)
Gain on disposal of subsidiaries	8	–	197,099
Discount on acquisition of subsidiaries	9	–	28,415
Discount on acquisition of additional interests in subsidiaries	10	24,273	98,261
Finance costs	11	(94,458)	(103,998)
Share of profit of associates		22,587	72,166
Share of profit of jointly controlled entities		189,943	176,114
Profit before taxation		689,250	689,733
Taxation	12	57	(162,550)
Profit for the year from continuing operations	13	689,307	527,183

	Notes	2008 HK$'000	2007 HK$'000
Discontinued operations			
Profit for the year from discontinued operations	16	–	144,330
Profit for the year		689,307	671,513
Attributable to:			
Equity holders of the Company		711,087	702,976
Minority interests		(21,780)	(31,463)
		689,307	671,513
Dividend	17		
Paid		151,106	28,232
Proposed		45,203	151,112
		HK cents	*HK cents*
Earnings per share	18		
From continuing and discontinued operations			
Basic		46.98	54.55
Diluted		46.98	54.55
From continuing operations			
Basic		46.98	43.85
Diluted		46.98	43.85

CONSOLIDATED BALANCE SHEET

At 31st December, 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	19	153,979	263,796
Deposits for acquisition of property, plant and equipment		–	1,970
Investment properties	20	4,352,200	3,985,200
Properties for development	21	3,388,544	2,592,037
Deposits for acquisition of properties for development		1,327,907	1,730,890
Prepaid lease payments on land use rights	22	53,980	67,392
Interests in associates	24	254,945	242,703
Interests in jointly controlled entities	25	721,499	982,250
Available-for-sale investments	26	17,583	40,345
Goodwill	27	640	640
Deferred tax assets	43	7,303	5,975
		10,278,580	9,913,198
Current assets			
Inventories of properties			
– under development		628,224	592,573
– completed		477,097	544,230
Other inventories		996	3,041
Amounts due from jointly controlled entities	28	172,392	193,056
Amounts due from minority shareholders	29	24,320	23,504
Loans receivable	30	165,650	80,048
Instalments receivable	31	–	74,642
Trade and other receivables, deposits and prepayments	32	199,490	190,480
Prepaid lease payments on land use rights	22	896	1,437
Held-for-trading investments	33	22,513	42,131
Prepaid tax		26,577	24,424
Pledged bank deposits	50	600,672	89,912
Bank balances and cash		1,892,715	3,073,336
		4,211,542	4,932,814
Assets classified as held for sale	34	445,901	–
		4,657,443	4,932,814

	Notes	2008 HK$'000	2007 HK$'000
Current liabilities			
Trade and other payables	*35*	901,422	891,678
Pre-sale deposits		78,748	117,387
Tax liabilities		428,929	459,816
Dividends payable to minority shareholders		453	186
Interest-bearing borrowings	*38*	297,618	605,492
Interest-free borrowings	*39*	166,770	168,705
Derivative financial instrument	*40*	9,066	803,516
		1,883,006	3,046,780
Liabilities associated with assets classified as held for sale	*34*	178,701	–
		2,061,707	3,046,780
Net current assets		2,595,736	1,886,034
Total assets less current liabilities		12,874,316	11,799,232
Capital and reserves			
Share capital	*36*	301,350	302,225
Reserves	*37*	9,545,737	8,570,334
Equity attributable to equity holders of the Company		9,847,087	8,872,559
Minority interests		291,234	390,549
Total equity		10,138,321	9,263,108
Non-current liabilities			
Interest-bearing borrowings	*38*	1,446,378	1,092,944
Interest-free borrowings	*39*	–	36,999
Deferred rental income from a tenant	*41*	106,247	107,574
Rental deposits from tenants		10,444	18,076
Membership debentures	*42*	–	34,995
Deferred tax liabilities	*43*	1,172,926	1,245,536
		2,735,995	2,536,124
		12,874,316	11,799,232

BALANCE SHEET
At 31st December, 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	19	4,682	3,188
Interests in subsidiaries	23	3,458,416	5,148,950
Interests in jointly controlled entities	25	10,339	171,651
		3,473,437	5,323,789
Current assets			
Other receivables, deposits and prepayments		9,591	2,518
Amounts due from subsidiaries		7,107,414	657,127
Amounts due from jointly controlled entities		1,587	69,154
Bank balances and cash		1,911	2,461,068
		7,120,503	3,189,867
Current liabilities			
Other payables		26,630	22,755
Tax liabilities		19,176	13,914
Interest-bearing borrowings	38	–	78,405
Interest-free borrowings	39	60,209	44,455
Derivative financial instrument	40	9,066	803,516
		115,081	963,045
Net current assets		7,005,422	2,226,822
Total assets less current liabilities		10,478,859	7,550,611
Capital and reserves			
Share capital	36	301,350	302,225
Reserves	37	10,175,952	7,248,386
		10,477,302	7,550,611
Non-current liability			
Deferred tax liabilities	43	1,557	–
		10,478,859	7,550,611

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2008

	Attributable to equity holders of the Company										
	Share capital	Share premium account	Special capital reserve	Capital redemption reserve	Exchange translation 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*
At 1st January, 2007	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	–	–	–	–	266,799	–	–	–	266,799	20,982	287,781
Share of changes in equity of associates and jointly controlled entities	–	–	–	–	44,896	–	–	–	44,896	–	44,896
Increase in fair value of available-for-sale investments	–	–	–	–	–	36,813	–	–	36,813	–	36,813
Effect of change in tax rate of deferred tax liabilities arising on revaluation of properties	–	–	–	–	–	95	–	–	95	–	95
Surplus on revaluation on acquisition of additional interests in subsidiaries	–	–	–	–	–	–	(40,883)	–	(40,883)	–	(40,883)
Surplus on revaluation on acquisition of subsidiaries *(note 9)*	–	–	–	–	–	–	15,986	–	15,986	–	15,986
Net income and expense recognised directly in equity	–	–	–	–	311,695	36,908	(24,897)	–	323,706	20,982	344,688
Realised on disposal of subsidiaries	–	–	–	–	(13,527)	–	(8,178)	–	(21,705)	(262,226)	(283,931)
Reserves released upon disposal of properties	–	–	–	–	–	–	1,401	–	1,401	–	1,401
Profit attributable to equity holders	–	–	–	–	–	–	–	702,976	702,976	(31,463)	671,513
Total recognised income and expense for the year	–	–	–	–	298,168	36,908	(31,674)	702,976	1,006,378	(272,707)	733,671
Issue of shares	76,371	1,915,902	–	–	–	–	–	–	1,992,273	–	1,992,273
Share issue expenses	–	(41,864)	–	–	–	–	–	–	(41,864)	–	(41,864)
Decrease in minority interests as a result of acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	(73,187)	(73,187)
Increase in minority interests as a result of acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	332,828	332,828
Dividend recognised as distribution	–	–	–	–	–	–	–	(28,232)	(28,232)	(3,558)	(31,790)
At 31st December, 2007	302,225	3,265,996	1,417,669	130,691	479,516	39,678	(26,391)	3,263,175	8,872,559	390,549	9,263,108

	Attributable to equity holders of the Company										
	Share capital *HK$'000*	Share premium account *HK$'000*	Special capital reserve *HK$'000*	Capital redemption reserve *HK$'000*	Exchange translation 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, 2008	302,225	3,265,996	1,417,669	130,691	479,516	39,678	(26,391)	3,263,175	8,872,559	390,549	9,263,108
Exchange differences arising on translation	–	–	–	–	423,740	–	–	–	423,740	6,202	429,942
Share of changes in equity of associates and jointly controlled entities	–	–	–	–	12,906	–	–	–	12,906	–	12,906
Decrease in fair value of available-for-sale investments	–	–	–	–	–	(25,328)	–	–	(25,328)	–	(25,328)
Surplus on revaluation on acquisition of additional interests in subsidiaries	–	–	–	–	–	–	(36,264)	–	(36,264)	–	(36,264)
Net income and expense recognised directly in equity	–	–	–	–	436,646	(25,328)	(36,264)	–	375,054	6,202	381,256
Reserves released upon disposal of properties	–	–	–	–	–	–	770	–	770	–	770
Profit attributable to equity holders	–	–	–	–	–	–	–	711,087	711,087	(21,780)	689,307
Total recognised income and expense for the year	–	–	–	–	436,646	(25,328)	(35,494)	711,087	1,086,911	(15,578)	1,071,333
Issue of shares on exercise of warrants	2	120	–	–	–	–	–	–	122	–	122
Issue of shares for scrip dividend	3,111	86,487	–	–	–	–	–	–	89,598	–	89,598
Share repurchased and cancelled	(3,988)	–	–	3,988	–	–	–	(50,997)	(50,997)	–	(50,997)
Decrease in minority interests as a result of acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	(83,299)	(83,299)
Dividend recognised as distribution	–	–	–	–	–	–	–	(151,106)	(151,106)	(438)	(151,544)
At 31st December, 2008	301,350	3,352,603	1,417,669	134,679	916,162	14,350	(61,885)	3,772,159	9,847,087	291,234	10,138,321

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31st December, 2008

	Notes	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		689,250	831,870
Adjustments for:			
Other income and gains			
– Dividend income		(364)	(319)
– Interest income on bank deposits, receivables and loan receivables		(77,762)	(34,383)
– Interest income from jointly controlled entities		(99)	(1,793)
– Imputed interest income on non-current interest-free receivables		(4,290)	(4,897)
– Loss arising from changes in fair value of financial liabilities		–	1,063
Decrease (increase) in fair value of held-for-trading investments		19,928	(30,540)
Fair value gain on transfer of inventories of completed properties to investment properties		(61,547)	(73,281)
Decrease (increase) in fair value of investment properties		187,283	(171,533)
Write-down of properties for development and inventories of completed properties		8,370	106,168
(Reversal of) allowance for bad and doubtful debts		(3,020)	14,528
Gain on disposal of subsidiaries		–	(334,837)
Discount on acquisition of additional interests in subsidiaries		(24,273)	(98,261)
Discount on acquisition of subsidiaries		–	(28,415)
Share of profit of associates		(22,587)	(72,166)
Share of profit of jointly controlled entities		(189,943)	(176,114)
Finance costs		94,458	111,690
Depreciation and amortisation		59,742	61,201
Change in fair value of derivative financial instrument		(794,420)	101,665
Loss on disposal and write-off of property, plant and equipment		258	1,164
Provision for impairment of an associate		1,536	–
Warrants issue expenses		–	7,510
Operating cash (outflows) inflows before movements in working capital		(117,480)	210,320
(Increase) decrease in inventories of properties		(67,709)	60,003
Increase in properties for development and deposits for acquisition of properties for development		(441,238)	(367,455)
Increase in other inventories		(282)	(4,826)
(Increase) decrease in trade and other receivables, deposits and prepayments		(22,373)	14,667
(Increase) decrease in instalments receivable		(5,367)	11,591
Increase in trade and other payables		36,035	135,152
Decrease in pre-sale deposits		(17,184)	(29,417)
Decrease in deferred rental income from a tenant		(1,327)	(308)
(Decrease) increase in rental deposits from tenants		(7,632)	3,744

	Notes	2008 HK$'000	2007 HK$'000
Cash (used in) from operations		(644,557)	33,471
PRC income tax and Land Appreciation Tax ("LAT") paid		(91,156)	(78,475)
PRC income tax refunded		742	61
NET CASH USED IN OPERATING ACTIVITIES		(734,971)	(44,943)
INVESTING ACTIVITIES			
Interest received		58,289	28,169
Dividends received from:			
– associates		5,357	7,969
– jointly controlled entities		243,546	37,241
– available-for-sale investments		364	319
Purchase of property, plant and equipment		(20,615)	(13,070)
Proceeds on disposal of property, plant and equipment		361	1,681
Purchase of investment properties		(60,672)	(182,848)
Proceeds on disposal of investment properties		4,028	3,966
Acquisition of subsidiaries	9	–	(33,084)
Purchase of additional interests in subsidiaries		(192,562)	(15,766)
Capital distribution from (contribution to) a jointly controlled entity		148,489	(149,289)
Proceeds on disposal of subsidiaries	8 & 16	–	645,560
(Advances to) repayment from associates		(70)	12,368
Repayment from (advances to) jointly controlled entities		58,084	(142,474)
Advances to minority shareholders		(816)	(2,713)
Loans advanced		(125,000)	(26,709)
Loans repayment		39,398	8,792
(Increase) decrease in pledged bank deposits		(510,760)	191,652
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(352,579)	371,764
FINANCING ACTIVITIES			
Interest paid		(137,470)	(122,305)
Dividend paid		(61,509)	(28,232)
Dividends paid to minority shareholders		(183)	(11,481)
Proceeds from issue of shares and warrants		92	2,694,124
Expenses on issue of shares and warrants		–	(49,374)
New bank and other loans raised		581,893	553,142
Repayment of bank and other loans		(606,839)	(698,910)
Share repurchase		(50,997)	–
Advances from (repayment to) minority shareholders		4,066	(6,920)
Repayment of promissory note		–	(40,000)
Advances from associates		5,194	9,336
Advances from jointly controlled entities		18,843	21,057
Advances of membership debentures		–	756
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(246,910)	2,321,193

	Notes	2008 HK$'000	2007 HK$'000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(1,334,460)	2,648,014
CASH AND CASH EQUIVALENTS AT 1ST JANUARY		3,073,336	353,620
Effect of foreign exchange rate changes		157,655	71,702
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER		1,896,531	3,073,336
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		1,892,715	3,073,336
Bank balances and cash included in assets classified as held for sale		3,816	–
		1,896,531	3,073,336

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2008

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its securities 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, golf course operation, provision of hotel and property management and investment holding. The functional currency of the Company is Renminbi as the Group conducts most of its operations in the PRC. The consolidated financial statements are presented in Hong Kong dollars which is different from the functional currency of the Company, as the directors of the Company consider that Hong Kong dollars is the most appropriate presentation currency in view of its place of listing.

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

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1st January, 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new or revised HKFRSs has had no material effect on the results or financial position of the Group for the current or prior accounting years. Accordingly, no prior year adjustment has been required.

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

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

1 Effective for annual periods beginning on or after 1st January, 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009.
2 Effective for annual periods beginning on or after 1st January, 2009.
3 Effective for annual periods beginning on or after 1st July, 2009.
4 Effective for annual periods beginning on or after 30th June, 2008.
5 Effective for annual periods beginning on or after 1st July, 2008.
6 Effective for annual periods beginning on or after 1st October, 2008.
7 Effective for transfer on or after 1st July, 2009.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and 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 within the Group's equity. 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 business 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 net assets and operations of another entity 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 acquiree at the date of acquisition.

For previously capitalised goodwill arising on acquisitions of net assets and operations of another entity after 1st January, 2001, 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 business 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 business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

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

Impairment testing on capitalised goodwill

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

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised 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 Group, 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 acquired. No revaluation surplus or deficit on revaluing all of the identifiable assets, liabilities and contingent liabilities of the subsidiary is recognised in the consolidated balance sheet. The difference between the consideration paid and the aggregate of goodwill and the book value of the 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. 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. 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.

Goodwill arise on acquisition 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 jointly controlled entity recognised at the date of acquisition is recognized 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 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).

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.

Effective interest method

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include held-for-trading investments and derivatives that are not designated and effective hedging instruments. 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 and amounts due from minority shareholders) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available for sales or are 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 reclassified from equity to profit or 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.

Impairment of financial assets

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

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

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

Financial assets that are individually significant are assessed for indicators of impairment individually. For certain types of financial assets, such as trade receivables and assets that are assessed not to be impaired individually are subsequently assessed for indicators of impairment on a collective basis.

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount 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 loss will not be reversed in subsequent periods.

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. 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.

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.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities that include interest-bearing and interest-free borrowings, trade and other payables, dividend payable to minority shareholders 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.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on purchase, sale, issue or cancellation of the Company's own instruments.

Derivative financial Instruments

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

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 contracts 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.

Inventories of properties

Inventory of completed properties held for sale and inventories of properties under development for sale 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. Inventories of properties are transferred to investment properties at fair value when there is a change in use, evidenced by a commencement of an operating lease. The difference between the carrying amount and the fair value at the date of transfer is recognised directly in profit or loss.

Properties for development

Properties for development comprises the consideration for acquisition of land use rights 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 costs that are directly attributable to bringing the leasehold land to the condition necessary for it to be capable of development of the properties are capitalised as costs for properties for development.

Amortisation of properties for development are recognised in 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.

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 leasee. 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.

Rental income (payments) 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 of which the title is not expected to pass to the lessee by the end of the lease term is classified as an 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.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. 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 when the significant risks and rewards of ownership of the properties are transferred to buyers, which is when the constructions of relevant properties has been completed and properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. 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 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 on initial recognition.

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, except for exchange difference arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated into the Group presentation currency (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 translation 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.

Non-current assets held for sale

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

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 positions 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.

Valuation of inventories of properties

Inventories of properties are stated at the lower of the cost and net realisable value. Cost of each unit in each phase of development is determined using the weighted average method. The estimated net realisable value is estimated selling price less estimated selling expenses and estimated cost of completion (if any), which are estimated based on best available information.

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, 2008, a deferred tax asset of HK$4,200,000 in relation to unused tax losses has been recognised as set out in note 43. No deferred tax asset has been recognised on the remaining tax losses of HK$347,693,000 and other deductible temporary differences of HK$643,221,000 as it is not probable that taxable profit will be available against which the tax losses and deductible temporary differences can be utilised. 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 PRC. The details of implementation have been announced by local tax bureaux in certain major cities, however, the Group has not finalised its LAT calculation and payments with local tax bureaux in those cities in the PRC. Accordingly, significant judgments are required in determining the amount of land appreciation and its related taxes. 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.

Ownership of properties

At 31st December, 2008, certain land use rights certificates of a golf course and properties for development of totaling HK$1,400,564,000 (2007: HK$1,412,395,000) in the PRC have expired. In order to renew the land use rights certificates, permit of Land Usage for Construction must be granted by the local land bureau. The Group has submitted the necessary documents to the local land bureau and the renewal has not been granted yet. The final outcome of the renewal application depends on the local land policies. If the renewal was rejected, amendment to the development plan may be required. The management has exercised their judgment, taking into consideration legal opinion obtained, and is satisfied that the Group still have the beneficial ownership of the golf course and properties for development.

5. FINANCIAL INSTRUMENTS

5a. Categories of financial instruments

	2008	2007
	HK$'000	*HK$'000*
Financial assets		
Available-for-sales investments	17,583	40,345
Held-for-trading investments	22,513	42,131
Loan and receivables (including bank balances and cash, and pledged bank deposits)	3,075,642	3,769,102
Financial liabilities		
Financial liabilities measured at amortised cost	2,812,641	2,830,999
Derivative financial instrument	9,066	803,516

5b. Financial risk management objective and policies

The Group's major financial instruments include available-for-sale investments and held-for-trading investments, instalments receivable, amounts due from associates, amounts due from jointly controlled entities, amounts due from minority shareholders, loans receivable, trade and other receivables, pledged deposits, bank balances, trade and other payables, borrowings, membership debentures and a derivative financial instrument. 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

The Group's activities expose primarily to the financial risks of changes in interest rates and foreign currency exchange rates and change in other prices of equity and derivative financial instruments (see below).

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

(i) Interest rate risk management

The Group is exposed to fair value interest rate risk through the impact of rate changes on fixed-rate borrowings. The Group's cash flow interest rate risk relates primarily to variable-rate borrowings. 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 and other borrowings of the Group are disclosed in note 38.

Interest rate sensitivity

At the respective balance sheet dates, if interest rates increased/decreased by 200 basis points and all other variables were held constant, the Group's profit would decrease/increase by approximately HK$8,823,000 and HK$4,239,000 for the year ended 31st December, 2008 and 31st December, 2007 respectively.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

(ii) ***Foreign currency risk management***

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 PRC other than Hong Kong and certain bank loans of the Group are denominated in foreign currencies (see notes 38 and 39). 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 carrying amount of monetary assets and monetary liabilities that are denominated in a currency other than Renminbi ("RMB") at the respective balance sheet dates are as follow:

	2008	**2007**
	HK$'000	*HK$'000*
Assets		
United States Dollars	672,939	495,483
Hong Kong Dollars	1,752,707	2,324,716
Liabilities		
United States Dollars	1,202	20,816
Hong Kong Dollars	362,666	593,042

Foreign currency sensitivity

The Group mainly exposes to the currency of United States ("United States Dollars") and the currency of Hong Kong ("Hong Kong Dollars").

The following table details the Group's sensitivity to a 5% increase and decrease in the RMB against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis includes interest-bearing and interest-free borrowings as well as bank balance and cash. A positive number indicates an increase in profit for the year where the RMB strengthens against the relevant currency. If there is 5% increase in RMB against the relevant foreign currencies, the decrease in the profit for the year is shown as below:

	2008	**2007**
	HK$'000	*HK$'000*
United States Dollars		
Decrease in profit for the year	(33,587)	(23,733)
Hong Kong Dollars		
Decrease in profit for the year	(69,502)	(86,584)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(iii) Other price risk

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

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If equity prices was 10% higher/lower:

– other equity reserves would increase/decrease by HK$1,758,000 (2007: increase/decrease by HK$4,034,000) for the Group as a result of the changes in fair value of available-for-sale shares.

– net profit would increase/decrease by HK$2,251,000 (2007: increase/decrease by HK$4,213,000) for the Group as a result of the changes in fair value of held-for-trading investments.

Derivative financial instrument price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to derivative financial instrument price risks at the reporting date.

If derivative financial instrument price was 10% higher/lower:

– net profit would decrease/increase by HK$907,000 (2007: decrease/increase by HK$80,352,000) for the Group as a result of the changes in fair value of derivative financial instrument.

Credit risk

As at 31st December, 2008, 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 financial guarantees provided by the Group 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 47. 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, other receivables and loans receivable at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. With respect to financial guarantees provided to banks to secure the banking facilities granted 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 guarantee provided to banks to secure the banking facilities granted 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

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.

Liquidity tables

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

	Less than 1 month	**1-3 months**	**3 months to 1 year**	**1-5 years**	**5+ years**	**Total undiscounted cash flows**	**Carrying amount at 31st December**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008							
Non-derivative financial liabilities							
Trade and other payables	877,772	2,921	5,851	14,878	–	901,422	901,422
Dividend payable to minority shareholders	453	–	–	–	–	453	453
Interest bearing borrowings	9,366	42,649	337,818	1,485,839	39,945	1,915,617	1,743,996
Interest-free borrowings	166,770	–	–	–	–	166,770	166,770
	1,054,361	45,570	343,669	1,500,717	39,945	2,984,262	2,812,641
2007							
Non-derivative financial liabilities							
Trade and other payables	889,178	561	1,939	–	–	891,678	891,678
Dividend payable to minority shareholders	186	–	–	–	–	186	186
Interest bearing borrowings	201,753	18,001	418,095	1,086,404	65,810	1,790,063	1,698,436
Interest-free borrowings	168,705	–	–	45,973	–	214,678	205,704
Membership debentures	–	–	–	26,068	27,566	53,634	34,995
	1,259,822	18,562	420,034	1,158,445	93,376	2,950,239	2,830,999

Captial risk management

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 38 and 39, membership debenture disclosed in note 42 and equity attributable to equity holders of the Company, comprising share capital and reserves.

The directors of the Company review the capital structure periodically. As a part of this review, the directors of the Company considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt, if necessary.

The Group's overall strategy remains unchanged from 2007.

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 and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;

(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; and

(c) the fair value of derivative financial instrument at 31st December, 2007 are determined by The Black-Scholes pricing model. The fair value of derivative financial instrument at 31st December, 2008 are determined based on the quoted price of warrants available from the relevant stock exchange.

The Group has listed and unlisted investments which are measured at fair value (notes 26 and 33). Fair value of listed investments is determined based on the quoted market bid price available on the relevant exchanges. Fair value of unlisted investments is estimated using a discounted cash flow model, which includes 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

Revenue 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:

	2008	**2007**
	HK$'000	*HK$'000*
Sale of completed properties	223,773	478,089
Rental income	171,049	117,739
Sale of cement, clinker and slag powder	–	192,482
Sale of construction materials	7,036	–
Income from golf course operation	26,421	23,890
Income from hotel and property management	45,050	50,988
	473,329	863,188

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

	Property development	**Property investment**	**Other operations**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Income statement for the year ended 31st December, 2008				
External revenue	223,773	171,049	78,507	473,329
Segment results	(58,637)	(82,976)	(49,828)	(191,441)
Other income and gains				130,922
Unallocated corporate expenses				(162,723)
Change in fair value of derivative financial instrument				794,420
Finance costs				(94,458)
Share of profit of associates	570	21,560	457	22,587
Share of profit of jointly controlled entities	64,088	124,181	1,674	189,943
Profit before taxation				689,250
Taxation				57
Profit for the year				689,307

	Property development HK$'000	Property investment HK$'000	Other operations HK$'000	Consolidated HK$'000
Balance sheet as at 31st December, 2008				
ASSETS				
Segment assets	6,097,174	4,440,336	351,771	10,889,281
Interests in associates	7,688	247,257	–	254,945
Interests in jointly controlled entities	465,353	403,512	25,026	893,891
Unallocated corporate assets				2,897,906
Consolidated total assets				14,936,023
LIABILITIES				
Segment liabilities	759,036	184,432	186,427	1,129,895
Unallocated corporate liabilities				3,667,807
Consolidated total liabilities				4,797,702
Other information for the year ended 31st December, 2008				
Additions of property, plant and equipment	18,335	1,304	2,963	
Additions of properties for development and deposits for acquisition of properties for development	538,512	–	–	
Additions of investment properties	–	63,572	–	
Depreciation and amortisation	48,833	3,616	7,293	
(Gain) loss on disposal and write off of property, plant and equipment	(33)	112	179	
Fair value gain on transfer of inventories of completed properties to investment properties	61,547	–	–	
Decrease in fair value of investment properties	–	187,283	–	
Write-down of properties for development and inventories of completed properties	8,370	–	–	
(Reversal of) allowance for bad and doubtful debts	(5,480)	2,460	–	
Decrease in fair value of investments held for trading	–	–	19,928	
Amortisation of properties for development	45,645	–	–	
Discount on acquisition of additional interests in subsidiaries	24,273	–	–	

Substantially all the assets are located in the PRC.

	Continuing operations				Discontinued operations	
	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$'000*	**Consolidated** *HK$'000*
Income statement for the year ended 31st December, 2007						
External revenue	478,089	117,739	74,878	670,706	192,482	863,188
Segment results	334,912	241,273	18,130	594,315	136,796	731,111
Other income and gains				98,603	13,033	111,636
Unallocated corporate expenses				(45,802)	–	(45,802)
Change in fair value of derivative financial instrument				(101,665)	–	(101,665)
Finance costs				(103,998)	(7,692)	(111,690)
Share of profit of associates	30,574	41,078	514	72,166	–	72,166
Share of profit of jointly controlled entities	100,104	73,562	2,448	176,114	–	176,114
Profit before taxation				689,733	142,137	831,870
Taxation				(162,550)	2,193	(160,357)
Profit for the year				527,183	144,330	671,513

	Property development *HK$'000*	**Property investment** *HK$'000*	**Other operations** *HK$'000*	**Consolidated** *HK$'000*
Balance sheet as at 31st December, 2007				
ASSETS				
Segment assets	5,679,757	4,118,298	194,005	9,992,060
Interests in associates	16,766	225,926	11	242,703
Interests in jointly controlled entities	337,222	812,574	25,510	1,175,306
Unallocated corporate assets				3,435,943
Consolidated total assets				14,846,012
LIABILITIES				
Segment liabilities	806,838	163,218	47,373	1,017,429
Unallocated corporate liabilities				4,565,475
Consolidated total liabilities				5,582,904

	Continuing operations			Discontinued operations
	Property development *HK$'000*	Property investment *HK$'000*	Other operations *HK$'000*	Manufacture and sale of cement, clinker and slag powder *HK$'000*
Other information for the year ended 31st December, 2007				
Additions of property, plant and equipment	2,244	2,410	9,967	1,174
Additions of properties for development and deposits for acquisition of properties for development	650,887	–	–	–
Additions of investment properties	–	221,097	–	–
Depreciation and amortisation	40,535	3,397	7,316	9,922
Loss on disposal and write off of property, plant and equipment	37	6	301	820
Fair value gain on transfer of inventories of completed properties to investment properties	73,281	–	–	–
Increase in fair value of investment properties	–	171,533	–	–
Write-down of properties for development and inventories of completed properties	106,168	–	–	–
Allowance for bad and doubtful debts	12,349	–	–	2,179
Amortisation of properties for development	38,205	–	–	–
Discount on acquisition of subsidiaries	28,415	–	–	–
Discount on acquisition of additional interests in subsidiaries	98,261	–	–	–
Gain on disposal of subsidiaries	197,099	–	–	137,738

Substantially all the assets are located in the PRC.

7. OTHER INCOME AND GAINS

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Dividend income						
– unlisted shares	10	6	–	–	10	6
– listed shares	354	698	–	–	354	698
Interest income on bank deposits and receivables	63,461	22,491	–	442	63,461	22,933
Interest income from jointly controlled entities	99	1,793	–	–	99	1,793
Interest income from loans receivable	14,301	11,450	–	–	14,301	11,450
Imputed interest income on non-current interest-free receivables	4,290	4,897	–	–	4,290	4,897
Refund of PRC value-added tax	–	–	–	9,341	–	9,341
Tax refund for reinvestment of profits in the PRC	23,422	16,105	–	–	23,422	16,105
Net foreign exchange gains	–	17,274	–	–	–	17,274
Other income	24,985	23,889	–	3,250	24,985	27,139
	130,922	98,603	–	13,033	130,922	111,636

8. GAIN ON DISPOSAL OF SUBSIDIARIES

During the year ended 31st December, 2007, the Group disposed of its entire interests in and shareholder's loan to subsidiaries which are established in the PRC and engaged in property development. Details of the disposal are as follows:

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

	HK$'000
Net assets disposed of:	
Property, plant and equipment	49
Properties for development	66,934
Deposits for acquisition of properties for development	183,618
Trade and other receivables	3,824
Bank balances and cash	35
Trade and other payables	(26,648)
	227,812
Exchange translation reserve released	(1,480)
Minority interests	(4,175)
	222,157
Gain on disposal	197,099
	419,256
Total consideration, satisfied by cash	419,256
Net cash inflow arising on disposal:	
Cash consideration	419,256
Bank balances and cash disposed of	(35)
	419,221

9. DISCOUNT ON ACQUISITION OF SUBSIDIARIES

On 2nd May, 2007, the Group acquired approximately 8% of the issued share capital of Jack Rock Development Limited ("Jack Rock") for a total consideration of approximately HK$36,000,000, including repayment of shareholders' loans immediately after the acquisition. The principal business of Jack Rock is golf course operation and property development. After such acquisition, the Group's interest in Jack Rock 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	**Fair value adjustment**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
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)
	741,718	33,676	775,394
Minority interests			(332,828)
Interest acquired in previous years as interests in associates			(362,156)
Fair value adjustment related to Group's previously held interests in the subsidiaries acquired			(15,986)
Discount on acquisition of subsidiaries			(28,415)
			36,009
Total consideration, satisfied by:			
Cash			7,579
Repayment of shareholders' loans			28,430
			36,009
Net cash outflow arising on acquisition:			
Cash consideration paid			(7,579)
Repayment of shareholders' loan			(28,430)
Bank balances and cash acquired			2,925
			(33,084)

If the acquisition had been completed on 1st January, 2007, total group revenue (including continuing and discontinued operations) for the year ended 31st December, 2007 would have been HK$863,000,000 and profit (including continuing and discontinued operations) for the year would have been HK$704,000,000. 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.

10. DISCOUNT ON ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES

During the year ended 31st December, 2008,

(a) The Group acquired an additional 40% interest in a subsidiary for a cash consideration of HK$14,989,000. The subsidiary is established in the PRC and engaged in property development. This acquisition results in a discount on acquisition of HK$19,147,000.

(b) The Group acquired an additional 11.03% interest in a subsidiary for a cash consideration of HK$80,300,000. The subsidiary is established in the PRC and engaged in golf course operation and property development. This acquisition results in a discount on acquisition of HK$5,126,000.

During the year ended 31st December, 2007, the Group acquired an additional 35.39% interest in a subsidiary for a cash consideration of HK$15,766,000. The subsidiary is established in the PRC and engaged in property development and golf course operation. This acquisition results in a discount on acquisition of HK$98,261,000.

11. FINANCE COSTS

	Continuing operations		**Discontinued operations**		**Consolidated**	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest on:						
Bank loans and overdrafts	131,304	108,973	–	6,734	131,304	115,707
Loan notes *(note 38 (b))*	1,245	1,959	–	–	1,245	1,959
Other loans	4,735	3,017	–	–	4,735	3,017
Imputed interest expenses on non-current interest-free borrowings	5,662	5,976	–	958	5,662	6,934
	142,946	119,925	–	7,692	142,946	127,617
Less: amount capitalised on properties under development	(48,488)	(15,927)	–	–	(48,488)	(15,927)
	94,458	103,998	–	7,692	94,458	111,690

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.65% (2007: 6.11%) to expenditure on qualifying assets.

12. TAXATION

	Continuing operations		**Discontinued operations**		**Consolidated**	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The charge (credit) comprises:						
PRC Enterprise Income Tax and LAT						
– current year provision	56,555	148,992	–	615	56,555	149,607
– (over) under provision in prior years	(5,260)	24,776	–	–	(5,260)	24,776
	51,295	173,768	–	615	51,295	174,383
Deferred tax *(note 43)*						
– current year	(51,352)	46,267	–	(423)	(51,352)	45,844
– effect of change in tax rate	–	(57,485)	–	(2,385)	–	(59,870)
	(57)	162,550	–	(2,193)	(57)	160,357

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 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.

On 16th March, 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax ("New Law") by Order No. 63 of the President of the PRC. On 6th December, 2007, the State Council of the PRC issued Implementation Regulation of the New Law. The New Law and the Implementation Regulation have changed the tax rate from 33% to 25% or from 15% to 25% progressively for the Group's subsidiaries from 1st January, 2008.

According to a joint circular of the Ministry of Finance and State Administration of Taxation – Cai Shui 2008 No.1, dividend distributed out of the profits generated since 1st January, 2008 shall be subject to PRC Enterprise Income Tax and which held by the PRC entity pursuant to Articles 3 and 27 of the Income Tax Law Concerning Foreign Investment Enterprises and Foreign Enterprises and Article 91 of the Detailed Rules for the Implementation of the Income Tax Law for Enterprises with Foreign Investment Enterprises and Foreign Enterprises. Deferred tax of HK$6,549,000 on the undistributed earnings has been charged to the consolidated income statement for the year ended 31st December, 2008.

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

	2008	**2007**
	HK$'000	*HK$'000*
Profit before taxation	689,250	831,870
Tax at the domestic income tax rate of 25% (2007: 33%)	172,313	274,517
Tax effect of share of profit of associates and jointly controlled entities	(53,133)	(81,932)
Tax effect of expenses not deductible for tax purpose	43,310	65,409
Tax effect of income not taxable for tax purpose	(217,422)	(139,293)
Tax effect of tax losses and other deductible temporary differences not recognised	49,133	87,489
Tax effect of utilisation of taxes losses and other deductible temporary differences previously not recognised	(548)	(27,626)
Withholding tax on distributed earnings	6,549	–
Effect of different tax rates of subsidiaries	247	(28,023)
Effect of change in tax rate	–	(59,870)
Land appreciation tax	6,222	46,331
(Over) under provision in prior years	(5,260)	24,776
Others	(1,468)	(1,421)
Tax (credit) charge for the year	(57)	160,357

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.

13. PROFIT FOR THE YEAR

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit for the year has been arrived at after charging (crediting):						
Depreciation of property, plant and equipment	14,752	12,838	–	9,648	14,752	22,486
Less: amount capitalised on properties under development	(2,239)	(967)	–	–	(2,239)	(967)
	12,513	11,871	–	9,648	12,513	21,519
Amortisation of:						
Properties for development	45,645	38,205	–	–	45,645	38,205
Prepaid lease payments on land use rights	1,584	1,202	–	197	1,584	1,399
Intangible asset	–	–	–	78	–	78
Total depreciation and amortisation	59,742	51,278	–	9,923	59,742	61,201
Auditors' remuneration	3,724	3,687	–	660	3,724	4,347
Cost of inventories recognised as an expense	156,391	298,334	–	172,565	156,391	470,899
Exchange loss included in other operating expenses *(note a)*	109,596	–	–	–	109,596	–
Urban land use tax included in other operating expenses	38,792	2	–	–	38,792	2
Compensation for cancellation of acquisition of an investment property included in other operating expenses	30,000	–	–	–	30,000	–
Loss on disposal and write-off property, plant and equipment	258	344	–	820	258	1,164
Operating lease charges in respect of:						
– land and buildings	3,155	3,372	–	249	3,155	3,621
– plant and machinery	–	–	–	771	–	771
Staff costs (including directors' emoluments) (note b)	74,391	63,335	–	13,240	74,391	76,575
Share of tax of associates (included in share of profit of associates)	11,638	(35,325)	–	–	11,638	(35,325)
Share of tax of jointly controlled entities (included in share of profit of jointly controlled entities)	59,734	184,566	–	–	59,734	184,566
Gross rental income from investment properties	(171,049)	(117,739)	–	–	(171,049)	(117,739)
Less: direct operating expenses from investment properties that generated rental income during the year	41,826	22,953	–	–	41,826	22,953
	(129,223)	(94,786)	–	–	(129,223)	(94,786)

Note:

(a) Exchange loss mainly represented the net foreign exchange loss on translation of bank balances and pledged bank deposits denominated in Hong Kong dollars and United States dollars into the Group's functional currency in Renminbi, which had appreciated against Hong Kong dollars and United States dollars during the year.

(b) The staff costs have excluded the apportionment of management fee as disclosed in note 14 and note 49(ii) to the consolidated financial statements for certain directors as well as management personnel who are not directors of the Company.

14. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the fourteen (2007: fourteen) directors were as follows:

	2008				
	Directors' fee *HK$'000*	**Salaries and other benefits** *HK$'000*	**Performance related incentive payments** *HK$'000* *(Note)*	**Retirement benefits scheme contributions** *HK$'000*	**Total** *HK$'000*
Patrick Lee Seng Wei	10	1,000	–	26	1,036
Ng Qing Hai	10	–	649	–	659
Ma Sun	10	2,774	500	243	3,527
Edwin Lo King Yau	10	676	706	31	1,423
Li Chi Kong	10	676	405	31	1,122
Yasushi Ichikawa	10	372	–	–	382
Lee Seng Hui	10	2,409	4,000	19	6,438
Song Zengbin	6	1,167	–	–	1,173
Moses Cheng Mo Chi	10	–	–	–	10
Yuki Oshima	4	–	–	–	4
Francis J. Chang Chu Fai	10	70	–	–	80
Ngai Wah Sang	10	90	–	–	100
Xu Su Jing	10	70	–	–	80
Lisa Yang Lai Sum	10	70	–	–	80
	130	9,374	6,260	350	16,114

	2007				
	Directors' fee *HK$'000*	**Salaries and other benefits** *HK$'000*	**Performance related incentive payments** *HK$'000* *(Note)*	**Retirement benefits scheme contributions** *HK$'000*	**Total** *HK$'000*
Patrick Lee Seng Wei	10	932	–	23	965
Ng Qing Hai	10	736	276	36	1,058
Ma Sun	10	2,500	324	217	3,051
Edwin Lo King Yau	10	603	480	28	1,121
Li Chi Kong	10	653	320	30	1,013
Yasushi Ichikawa	10	341	–	–	351
Lee Seng Hui	7	592	–	–	599
Moses Cheng Mo Chi	10	–	–	–	10
Yuki Oshima	10	–	–	–	10
Francis J. Chang Chu Fai	10	70	–	–	80
Goodwin Gaw	5	–	–	–	5
Ngai Wah Sang	10	90	–	–	100
Xu Su Jing	10	70	–	–	80
Lisa Yang Lai Sum	10	35	–	–	45
	132	6,622	1,400	334	8,488

Note: The amounts represented the actual bonus of the preceding year paid to respective directors during the year. The bonus for the year 2008 has yet to be decided.

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 49(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 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$7,912,000 (2007: HK$2,109,000).

15. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2007: four) were directors of the Company whose emoluments are included in note 14 above. The emoluments of the remaining one (2007: one) individuals were as follows:

	2008 *HK$'000*	**2007** *HK$'000*
Salaries and other benefits	1,072	1,001
Performance related incentive payments	231	216
Retirement benefits scheme contributions	60	55
	1,363	1,272

Their emoluments were within the following bands:

	2008	2007
	Number of employees	*Number of employees*
HK$1,000,001 to HK$1,500,000	1	1

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.

16. DISCONTINUED OPERATIONS

During the year ended 31st December, 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 power ("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 year ended 31st December, 2007 from the discontinued operations is analysed as follows:

	HK$'000
Profit of manufacture and sale of cement, clinker and slag powder operations *(Note a)*	6,592
Gain on disposal of manufacture and sale of cement, clinker and slag powder operations *(Note b)*	137,738
	144,330

Notes:

(a) Profit for the year from discontinued operations (other than gain on disposal of such operations)

	HK$'000
Revenue	192,482
Other income and gains	13,033
Expenses	(201,116)
Profit before taxation	4,399
Taxation	2,193
Profit for the year	6,592

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

	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)
Deferred tax liabilities	(14,924)
Other liabilities	(2,785)
	379,330
Exchange translation reserve released	(12,047)
Other reserves released	(8,178)
Minority interests	(258,051)
Attributable goodwill	38,746
	139,800
Gain on disposal	137,738
Total consideration satisfied by cash	277,538
Net cash inflow arising on disposal:	
Cash consideration	277,538
Bank balances and cash disposed of	(51,199)
	226,339

During the year ended 31st December, 2007, the manufacture and sale of cement, clinker and slag powder operations contributed HK$15,530,000 to the Group's net operation cash flows, contributed HK$1,115,000 in respect of investing activities and paid HK$8,467,000 in respect of financing activities.

17. DIVIDEND

	2008 HK$'000	**2007** HK$'000
Dividend recognised as distribution during the year:		
Dividend paid of HK10 cents (2007: HK2.5 cents) per share	151,106	28,232
Proposed final dividend of HK3 cents (2007: HK10 cents) per share	45,203	151,112

During the year ended 31st December, 2008, scrip alternative was offered in respect of 2007 final dividend. The scrip dividend alternative of HK$89,598,000 was accepted by certain shareholders of the Company. The remaining dividend has been distributed in form of cash.

The final dividend of HK3 cents (2007: HK10 cents) per share has been proposed by the Board of Directors and is subject to approval by the shareholders of the Company at the forthcoming annual general meeting of the Company.

18. 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:

	2008 *HK$'000*	2007 *HK$'000*
Earnings from continuing and discontinued operations		
Earnings for the purposes of basic earnings per share (profit for the year attributable to equity holders of the Company)	711,087	702,976
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 diluted earnings per share	711,087	702,975
Earnings from continuing operations		
Earnings for the purposes of basic earnings per share (profit for the year attributable to equity holders of the Company)	711,087	565,136
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 diluted earnings per share	711,087	565,135
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	1,513,694	1,288,725

The computation of diluted earnings per share for the year ended 31st December, 2008 does not assume the exercise of the Company's outstanding warrants 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, 2007 had not taken into account the exercise of warrants to ordinary shares as it would result in an increase in earnings per share.

The weighted average number of ordinary shares for the year ended 31st December, 2007 for the purpose of calculation of basic earnings per share has been adjusted for the open offer to qualifying shareholders on the basis of one offer share for every five shares held and issue of one warrant for every one offer share ("Open Offer") during the year ended 31st December, 2007.

From discontinued operations

Basic earnings per share for the discontinued operation was HK10.70 cents per share and diluted earnings per share for the discontinued operation was HK10.70 cents per share for the year ended 31st December, 2007, based on the profit for the year from the discontinued operations of HK$137,840,000 and the denominators detailed above for both basic and diluted earnings per share for the year ended 31st December, 2007.

19. PROPERTY, PLANT AND EQUIPMENT

	Buildings in Hong Kong on medium-term lease HK$'000	Buildings in the PRC on medium-term lease HK$'000	Golf course on medium-term lease HK$'000	Construction in progress HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP								
COST								
At 1st January, 2007	413	293,734	101,911	275	410,260	45,646	33,170	885,409
Exchange adjustments	–	10,141	12,044	6	9,217	1,827	1,606	34,841
Additions	–	6,386	–	400	236	5,385	3,388	15,795
Acquired on acquisition of subsidiaries	–	–	60,290	–	–	254	497	61,041
Disposals and write-off	–	(524)	–	–	(1,275)	(1,707)	(4,536)	(8,042)
Eliminated on disposal of subsidiaries	(413)	(229,704)	–	(681)	(418,438)	(4,076)	(8,101)	(661,413)
At 31st December, 2007	–	80,033	174,245	–	–	47,329	26,024	327,631
Exchange adjustments	–	4,771	11,088	–	–	2,092	1,355	19,306
Additions	–	–	671	13,148	–	4,204	4,579	22,602
Reclassified as held for sale	–	(33,306)	(115,808)	–	–	(27,091)	(5,676)	(181,881)
Disposals and write-off	–	–	–	–	–	(2,936)	(2,514)	(5,450)
At 31st December, 2008	–	51,498	70,196	13,148	–	23,598	23,768	182,208
DEPRECIATION								
At 1st January, 2007	173	63,380	6,963	–	175,167	29,182	19,732	294,597
Exchange adjustments	–	1,630	1,572	–	3,768	885	845	8,700
Provided for the year	9	4,618	4,283	–	6,443	4,046	3,087	22,486
Eliminated on disposals and write-off	–	(16)	–	–	(311)	(1,337)	(3,532)	(5,196)
Eliminated on disposals of subsidiaries	(182)	(64,239)	–	–	(185,067)	(2,999)	(4,265)	(256,752)
At 31st December, 2007	–	5,373	12,818	–	–	29,777	15,867	63,835
Exchange adjustments	–	412	986	–	–	901	764	3,063
Provided for the year	–	2,101	4,995	–	–	4,509	3,147	14,752
Reclassified as held for sale	–	(7,136)	(15,520)	–	–	(21,567)	(4,367)	(48,590)
Eliminated on disposals and write-off	–	–	–	–	–	(2,624)	(2,207)	(4,831)
At 31st December, 2008	–	750	3,279	–	–	10,996	13,204	28,229
CARRYING VALUES								
At 31st December, 2008	–	50,748	66,917	13,148	–	12,602	10,564	153,979
At 31st December, 2007	–	74,660	161,427	–	–	17,552	10,157	263,796

	Leasehold improvements, furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
THE COMPANY			
COST			
At 1st January, 2007	15,564	5,424	20,988
Additions	1,128	711	1,839
Disposals and write-off	(3)	(800)	(803)
At 31st December, 2007	16,689	5,335	22,024
Exchange adjustments	1,062	340	1,402
Additions	1,986	4	1,990
Disposals and write-off	(64)	–	(64)
At 31st December, 2008	19,673	5,679	25,352
DEPRECIATION			
At 1st January, 2007	14,415	4,605	19,020
Provided for the year	340	279	619
Eliminated on disposals and write-off	(3)	(800)	(803)
At 31st December, 2007	14,752	4,084	18,836
Exchange adjustments	939	260	1,199
Provided for the year	270	410	680
Eliminated on disposals and write-off	(45)	–	(45)
At 31st December, 2008	15,916	4,754	20,670
CARRYING VALUES			
At 31st December, 2008	3,757	925	4,682
At 31st December, 2007	1,937	1,251	3,188

20. INVESTMENT PROPERTIES

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
FAIR VALUE		
At 1st January	3,985,200	3,042,800
Exchange adjustments	256,963	210,905
Additions	63,572	221,097
Transferred from inventories of properties under development upon completion	–	23,291
Transferred from inventories of completed properties	237,776	319,540
Disposals	(4,028)	(3,966)
Net (decrease) increase in fair value recognised in the income statement	(187,283)	171,533
At 31st December	4,352,200	3,985,200

The fair value of the Group's investment properties at 31st December, 2008 and 31st December, 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. The valuation was principally based on investment approach by taking into account the current rents passing and the reversionary income potential of tenancies. For the properties which are currently vacant, the valuation was based on each of the property interests by capitalisation of the hypothetical and reasonable market rents with a typical lease term and also make reference to the direct comparison approach.

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

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
Long lease	1,252,600	1,118,400
Medium-term lease	3,099,600	2,866,800
	4,352,200	3,985,200

21. PROPERTIES FOR DEVELOPMENT

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
PROPERTIES IN THE PRC, AT COST		
Balance at 1st January	2,825,078	1,511,779
Exchange adjustments	74,714	70,193
Additions	986,252	259,975
Acquired on acquisition of subsidiaries	–	1,350,174
Transferred to inventories of properties under development	(34,114)	(283,947)
Reclassified as held for sale	(194,607)	–
Elimination on disposal of subsidiaries	–	(83,096)
Balance at 31st December	3,657,323	2,825,078
AMORTISATION AND IMPAIRMENT		
Balance at 1st January	233,041	96,528
Exchange adjustments	5,770	5,284
Amortisation for the year	45,645	38,205
Impairment loss recognised for the year *(note)*	–	118,044
Transferred to inventories of properties under development	(204)	(8,858)
Reclassified as held for sale	(15,473)	–
Elimination on disposal of subsidiaries	–	(16,162)
Balance at 31st December	268,779	233,041
CARRYING VALUES	3,388,544	2,592,037

The Group's properties for development comprise:

Leasehold land in the PRC		
Long lease	2,970,616	2,283,010
Medium-term lease	417,928	309,027
	3,388,544	2,592,037

Note:

During the year ended 31st December, 2007, the directors conducted an impairment review of a property for development and determined that the property was fully impaired. This was because of severe delay in the development progress of the land site. Accordingly, an impairment loss of HK$118,044,000 has been recognised.

22. PREPAID LEASE PAYMENTS ON LAND USE RIGHTS

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
The Group's prepaid lease payments on land use rights comprise:		
Leasehold land in the PRC		
Long lease	50,992	48,743
Medium-term lease	3,884	20,086
	54,876	68,829
Analysed for reporting purposes as:		
Non-current asset	53,980	67,392
Current asset	896	1,437
	54,876	68,829

23. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2008	**2007**
	HK$'000	*HK$'000*
Unlisted investments	3,499,328	3,211,442
Amounts due from subsidiaries	–	2,020,721
Less: accumulated impairment	(40,912)	(83,213)
	3,458,416	5,148,950

Details of the principal subsidiaries at 31st December, 2008 are set out in note 51. In relation to amounts due from subsidiaries as at 31st December, 2007, the subsidiaries were not expected to repay the advances within twelve months from 31st December, 2007 and accordingly the balances were classified as non-current. The amounts due from subsidiaries as at 31st December, 2007 were unsecured and interest-free.

24. INTERESTS IN ASSOCIATES

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
Cost of investment in unlisted associates	25,183	27,169
Share of post-acquisition profits and losses and reserves, net of dividends received	227,286	209,952
Amounts due from associates	2,476	5,781
Less: accumulated impairment	–	(199)
	254,945	242,703

Notes:

(a) Details of the principal associates at 31st December, 2008 are set out in note 52. 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. The amounts are unsecured and interest-free.

(b) Included in the cost of investment in associates is goodwill of HK$674,000 (2007: HK$674,000) arising on acquisitions of associates in prior years.

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

	2008	**2007**
	HK$'000	*HK$'000*
Total assets	1,183,315	1,102,202
Total liabilities	(179,364)	(158,376)
Minority interests	(160,533)	(150,232)
Net assets	843,418	793,594
Revenue	100,857	81,196
Profit for the year	69,528	126,192

25. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
Cost of investment in unlisted jointly controlled entities *(note a)*	455,941	623,626
Share of post-acquisition profits and losses and reserves, net of dividends received	247,631	320,082
Amounts due from jointly controlled entities *(note b)*	56,534	77,149
Less: allowance for doubtful debts	(38,607)	(38,607)
	721,499	982,250

	THE COMPANY	
	2008	**2007**
	HK$'000	*HK$'000*
Cost of investment in unlisted jointly controlled entities	10,339	153,122
Amounts due from jointly controlled entities *(note b)*	–	18,529
	10,339	171,651

Notes:

(a) Included in the cost of investment of jointly controlled entities is goodwill of HK$409,000 (2007: HK$409,000) arising on acquisitions of jointly controlled entities in prior years.

(b) Details of the principal jointly controlled entities at 31st December, 2008 are set out in note 53. 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. The amounts are unsecured and interest-free.

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

	2008	**2007**
	HK$'000	*HK$'000*
Total assets	4,271,447	4,970,112
Total liabilities	(2,910,583)	(3,174,173)
Minority interests	(18,636)	(10,761)
Net assets	1,342,228	1,785,178
Revenue	1,212,750	839,367
Profit for the year	444,392	230,107

26. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
Equity securities listed outside Hong Kong	17,501	40,156
Unlisted equity securities	82	189
	17,583	40,345

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 unlisted equity securities 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.

27. 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 a individual cash-generating unit ("CGU"), including a subsidiary in property development segment. The carrying amount of goodwill as at 31st December, 2008 allocated is as follows:

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
Property development	640	640

During the year ended 31st December, 2008, management of the Group determines that there is no impairment of its CGU that contains goodwill.

28. AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES

Amounts due from jointly controlled entities of HK$62,165,000 (2007: HK$102,244,000) are unsecured, interest-free and repayable on demand. The remaining of HK$110,227,000 (2007: HK$90,812,000) is unsecured, interest bearing at RMB benchmark interest rates floating upward 20% (2007: RMB benchmark interest rates floating upward 20%) per annum and repayable between January and December 2009.

29. AMOUNTS DUE FROM MINORITY SHAREHOLDERS

Amounts due from minority shareholders are unsecured, interest-free and repayable on demand.

30. LOANS RECEIVABLE

At 31st December, 2008, loans receivable of HK$65,650,000 (2007: HK$40,650,000) bear interests ranging from 20% to 24% (2007: 20%) per annum, are secured and repayable between May and July 2009. Loans receivable of HK$65,000,000 (2007: nil) bear interest at 8% per annum, are unsecured and repayable in April 2009. Loans receivable of HK$35,000,000 (2007: nil) bear interest at prime rate plus 1% per annum, are secured and repayable in December 2009.

At 31st December, 2007, loans receivable of HK$12,689,000 bore interest at prime rate plus 1% per annum, are unsecured and repaid in 2008. Loans receivable of HK$26,709,000 bore interest at 2.5% per month was unsecured and repaid in 2008.

31. INSTALMENTS RECEIVABLE

At 31st December, 2007, instalments receivable arising from sale of property for development in prior years of HK$74,642,000 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. At 31st December, 2008, this instalments receivable of HK$83,239,000 was reclassified as held for sale (note 34).

32. TRADE 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 at the balance sheet date:

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
Not yet due	30,992	46,831
Overdue within 3 months	3,891	16,663
Overdue between 4 and 6 months	1,811	5,722
Overdue between 7 and 12 months	288	3,198
Overdue over 12 months	3	241
	36,985	72,655

33. HELD-FOR-TRADING INVESTMENTS

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
Equity securities listed outside Hong Kong	14,850	34,857
Unlisted equity securities	2,403	2,403
Unlisted debt securities	5,260	4,871
	22,513	42,131

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 unlisted equity securities issued by the entities established in the PRC. The fair value of the Group's unlisted securities at the balance sheet date is 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 to the carrying amount of the investments.

Unlisted debt securities represent investments in unlisted debt securities issued by the bank in the PRC.

34. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

On 3rd December, 2007 and 8th July, 2008, the Group entered into two separate sale and purchase agreements with related companies, of which a director of those subsidiaries to be disposed of is a beneficial owner. Pursuant to the sale and purchase agreements, the Group agreed to sell two subsidiaries, one of which is engaged in golf course and property development and another subsidiary is engaged in residential property development operations.

On 30th January, 2008 and 5th September, 2008, the respective ordinary resolutions for approving the sale and purchase agreements were duly passed by the shareholders of the Company at respective extraordinary general meetings. Pursuant to the sale and purchase agreements, the completion dates of sale and purchase of the two subsidiaries shall not be later than 7th December, 2008 and 31st December, 2008 respectively. During the year, the related companies requested to extend the completion dates in order to obtain financing for the payment of the balances of the considerations. The Group is in the process of negotiating supplemental agreements to extend the payment due dates for the balances payable as consideration and the completion dates. The Group remains committed to its plan to sell the two subsidiaries.

The assets and liabilities attributable to the two subsidiaries have been classified as disposal group held for sale as at 31st December, 2008 (see below). The operations are included in the Group's other operations for segment reporting purposes (see note 6). The proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and, accordingly, no impairment loss has been recognised on the classification of these operations as held for sale. The Group has already received HK$117,045,000 as a non-refundable deposits included in trade and other payables.

The major classes of assets and liabilities comprising the disposal group classified as held for sale are as follows:

	THE GROUP
	2008
	HK$'000
Property, plant and equipment	133,291
Properties for development	179,134
Prepaid lease payments on land use rights	16,701
Trade and other receivables, deposits and prepayments	24,155
Instalments receivable	83,239
Bank balances and cash	3,816
Other assets	5,565
Assets classified as held for sale	445,901
Trade and other payables	27,357
Pre-sale deposits	21,455
Tax liabilities	9,884
Interest-bearing borrowings	19,012
Interest-free borrowings	5,988
Membership debentures	38,140
Deferred tax liabilities	56,865
Liabilities associated with assets classified as held for sale	178,701

35. TRADE 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	
	2008	**2007**
	HK$'000	*HK$'000*
Not yet due	145,702	273,318
Overdue within 3 months	45,949	5,295
Overdue between 4 and 6 months	–	215
Overdue between 7 and 12 months	2	15,514
Overdue over 12 months	283,338	224,668
	474,991	519,010

36. SHARE CAPITAL

	THE GROUP AND THE COMPANY	
	Number of ordinary shares	Nominal value
		HK$'000
Authorised:		
Ordinary shares of HK$0.20 each at 31st December, 2007 and 31st December, 2008	2,000,000,000	400,000
Issued and fully paid:		
At 1st January, 2007	1,129,269,918	225,854
Shares issued under the placing and subscription	130,000,000	26,000
Shares issued under Open Offer	251,853,983	50,371
At 31st December, 2007	1,511,123,901	302,225
Shares issued on exercise of warrants	9,238	2
Share issued for scrip dividend	15,555,176	3,111
Shares repurchased and cancelled	(19,937,000)	(3,988)
At 31st December, 2008	1,506,751,315	301,350

Ordinary shares

Pursuant to a subscription agreement dated 26th October, 2007 made between independent corporate investors and the Company, independent corporate investors subscribed for 130,000,000 new shares of HK$0.20 each in the Company at a price of HK$9.10 per share. The proceeds were used to expand the landbank in PRC 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 18th May, 2007 and rank pari passu with other shares in issue in all respects.

Pursuant to an ordinary resolution passed at the Extraordinary General Meeting of the Company held on 6th December, 2007, the Company was approved to issue 251,853,983 new shares by way of the Open Offer to the qualifying shareholders at the subscription price of HK$6.00 per share, on the basis of one new share for every five shares held on 6th December, 2007 together with new warrants of the Company in the proportion of one new warrant for every one new share successfully subscribed, as detailed in note 40. The new shares rank pari passu in all respects with the then existing shares. The Open Offer became unconditional on 27th December, 2007 and a total of 251,853,983 new shares of HK$0.20 each together with 251,853,983 new warrants were issued by the Company.

During the year ended 31st December, 2008, 9,238 shares of HK$0.2 each were issued at HK$10 for cash as a result of the exercise of warrants by warrant holders. The new shares rank pari passu with other shares in issue in all respects.

During the year ended 31st December, 2008, 15,555,176 shares of HK$0.20 each in the Company were issued at HK$5.76 per share to the shareholders of the Company who elected to receive scrip shares in lieu of cash, for the final dividend for the year ended 31st December, 2007 pursuant to the scrip dividend scheme announced by the Company on 23rd May, 2008.

During the year ended 31st December, 2008, the Company repurchased and cancelled a total of 19,937,000 shares at an average price of HK$2.54 per share on the Stock Exchange at a consideration of approximately HK$50,997,000 (inclusive of expenses).

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

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 expired 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 share 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, 2008 and 2007.

37. RESERVES

THE GROUP

Other reserves comprise the fair value adjustment on properties arising from acquisition of additional interests in subsidiaries.

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 *HK$'000*	**Investment revaluation reserve** *HK$'000*	**Total** *HK$'000*
At 1st January, 2007	3,519	(749)	2,770
Increase in fair value of available-for-sale investments	–	36,813	36,813
Effect of change in tax rate of deferred tax liabilities arising on revaluation of properties	95	–	95
At 31st December, 2007	3,614	36,064	39,678
Decrease in fair value of available-for-sale investments	–	(25,328)	(25,328)
At 31st December, 2008	3,614	10,736	14,350

THE COMPANY

	Share premium account	Special capital reserve	Capital redemption reserve	Exchange translation reserve	Accumulated profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2007	1,391,958	1,417,669	130,691	–	2,246,700	5,187,018
Issue of shares	1,915,902	–	–	–	–	1,915,902
Share issue expenses	(41,864)	–	–	–	–	(41,864)
Profit attributable to equity holders	–	–	–	–	215,562	215,562
Dividend recognised as distribution	–	–	–	–	(28,232)	(28,232)
At 31st December, 2007	3,265,996	1,417,669	130,691	–	2,434,030	7,248,386
Exchange difference arising on translation	–	–	–	558,239	–	558,239
Issue of shares on exercise of warrants	120	–	–	–	–	120
Issue of shares for scrip dividend	86,487	–	–	–	–	86,487
Share repurchased and cancelled	–	–	3,988	–	(50,997)	(47,009)
Profit attributable to equity holders	–	–	–	–	2,480,835	2,480,835
Dividend recognised as distribution	–	–	–	–	(151,106)	(151,106)
At 31st December, 2008	3,352,603	1,417,669	134,679	558,239	4,712,762	10,175,952

The Company's reserves available for distribution to shareholders as at 31st December, 2008 represent the accumulated profits of HK$4,712,762,000 (2007: HK$2,434,030,000). 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, 2008, liabilities of the Company included HK$16,201,000 (2007: HK$94,605,000) in respect of liabilities in existence at 9th March, 2004.

38. INTEREST-BEARING BORROWINGS

	THE GROUP		THE COMPANY	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank loans *(note a)*	1,743,996	1,577,900	–	–
Loan notes *(note b)*	–	78,405	–	78,405
Other loans *(note c)*	–	42,131	–	–
	1,743,996	1,698,436	–	78,405
Secured	1,743,996	1,497,687	–	–
Unsecured	–	200,749	–	78,405
	1,743,996	1,698,436	–	78,405

	THE GROUP		THE COMPANY	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Carrying amount repayable:				
On demand or within one year	297,618	605,492	–	78,405
More than one year, but not exceeding two years	770,844	186,404	–	–
More than two years, but not exceeding five years	638,046	841,352	–	–
More than five years	37,488	65,188	–	–
	1,743,996	1,698,436	–	78,405
Less: Amounts due within one year shown under current liabilities	(297,618)	(605,492)	–	(78,405)
	1,446,378	1,092,944	–	–

Notes:

(a) At 31st December, 2007, a bank loan of approximately HK$13,889,000 carried interest at a default rate of approximately 10.35% per annum was secured and originally repayable on 28th April, 2006. During the year ended 31st December, 2007, this bank loan was acquired through the acquisition of a subsidiary and was repaid during the year ended 31st December, 2008.

(b) 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 were repaid during the year ended 31st December 2008.

(c) At 31st December, 2007, other loans of HK$30,600,000 carried interest at 0.81% per month were unsecured and were repaid during the year ended 31st December, 2008.

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

	2008	**2007**
	HK$'000	*HK$'000*
Fixed-rate borrowings:		
Within one year	198,012	583,674
In more than one year but not more than two years	739,350	98,771
In more than two years but not more than three years	397,727	406,412
In more than three years but not more than four years	–	267,094
In more than five years	–	5,376
	1,335,089	1,361,327

In addition, the Group has variable-rate borrowings which carry interest at Hong Kong Interbank Offered Rate. Interest is repriced every three months.

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

	2008	**2007**
Effective interest rate:		
Fixed-rate borrowings	5.00% to 10.00%	2.50% to 11.23%
Variable-rate borrowings	2.79% to 8.61%	4.71% to 8.61%

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

	Renminbi	Hong Kong dollars	US dollars	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2008				
Bank and other loans	1,496,471	242,160	5,365	1,743,996
2007				
Bank and other loans	1,437,340	251,960	9,136	1,698,436

During the year, the Group obtained new loans in the amount of HK$581,893,000. The loans bear interest at market rates and will be repayable in or before 2013. The proceeds were used to finance operating activities of the Group.

39. INTEREST-FREE BORROWINGS

	THE GROUP		THE COMPANY	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Advances from minority shareholders	67,725	62,201	–	–
Amounts due to jointly controlled entities	82,328	126,118	5,248	–
Amounts due to associates	16,717	17,385	–	–
Amounts due to subsidiaries	–	–	54,961	44,455
	166,770	205,704	60,209	44,455
Carrying amount repayable:				
On demand or within one year	166,770	168,705	60,209	44,455
More than one year	–	36,999	–	–
	166,770	205,704	60,209	44,455
Less: Amounts due within one year shown under current liabilities	(166,770)	(168,705)	(60,209)	(44,455)
Amount due after one year	–	36,999	–	–

40. DERIVATIVE FINANCIAL INSTRUMENT

	THE GROUP AND THE COMPANY	
	Number of warrants	*HK$'000*
At 1st January, 2007	–	–
Warrants issued under Open Offer	251,853,983	803,516
At 31st December, 2007	251,853,983	803,516
Exercise of warrants	(9,238)	(30)
Change in fair value of derivative financial instrument	–	(794,420)
At 31st December, 2008	251,844,745	9,066

Pursuant to the Open Offer as detailed in note 36, 251,853,983 new warrants to subscribe for 251,853,983 new shares at a subscription price of HK$10 per share were issued on 28th December, 2007. During the year ended 31st December, 2008, 9,238 warrants were exercised. At 31st December, 2008, the Company had outstanding 251,844,745 warrants and exercisable at any time in the period commencing on 2nd January, 2008 and ending on 2nd January, 2010.

The estimated fair values of the warrants are HK$9,066,000 as at 31st December, 2008, which were calculated using the quoted price of warrant of HK$0.036 per share available on the relevant exchange.

The estimated fair values of the warrants granted on 28th December, 2007 was HK$701,851,000. The estimated fair values of the warrants were HK$803,516,000 on 31st December, 2007.

These fair values were calculated using The Black-Scholes pricing model. The inputs into the model were as follows:

	28th December, 2007	**31st December, 2007**
Closing share price	HK$10.30	HK$10.96
Exercise price	HK$10.00	HK$10.00
Expected volatility	52.51%	52.74%
Expected life	2 years	2 years
Risk-free rate	2.595%	2.577%
Expected dividend yield	0.23%	0.23%

Expected volatility was determined by using the historical volatility of the Company's share price over the last two years.

41. 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$197,933,000 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$67,308,000 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$130,625,000 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, 2008, deferred rental income from a tenant to be released within one year of HK$8,173,000 (2007: HK$7,684,000) has been included in trade and other payables.

42. 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.

At 31st December, 2008, membership debenture amounting to HK$38,140,000 was reclassified as liabilities associated with assets held for sale.

43. 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*	Tax losses *HK$'000*	Others *HK$'000*	Total *HK$'000*
THE GROUP									
At 1st January, 2007	514,206	280,263	20,620	18,122	(4,144)	(35,311)	(4,879)	630	789,507
Exchange adjustments	1,847	18,013	723	(359)	(85)	–	(289)	–	19,850
Charge (credit) to income for the year	(2,411)	73,535	(2,782)	(22,669)	278	–	–	(107)	45,844
Effect of change in tax rate of deferred tax liabilities arising on revaluation of properties	–	95	–	–	–	–	–	–	95
Addition on deemed acquisition of assets	–	4,248	–	–	–	–	–	–	4,248
Reversal on cancellation of acquisition of a subsidiary *(note iv)*	(116,609)	–	–	–	–	–	–	–	(116,609)
Acquisition of subsidiaries	571,420	–	–	–	–	–	–	–	571,420
Elimination on disposal of subsidiaries	–	–	(18,561)	–	3,951	–	–	(314)	(14,924)
Effect of change in tax rate *(note 12)*	(1,635)	(62,658)	–	(5,336)	–	8,560	1,219	(20)	(59,870)
At 31st December, 2007	966,818	313,496	–	(10,242)	–	(26,751)	(3,949)	189	1,239,561
Exchange adjustments	1,604	19,598	–	(1,215)	–	–	(251)	–	19,736
Credit to income for the year	(1,706)	(22,362)	–	(27,095)	–	–	–	(189)	(51,352)
Addition on deemed acquisition of assets	–	2,607	–	11,936	–	–	–	–	14,543
Reclassified as held for sales	(63,204)	–	–	6,339	–	–	–	–	(56,865)
At 31st December, 2008	903,512	313,339	–	(20,277)	–	(26,751)	(4,200)	–	1,165,623

	Undistributable earnings of subsidiaries
	HK$'000
The Company	
At 1st January, 2007 and 31st December, 2007	–
Charge to income for the year	1,557
At 31st December, 2008	1,557

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, inventories of completed properties and investment properties of subsidiaries.

(iv) Since acquisition of a subsidiary, there were many changes in laws, rules and regulations as imposed by the relevant government land authority affecting the land investment and development in Beijing. Owing to the change of the government land policy, the vendor was not able and had failed to fulfill certain conditions stipulated in the relevant sale and purchase agreement. During the year ended 31st December, 2007, the Group entered into a cancellation agreement with the Vendor to cancel the previous acquisition agreements and accordingly the transaction was reversed in 2007.

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:

	2008	2007
	HK$'000	*HK$'000*
Deferred tax liabilities	1,172,926	1,245,536
Deferred tax assets	(7,303)	(5,975)
	1,165,623	1,239,561

At the balance sheet date, the Group has unused tax losses of HK$364,493,000 (2007: HK$338,468,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$16,800,000 (2007: HK$15,796,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$347,693,000 (2007: HK$322,672,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$314,879,000 (2007: HK$289,857,000) that will gradually expire until 2013. Other losses may be carried forward indefinitely.

At the balance sheet date, the Group has other deductible temporary differences of HK$643,221,000 (2007: HK$437,269,000). 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.

44. MAJOR NON-CASH TRANSACTIONS

During the year ended 31st December, 2008, 15,555,176 (2007: nil) shares of HK$0.20 each in the Company were issued at HK$5.76 (2007: nil) per share as scrip dividends.

45. 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 revenue (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 15 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	
	2008	**2007**
	HK$'000	*HK$'000*
Within one year	105,602	125,567
In the second to fifth years inclusive	110,838	131,322
After five years	76,454	186,875
	292,894	443,764

The Group as lessee

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

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
Within one year	1,999	1,634

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 three years at fixed rentals.

46. CAPITAL COMMITMENTS

	THE GROUP		THE COMPANY	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure in respect of contracted commitments for:				
– acquisition of land use rights in the PRC	868,089	1,312,670	–	–
– acquisition of property, plant and equipment	10,339	1,466	–	–
– acquisition of a property investment subsidiary	–	49,245	–	–
– capital contribution to a subsidiary	–	–	–	78,394

47. CONTINGENT LIABILITIES

(a) At 31st December, 2008, the Company and the Group had guarantees as follows:

	THE GROUP		THE COMPANY	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Guarantees given to banks in respect of banking facilities utilised by:				
– subsidiaries	–	–	1,012,440	1,017,552
– a jointly controlled entity	–	139,133	–	139,133
– related companies *(note)*	83,500	98,500	83,500	98,500
Guarantee given in respect of other loan facility granted to a subsidiary	–	–	–	30,600
Guarantees given to banks in respect of mortgage loans granted to property purchasers	155,144	225,324	–	175

Note: The related companies have a common director with the Company.

(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, 2008, a property for development with carrying value of HK$123,901,000 had been identified as idle land, which delayed development was due to the legal action taken by a previous minority shareholder against the subsidiary. This legal case was settled and the Group intends to continue the development of this property. Another property for development with carrying value of HK$179,134,000 (included in assets classified as held for sales) 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$59,466,000 together with compensation. Inventories of completed properties with carrying value of HK$42,613,000 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 carparks with the compensation amounting to approximately HK$71,248,000. In December 2007, a conditional settlement agreement was reached between the parties. In April, 2008, the parties agreed to modify the conditional settlement agreement whereby the property purchaser agreed to settle the case on the conditions that the Group has to arrange the issue of ownership certificates of the subject properties under the name of the property purchaser and hand over the subject properties to the property purchaser. It is expected that the properties held in custody of the court will be released to the Group following completion of the settlement.

(d) Certain contractors have sued subsidiaries for outstanding construction costs and compensations of totally approximately HK$7,104,000 which are in dispute. 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.

(e) Certain contractors have applied for arbitrations against subsidiaries claiming for outstanding construction costs and compensation of totally approximately HK$94,840,000 which are being disputed. The arbitrations are still in progress, but based on legal opinions, the Group has assessed the claims and considers that the final outcome of the claims will not have material effect on the financial position of the Group.

(f) In 1998, the Company acquired a subsidiary that held a land site in the PRC with the consideration partially satisfied by disposing of its interest in a jointly controlled entity to the vendor. A person who claimed to be the beneficial owner of the vendor has initiated legal proceeding against the Company, for which proceedings a writ was received by the Company in March 2008, claiming the transfer of the interest in the jointly controlled entity and losses in Renminbi of HK$21,636,000 equivalent plus interest and other costs ("Claim Amount") on the grounds that the Company had not effectively transferred the legal title to the interest in that jointly controlled entity to the vendor. The Company has investigated the matter and is defending the case vigorously. At this stage, based on legal opinion, the Company does not consider that it is appropriate to make any provision in the circumstances. Further, the Directors are of the view that the Claim Amount is insignificant to the total assets and revenue of the Company and hence, the claim will not have material effect on the financial position of the Group.

(g) Certain property purchasers have taken legal action against a subsidiary of the Company and are claiming for compensation of totally approximately HK$2,810,000 as a result of alleged late issue of title deeds of properties sold to them. The Group has arranged the issue of title deeds of properties during the year, and assessed the claims and considered that the final outcome of the claims will not have material effect on the financial statements.

48. RETIREMENT BENEFIT PLANS

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance ("ORSO Scheme") and a Mandatory Provident Fund Scheme ("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, 2008, there was no forfeited contributions used to set off contributions (2007: HK$59,000). At the balance sheet date, no 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, 2008, the Group made contributions to the retirement benefit schemes of HK$13,519,000 (2007: HK$13,440,000).

49. RELATED PARTY TRANSACTIONS AND BALANCES

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

		2008	2007
		HK$'000	*HK$'000*
(i)	A major shareholder with significant influence, Sun Hung Kai & Co. Limited ("SHK")		
	– Outstanding loan note, as detailed in note 38(b)	–	78,000
	– Interest on loan note	1,238	1,950
	– Insurance paid	818	882
	– Rental income	1,170	196
	– Investor relations services	840	–
	– Service fee	302	–
	– Discount received on redemption of loan note	1,806	–
	– Amounts payable	1,520	3,105
(ii)	Controlling shareholders of SHK (and which have common directors with the Company)		
	– Rent, property management and air-conditioning fees paid	2,272	3,007
	– Management fee	11,700	4,095
	– Interest expenses	–	591
	– Amounts payable	3,030	1,541
(iii)	Minority shareholders		
	– Rental expenses for cement production facilities	–	2,863
	– Management fee	1,366	–
(iv)	A company of which a non-executive director of the Company is a partner		
	– Legal and professional fees	2,323	3,170
(v)	Key management personnel compensation		
	– Salaries and other short-term benefits	17,895	9,540
	– Post-employment costs	429	395
(vi)	A company which has a director common to the Company		
	– Interest income	626	387
	– Guarantee fee income	931	905
	– Other receivable	22,924	21,673

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 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$8,759,000 (2007: HK$2,284,000).

Pursuant to Section 161B of the Hong Kong Companies Ordinance, the amounts receivable from the company (which have a common director with the Company) as disclosed in part (vi) of this note of HK$15,904,000 are unsecured, interest-free and repayable on demand. The remaining of HK$7,020,000 are unsecured, interest bearing at prime rate plus 3.5% per annum and repayable on July 2009. The maximum amount outstanding during the year is HK$22,924,000.

50. PLEDGED ASSETS

At 31st December, 2008,

(a) 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$294,430,000 (2007: HK$86,638,000), HK$53,627,000 (2007: HK$47,893,000), HK$755,520,000 (2007: HK$705,631,000), HK$354,143,000 (2007: HK$102,182,000), HK$78,797,000 (2007: HK$271,706,000) and HK$2,540,275,000 (2007: HK$1,461,163,000) respectively were pledged to banks for banking facilities granted to the Group.

(b) Properties for development (included in assets classified as held for sale) with carrying value of HK$1,567,000 (2007: HK$2,822,000) were pledged against other loans.

(c) Bank deposits with carrying value of HK$6,242,000 (2007: HK$3,274,000) were pledged against mortgage loans granted to property purchasers.

(d) Bank deposits with carrying value of HK$300,000,000 (2007: nil) was pledged against banking facility granted to a jointly controlled entity.

(e) Certain assets of the Group are under the custody of courts, as described in note 47(c).

At 31st December, 2007,

(f) The Group's 100% interest in Tian An Real Estate Agency (China) Company Limited ("Tian An Real Estate") with carrying value of HK$402,236,000 was pledged against an other 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$16,780,000 and HK$631,494,000 respectively were pledged against a banking facility grant to that subsidiary.

(g) Pledges of properties for development with carrying values of HK$115,055,000 against a trade payable which had been settled, but had not been released. The pledges of properties have been released during the year.

51. 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/Paid up registered capital	Proportion of nominal value of issued ordinary share capital/registered capital held by the Company*/ subsidiaries		attributable to the Group		Principal activities
		2008	2007	2008	2007	
		%	%	%	%	
Allied Resort (Hangzhou) Company Limited(iii)	US$1	100	100	100	100	Investment holding
Beijing Nanhu Huayuan Apartment Co., Ltd.(ii)	US$15,600,000	100	100	100	100	Property development and investment
CBI Investment Limited	HK$151,031,629	99.97	99.97	99.97	99.97	Investment holding
Changchun Tian An Real Estate Development Co., Ltd.(v)	RMB50,000,000	100	100	100	100	Property development

Name of subsidiary	Paid up issued ordinary share capital/Paid up registered capital	Proportion of nominal value of issued ordinary share capital/registered capital held by the Company*/ subsidiaries		attributable to the Group		Principal activities
		2008	2007	2008	2007	
		%	%	%	%	
Changzhou Tian An City Development Co., Ltd.(v)	US$2,650,000	100	100	100	100	Property development
Changzhou Tian An Landmark Co., Ltd.(v)	US$8,000,000	100	100	100	100	Property development and investment
Changzhou Tian An Yuan Cheng Real Estate Development Company Limited (v)	US$32,300,000	100	100	100	100	Property development
Chinaland Management Limited	HK$200	100*	100*	100	100	Investment holding
Commander Ventures Limited(iii)	US$1	100	100	100	100	Investment holding
Cornell Property Services (Shanghai) Co., Ltd.(ii)	US$620,000	100	100	100	100	Property management and investment holding
Dalian Tian An Property Development Co., Ltd.(ii)	US$6,800,000	60	60	60	60	Property development
Dalian Tian An Tower Co., Ltd.(v)	US$29,000,000	100	100	100	100	Property development and investment
Grandview Square Limited	HK$2	100	100	100	100	Property investment
Grand Kings Limited	HK$2	100	100	100	100	Property investment
Grand Rise Investments Limited(iii)	US$1	100	100	100	100	Investment holding
GRP VI Limited	HK$3,756	100	100	100	100	Property investment
Huiyang Danshui Xinyangcheng Construction Company Limited(v)	HK$50,000,000	100	100	100	100	Property investment
Jack Rock Development Limited	HK$230,644,800	68.06	57.04	68.06	57.04	Investment holding
Jiangmen City Tian An Property Development Co., Ltd.(ii)	RMB20,000,000	100	60	100	60	Property development
Join View Development Limited	HK$2	100	100	100	100	Money lending services

Name of subsidiary	Paid up issued ordinary share capital/Paid up registered capital	Proportion of nominal value of issued ordinary share capital/registered capital held by the Company*/ subsidiaries 2008 %	2007 %	attributable to the Group 2008 %	2007 %	Principal activities
Kylie Nominees Limited	HK$2	100	100	100	100	Provision of nominee services
Nanjing Tiandu Industry Co., Ltd.(v)	US$13,500,000	100	100	100	100	Property development and investment
Pacific (Fuzhou) Golf Club Ltd.(v)	US$3,000,000	100	100	68.06	57.04	Golf course operation
Regal Asset Investment Limited	HK$100	85	85	85	85	Investment holding
Shanghai Sheshan Country Club Company Limited(v)	US$36,240,000	100	100	85	85	Property development
Shanghai Tian An Centre Building Co., Ltd.(ii)	US$28,000,000	98	98	98	98	Property development and investment
Shanghai Tianan Riverview Co., Ltd.(ii)	RMB50,000,000	99	99	99	99	Property development and investment
Shanghai Tianyang Real Estate Co., Ltd.(ii)	RMB50,000,000	80	80	80	80	Property development and investment
Sky Full Enterprises Limited	HK$10	100	100	100	100	Investment holding
Strait Investments (Shanghai) Limited(iii)	US$47,500,000	99.99	73.74	99.99	73.74	Investment holding
Sunhaitung Co., Ltd.(v)	US$30,000,000	100	100	100	100	Property development and investment holding
Sun Hung Kai (China) Limited(i)	HK$2,000,000	100*	100*	100	100	Property investment
T.A. Secretarial Services Limited	HK$2	100	100	100	100	Provision of secretarial services
Tanya Nominees Limited	HK$2	100	100	100	100	Provision of nominee services
Tian An China Enterprise Limited	HK$2	100*	100*	100	100	Investment holding and securities dealing
Tian An China Hotel and Property Investments Company Limited	HK$2	100*	100*	100	100	Investment holding

Name of subsidiary	Paid up issued ordinary share capital/Paid up registered capital	Proportion of nominal value of issued ordinary share capital/registered capital held by the Company*/ subsidiaries 2008 %	held by the Company*/ subsidiaries 2007 %	attributable to the Group 2008 %	attributable to the Group 2007 %	Principal activities
Tian An (Guang Zhou) Investments Co., Ltd.(v)	US$10,000,000	100*	100*	100	100	Property development
Tian An Pearl River Company Limited	HK$2	100*	100*	100	100	Investment holding
Tian An (Shanghai) Investments Co., Ltd. ("TASH")(v)	US$30,000,000	100(iv)	100(iv)	100	100	Property development and investment and investment holding
Tian An (Shenzhen) Enterprise Development Ltd.(v)	HK$150,000,000	100	100	100	100	Property development
Tian An (Sui An) Investment Company Limited	HK$2	100	100	100	100	Investment holding and property investment
Tianan Summit (Fujian) Real Estate Development Co., Ltd.(v)	US$12,000,000	100	100	68.06	57.04	Property development
Tian An (Tianjin) Investment Company Limited	HK$2	100	100	100	100	Investment holding
Value Harvest Real Estate (Shanghai) Co., Ltd.(v)	US$16,000,000	100	100	100	100	Property development
Winshine Group Limited(iii) & (i)	US$1	100	100	100	100	Property investment
Wuhan Changfu Property Development Co., Ltd.(ii)	RMB10,000,000	90	90	90	90	Property development
Wuxi Redhill Properties Co., Ltd.(ii)	US$5,000,000	95	95	95	95	Property development
Wuxi Tianxin Properties Co., Ltd.(v)	US$18,400,000	100	100	100	100	Property development
Zhao Qing Golf and Development Co., Ltd.(ii)	US$12,000,000	88	88	87.97	87.97	Property development and golf course operation
大連經濟技術開發區金馬大廈企業有限公司(v)	RMB133,060,855	100	–	100	–	Property development

Name of subsidiary	Paid up issued ordinary share capital/Paid up registered capital	Proportion of nominal value of issued ordinary share capital/registered capital held by the Company*/ subsidiaries 2008 %	2007 %	attributable to the Group 2008 %	2007 %	Principal activities
上海凱旋門企業發展有限公司(ii)	RMB50,000,000	100	100	100	100	Property development
上海海峽思泉房地產有限公司(ii)	US$50,000,000	100	100	99.99	75.05	Property development
常州天安數碼城置業有限公司 (“常州數碼城”)(v)	US$49,980,000	100(vii)	100(vii)	100	100	Property development
南京天寧置業有限公司(v)	US$29,900,000	100	100	100	100	Property development

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) The 60% interest in TASH is held directly by the Company and the remaining 40% is held by a subsidiary.

(v) Established as wholly foreign owned enterprises and operating principally in the PRC.

(vi) Established as limited liability companies and operating principally in the PRC.

(vii) The 50% interest in 常州數碼城 is held directly by the Company and the remaining 50% is held by a subsidiary.

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.

52. PARTICULARS OF PRINCIPAL ASSOCIATES

At 31st December, 2008, 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 2008 %	2007 %	Principal activities
Bonson Properties Limited	30	30	Investment holding
Consco Investment Company Limited	31.25	31.25	Investment holding

Name of associate	Proportion of nominal value of issued ordinary share capital/registered capital held by the Group 2008 %	2007 %	Principal activities
Tianjin International Building Co., Ltd.(ii)&(iii)	25	25	Property investment
Yue Xiu Tian An Management Company Limited(i)	50	50	Property management

Notes:

(i) Operating in the PRC.

(ii) Established and operating in the PRC.

(iii) Subsidiaries held by the associates of the Group.

53. PARTICULARS OF PRINCIPAL JOINTLY CONTROLLED ENTITIES

At 31st December, 2008, 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 2008 %	2007 %	Principal activities
Beijing Tian An Building Company Limited	Beijing	40	40	Property investment
Guangzhou Panyu Hi-Tech Ecological Park Development Co., Ltd.(ii)	Panyu	49	49	Property development
Shanghai Min Hoong Real Estate Development Co., Ltd.	Shanghai	N/A(i)	N/A(i)	Property development
Shenzhen ITC Tian An Co., Ltd.	Shenzhen	50	50	Property investment
Shenzhen Tian An Cyberpark Co., Ltd.	Shenzhen	50	50	Property development and investment and investment holding
Wuhan Tian An Hotel Co., Ltd.	Wuhan	55	55	Hotel operation
Vast Faith Limited(iii)	Shanghai	50	50	Investment holding
Yuexiu Tian An Building Company Limited	Guangzhou	48.75	48.75	Hotel operation
深圳天安物業管理有限公司	Shenzhen	50	50	Property management and investment holding
深圳市天利安實業發展有限公司(ii)	Shenzhen	50	50	Property development

Name of jointly controlled entity	Principal place of operation	Proportion of registered capital held by the Group 2008 %	2007 %	Principal activities
深圳市龍崗天安數碼新城有限公司(ii)	Shenzhen	50	50	Property development
佛山市天安數碼城有限公司(ii)	Foshan	45	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) Limited liability companies.

(iii) Incorporated in the British Virgin Islands.

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

Deloitte.
德勤

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29 June 2009

The Directors
Tian An China Investments Company Limited
22nd Floor, Allied Kajima Building
138 Gloucester Road, Wanchai
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Shanghai Allied Cement Holdings Limited (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") for each of the three years ended 31 December 2008 (the "Relevant Periods") for inclusion in a circular issued by Tian An China Investments Company Limited (the "Company") dated 29 June 2009 (the "Circular") in connection with the major transaction in respect of the proposed acquisition of the Target Group.

The Target Company was incorporated in Hong Kong on 21 May 2001 and acts as an investment holding company.

The particulars of the Target Company's subsidiaries as at 31 December 2006, 2007 and 2008 and the date of this report are as follows.

Name of company	Country/place of incorporation/ establishment	Country/place of operations	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Target Group As at 31 December 2006	2007	2008	Date of this report	Principal activities
				%	%	%	%	
AII-Cement Limited	The British Virgin Islands ("BVI") *(Note f)*	Hong Kong	Ordinary US$1	100	100	100	100	Investment holding
AII-Shanghai Inc.	BVI *(Note f)*	Hong Kong	Ordinary US$15,376,500	83.3	83.3	83.3	83.3	Investment holding

Name of company	Country/place of incorporation/ establishment	Country/place of operations	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Target Group As at 31 December 2006 %	2007 %	2008 %	Date of this report %	Principal activities
Global Merit Investments Limited	BVI *(Notes a and b)*	Hong Kong	Ordinary US$1	100	–	–	–	Property investment
Greataccord Investments Limited	BVI *(Notes a and b)*	Hong Kong	Ordinary US$1	100	–	–	–	Property investment
Infosource Limited	BVI *(Notes a, c and f)*	Hong Kong	Ordinary US$2	100	100	–	–	Investment holding
Magnate China Limited	Hong Kong *(Note b)*	Hong Kong	Ordinary HK$2	100	–	–	–	Property investment
Shandong Allied Wangchao Cement Limited ("Wangchao Cement")	The People's Republic of China ("PRC") *(Notes d and i)*	PRC	Registered capital US$9,200,000	95	95	100	100	Manufacture and distribution of cement and clinker
Shandong Shanghai Allied Cement Co., Ltd. ("Shandong Cement")	PRC *(Notes d and g)*	PRC	Registered capital US$1,000,000	100	100	100	100	Manufacture and distribution of cement and clinker
Shanghai Allied Cement Co., Ltd. ("Shanghai Cement")	PRC *(Notes e and h)*	PRC	Registered capital US$24,000,000	50	50	50	50	Manufacture and distribution of cement and clinker
Year Invest Investments Limited	BVI *(Notes a and b)*	Hong Kong	Ordinary US$1	100	–	–	–	Property investment

Notes:

(a) No audited financial statements have been prepared for these companies as they were incorporated in a country where there is no statutory audit requirement.

(b) These companies were disposed of during the year ended 31 December 2007. Details of the disposal are set out in note 29 to the Financial Information.

(c) The company was deregistered during the year ended 31 December 2008.

(d) The statutory financial statements which were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC for each of the Relevant Periods were audited by 棗莊安信會計師事務所有限公司, certified public accountants registered in the PRC.

(e) The statutory financial statements which were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC for each of the Relevant Periods were audited by 德勤華永會計師事務所有限公司, certified public accountants registered in the PRC.

(f) These companies are directly held by the Target Company.

(g) These companies are wholly foreign owned enterprise.

(h) The company is a Sino-foreign joint venture.

(i) The company is a foreign joint venture for the year ended 31 December 2006 and 2007 and a wholly foreign owned enterprise for the year ended 31 December 2008 and at date of this report.

We audited the consolidated management accounts of the Target Company ("Underlying Financial Statements") for the Relevant Periods, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

We have examined the Underlying Financial Statements for the Relevant Periods in accordance with the Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" as recommended by HKICPA.

The Financial Information of the Target Group for the Relevant Periods set out in this report has been prepared based on the Underlying Financial Statements for the purpose of preparing our report for inclusion in the Circular. No adjustments were considered necessary to adjust the Underlying Financial Statements in preparing our report for inclusion in the Circular.

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

In our opinion, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the Target Group as at 31 December 2006, 2007 and 2008 and of the consolidated results and cash flows of the Target Group for the Relevant Periods.

(A) FINANCIAL INFORMATION

Consolidated Income Statements

		Year ended 31 December		
		2006	**2007**	**2008**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	*7*	367,691	420,683	552,847
Cost of sales		(324,339)	(390,415)	(509,121)
Gross profit		43,352	30,268	43,726
Other income	*9*	16,159	23,425	32,436
Distribution and selling expenses		(5,437)	(6,029)	(6,642)
Administrative expenses		(21,191)	(21,555)	(25,711)
Allowance for bad and doubtful debts		(5,583)	(1,730)	(244)
Bad and doubtful debts recovered		3,174	2,124	785
Net foreign exchange gain	*10*	15,378	24,124	25,633
Gain on disposal of subsidiaries		–	1,379	–
Finance costs	*11*	(13,938)	(15,146)	(12,398)
Profit before taxation		31,914	36,860	57,585
Taxation (charge) credit	*13*	(7,197)	1,400	(1,857)
Profit for the year	*14*	24,717	38,260	55,728
Attributable to:				
Equity holders of the Target Company		18,666	31,673	47,702
Minority interests		6,051	6,587	8,026
		24,717	38,260	55,728

Consolidated Balance Sheets

		As at 31 December		
		2006	**2007**	**2008**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	*15*	446,717	453,021	471,155
Prepaid lease payments on land use rights	*16*	15,301	15,867	16,510
Goodwill	*17*	69,479	69,479	69,479
Mining right	*18*	7,142	7,436	7,770
		538,639	545,803	564,914
Current assets				
Properties held for sale	*19*	2,252	1,248	1,333
Prepaid lease payments on land use rights	*16*	387	411	439
Inventories	*20*	35,431	38,550	47,996
Trade and other receivables and deposits	*21*	192,519	241,102	224,625
Prepayments		4,554	8,285	18,327
Amounts due from fellow subsidiaries	*33*	42,625	41,143	29,257
Amount due from a minority shareholder	*33*	–	1,281	–
Tax recoverable		–	–	721
Pledged short-term bank deposits	*22*	24,000	25,532	13,636
Bank balances and cash	*22*	40,260	35,772	59,161
		342,028	393,324	395,495
Current liabilities				
Trade and other payables and deposits received	*23*	108,827	126,056	78,949
Dividends payable to a minority shareholder	*33*	–	738	–
Amounts due to fellow subsidiaries	*33*	14,451	14,392	15,003
Amount due to immediate holding company	*33*	289,721	285,652	289,630
Amount due to ultimate holding company	*33*	6,041	–	–
Amount due to former ultimate holding company	*33*	–	12,988	14,641
Amount due to a minority shareholder	*33*	4,974	–	4,876
Amounts due to related companies	*33*	935	777	2,283
Tax liabilities		33	1,830	33
Borrowings due within one year	*24*	123,727	210,789	203,058
		548,709	653,222	608,473
Net current liabilities		(206,681)	(259,898)	(212,978)
Total assets less current liabilities		331,958	285,905	351,936

		As at 31 December		
		2006	**2007**	**2008**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Capital and reserves				
Share capital	*25*	10,000	10,000	10,000
Reserves		31,545	61,460	109,344
Equity attributable to equity holders of the Target Company		41,545	71,460	119,344
Minority interests		171,524	185,299	192,882
Total equity		213,069	256,759	312,226
Non-current liabilities				
Amount due to a minority shareholder	*33*	494	400	450
Amounts due to fellow subsidiaries	*33*	203	–	–
Borrowings due after one year	*24*	86,000	–	10,341
Deferred taxation	*27*	32,192	28,746	28,919
		118,889	29,146	39,710
		331,958	285,905	351,936

Consolidated Statements of Changes in Equity

	Attributable to equity holders of the Target Company							
	Share capital HK$'000	Translation reserve HK$'000	Capital reserve HK$'000	Other reserves HK$'000 (Note)	(Accumulated losses) Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2006	10,000	5,487	824	14,108	(6,323)	24,096	158,962	183,058
Exchange difference arising on translation to presentation currency recognised directly in equity	–	(1,217)	–	–	–	(1,217)	6,511	5,294
Profit for the year	–	–	–	–	18,666	18,666	6,051	24,717
Total recognised income for the year	–	(1,217)	–	–	18,666	17,449	12,562	30,011
At 31 December 2006	10,000	4,270	824	14,108	12,343	41,545	171,524	213,069
Exchange difference arising on translation to presentation currency recognised directly in equity	–	(1,758)	–	–	–	(1,758)	10,874	9,116
Profit for the year	–	–	–	–	31,673	31,673	6,587	38,260
Total recognised income and expense for the year	–	(1,758)	–	–	31,673	29,915	17,461	47,376
Dividends paid to a minority shareholder	–	–	–	–	–	–	(3,686)	(3,686)
At 31 December 2007	10,000	2,512	824	14,108	44,016	71,460	185,299	256,759
Exchange difference arising on translation to presentation currency recognised directly in equity	–	182	–	–	–	182	12,518	12,700
Profit for the year	–	–	–	–	47,702	47,702	8,026	55,728
Total recognised income for the year	–	182	–	–	47,702	47,884	20,544	68,428
Transfer to other reserves	–	–	–	1,017	(1,017)	–	–	–
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	(5,230)	(5,230)
Dividends paid to a minority shareholder	–	–	–	–	–	–	(7,731)	(7,731)
At 31 December 2008	10,000	2,694	824	15,125	90,701	119,344	192,882	312,226

Note: Other reserves comprise reserve fund and enterprise expansion fund of Shanghai Cement and Shandong Cement and the effect of fair value adjustment at initial recognition of interest-free amount due to the then ultimate holding company. 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 the PRC of retained profits of the subsidiaries established in the PRC is subject to approval of the local authorities and the availability of foreign currencies generated and retained by these subsidiaries.

Consolidated Cash Flow Statements

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Operating activities			
Profit before taxation	31,914	36,860	57,585
Adjustments for:			
Release of prepaid lease payments on land use rights	374	411	439
Depreciation and amortisation	23,904	26,028	28,222
Allowance for bad and doubtful debts	5,583	1,730	244
Bad and doubtful debts recovered	(3,174)	(2,124)	(785)
Finance costs	13,938	15,146	12,398
Interest income	(843)	(1,822)	(1,022)
Loss (gain) on disposal of property, plant and equipment	224	(278)	23
Gain on disposal of subsidiaries	–	(1,379)	–
Effect of foreign exchange rate changes	(13,407)	(24,236)	(25,759)
Operating cash flow before movements in working capital	58,513	50,336	71,345
Decrease in properties held for sale	3,210	1,148	–
Increase in inventories	(1,290)	(857)	(6,818)
Decrease (increase) in trade and other receivables, deposits and prepayments	12,400	(40,569)	23,979
(Increase) decrease in amount due from a minority shareholder	–	(1,281)	1,368
(Decrease) increase in trade and other payables and deposits received	(47,111)	11,872	(55,900)
Increase in amount due to ultimate holding company	199	–	–
Increase in amount due to former ultimate holding company	–	6,187	805
(Decrease) increase in amounts due to related companies	(23)	(158)	1,506
Cash generated from operations	25,898	26,678	36,285
Income tax paid	–	(2,247)	(6,241)
Net cash from operating activities	25,898	24,431	30,044

		Year ended 31 December		
		2006	2007	2008
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Investing activities				
Acquisition of additional interest in a subsidiary		–	–	(5,230)
Disposal of subsidiaries, net of cash and cash equivalent	29	–	1,000	–
Proceeds from disposal of property, plant and equipment		713	328	1,948
Purchase of property, plant and equipment		(9,760)	(3,619)	(17,177)
(Advance to) repayment from fellow subsidiaries		(10,733)	3,178	13,644
Addition to prepaid lease payments on land use rights		(980)	–	–
Interest received		820	1,822	1,022
Decrease in pledged bank deposits		20,337	–	13,637
Net cash from investing activities		397	2,709	7,844
Financing activities				
New loans raised		180,235	183,759	108,309
Repayment of loans		(188,309)	(189,956)	(114,207)
Dividends paid to a minority shareholder		(4,668)	(2,948)	(8,469)
(Repayment to) advance from immediate holding company		(2,024)	(4,069)	3,978
Advance from (repayment to) fellow subsidiaries		4,619	(1,214)	608
Advance from (repayment to) a minority shareholder		2,264	(5,291)	4,876
Interest paid		(13,890)	(14,470)	(12,030)
Net cash used in financing activities		(21,773)	(34,189)	(16,935)
Net increase (decrease) in cash and cash equivalents		4,522	(7,049)	20,953
Cash and cash equivalents at the beginning of the year		34,228	40,260	35,772
Effect of foreign exchange rate changes		1,510	2,561	2,436
Cash and cash equivalents at the end of the year, represented by bank balances and cash		40,260	35,772	59,161

NOTES TO FINANCIAL INFORMATION

1. GENERAL

The Target Company was incorporated in Hong Kong on 21 May 2001. The address of the registered office and principal place of business of the Target Company is 47th Floor, China Online Centre, 333 Lockhart Road, Wan Chai, Hong Kong.

The Financial Information is presented in Hong Kong dollars ("HK$") which is different from the functional currency of the Target Company, Renminbi ("RMB"), as the directors of the Target Company consider that Hong Kong dollars is the most appropriate presentation currency in view of the ultimate holding company's place of first listing is in Hong Kong.

The Company was the Target Company's ultimate holding company up to 28 June 2007. Thereafter, Shanghai Allied Cement Limited (the "Vendor"), a company incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended) and whose shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and The Singapore Exchange Securities Trading Limited, the immediate holding company of the Target Company, became the Target Company's ultimate holding company.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

The Target Group had net current liabilities of approximately HK$206,681,000, HK$259,898,000 and HK$212,978,000 at 31 December 2006, 2007 and 2008. In the event of the unsuccessful completion of the sale of the entire issued share capital of the Target Company to the Company, the Vendor will provide financial support to the Target Group by providing future funding to the Target Group whenever necessary by the way of the proceeds from the issue of new shares by placement and open offer and the extension of repayment term of credit facilities. In the event of the successful completion of the sale of the entire share capital to the Company, the Company will provide financial support to the Target Group. Accordingly, the Financial Information has been prepared on a going concern basis.

3. APPLICATION OF HKFRSs

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Target Group has consistently applied HKFRSs, Hong Kong Accounting Standards ("HKAS(s)") amendments and interpretations ("INT") issued by the HKICPA that are effective for annual accounting periods beginning on 1 January 2008.

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of financial statements[3]
HKAS 23 (Revised)	Borrowing costs[3]
HKAS 27 (Revised)	Consolidated and separate financial statements[4]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[3]
HKAS 39 (Amendment)	Eligible hedged items[4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate[3]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[3]
HKFRS 3 (Revised)	Business combinations[4]
HKFRS 7 (Amendment)	Improving disclosures about financial instruments[3]
HKFRS 8	Operating segments[3]
HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives[5]
HK(IFRIC) – INT 13	Customer loyalty programmes[6]
HK(IFRIC) – INT 15	Agreements for the construction of real estate[3]
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation[7]
HK(IFRIC) – INT 17	Distribution of non-cash assets to owners[4]
HK(IFRIC) – INT 18	Transfer of assets from customers[6]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2009.
4 Effective for annual periods beginning on or after 1 July 2009.
5 Effective for annual periods ending on or after 30 June 2009.
6 Effective for annual periods beginning on or after 1 July 2008.
7 Effective for annual periods beginning on or after 1 October 2008.
8 Effective for transfers on or after 1 July 2009.

The application of HKFRS 3 (Revised) may affect the Target Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment on changes in the Target Group's ownership interest in a subsidiary. The directors of the Target Company anticipate that the application of these other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Target Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis as explained in the accounting policies set out below.

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

Basis of consolidation

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

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Target 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 Target Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combinations 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 Target Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Acquisition of additional interests in a subsidiary

The cost of the acquisition is measured at the consideration paid for the additional interest. The goodwill is calculated as the difference between the consideration paid and the carrying amount of the net assets of the subsidiary attributable to the additional interest acquired.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Target 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 Target Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Target 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 1 January 2005

Goodwill arising on an acquisition of net assets and operations of another entity, for which the agreement date is before 1 January 2005 represents the excess of the cost of the business combination over the Target Group's interest in the fair value of the identifiable assets and liabilities of the relevant acquiree, at the date of acquisition.

For previously capitalised goodwill arising on acquisitions of net assets and operations of another entity, the Target Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill (net of cumulative amortisation as at 31 December 2004) 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).

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year.

When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment for goodwill is not reversed in subsequent periods.

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

Revenue recognition

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

Revenue from sale of properties held for sale is recognised when the respective properties have been delivered to the buyers.

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

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

Property, plant and equipment

Property, plant and equipment, including buildings held for use in production or supply of goods or services, or for administrative purpose 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 property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

Construction in progress includes 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 consolidated income statement in the year in which the item is derecognised.

Mining right

On initial recognition, mining right acquired separately is recognised at cost. After initial recognition, mining right is carried at costs less accumulated amortisation and any accumulated impairment losses.

Gain or loss arising from derecognition of mining right is measured at the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the consolidated income statement when the asset is derecognised.

Impairment other than goodwill

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

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

Leasing

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

The Target Group as lessee

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

Prepaid lease payments

The prepaid lease payments representing upfront payments for land use right are initially recognised at cost and released to the consolidated income statement over the lease term on a straight-line basis.

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 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.

For the purposes of presenting the Financial Information, the assets and liabilities of the Target Group's foreign operations are translated into the presentation currency of the Target 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 year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation before 1 January 2005 is treated as non-monetary foreign currency items of the acquirer and reporting using the historical cost prevailing at the date of acquisition.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to refund of value added tax from tax authorities and subsidy income from government are recognised in the consolidated income statement when received or receivable.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Target Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the year in which they are incurred.

Taxation

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is computed on a weighted average method. Net realisable value represents the estimated selling price less all estimated cost of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Target Group's financial assets are classified into loans and receivables.

Effective interest method

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables and deposits, amounts due from fellow subsidiaries, amount due from a minority shareholder, pledged short-term bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. The accounting policy on impairment loss of financial assets is set out below.

Impairment of loans and receivables

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

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

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

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

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

If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Target Group after deducting all of its liabilities.

Effective interest method

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

Financial liabilities

Financial liabilities (including trade and other payables and deposits received, amounts due to fellow subsidiaries/immediate holding company/ultimate holding company/former ultimate holding company/a minority shareholder/related companies, borrowings and dividends payable to a minority shareholder) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

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

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Group's accounting policies, which are described in note 4, the directors of the Target Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowances for bad and doubtful debts

The policy of allowance for bad and doubtful debts of the Target Group is based on the evaluation of collectability and aged 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. If the financial conditions of customers of the Target 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 Target 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 31 December 2006, 2007 and 2008, the carrying amount of goodwill was HK$69,479,000, HK$69,479,000 and HK$69,479,000 respectively. Details of the recoverable amount calculation are disclosed in note 17.

6. FINANCIAL INSTRUMENTS

Capital risk management

The Target Group manages its capital to ensure the entities in the Target Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Target Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Target Group consists of debt, which includes borrowings disclosed in note 24 and equity attributable to equity holders of the Target Company, comprising issued share capital, reserves and retained profits. The directors of the Target Company review the capital structure on an annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Target Group will balance its overall capital structure through the issue of new debts or the redemption of existing debts.

Categories of financial instruments

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	299,404	344,830	326,679
Financial liabilities			
Amortised cost	634,995	650,407	616,778

Financial risk management objectives and policies

The Target Group's major financial instruments include trade and other receivables, deposits, amounts due from fellow subsidiaries, amount due from a minority shareholder, pledged short-term bank deposits, bank balances, trade and other payables, deposits received, amounts due to fellow subsidiaries, immediate holding company, ultimate holding company, former ultimate holding company, a minority shareholder and related companies as well as borrowings. Details of these financial instruments are disclosed in the 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 in a timely and effective manner.

Market risk

Interest rate risk

The Target Group's fair value interest rate risk relates primarily to certain fixed-rate pledged short-term bank deposits and borrowings (see note 24 for details of these borrowings). The Target Group has not used any derivative contracts to hedge these exposure to interest rate risk.

The Target Group's cash flow interest rate risk primarily relates to variable-rate bank balances and borrowings. The Target Group has not used any interest rate swaps in order to mitigate its exposure associated with fluctuations relating to interest cash flows. However, the management monitors interest rate exposure and will consider necessary actions when significant interest rate exposure is anticipated.

The Target Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk. The Target Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR and prime rate arising from the Target Group's HK$ borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments relating to floating-rate borrowings as at 31 December 2006, 2007 and 2008. The analysis is prepared assuming the amount of liabilities outstanding at the balance sheet date was outstanding for the whole year. A 100 basis points (2006 and 2007: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2006 and 2007: 100 basis points) higher/lower and all other variables were held constant, the Target Group's profit for each of the years ended 31 December 2006, 2007 and 2008 would decrease/increase by approximately HK$792,000, HK$710,000 and HK$810,000 respectively.

Foreign currency risk

The Target Group collects most of its revenue in RMB and incurs most of the expenditures as well as capital expenditures in RMB. The directors considered that the Target Group's exposure to foreign currency exchange risk is insignificant as the majority of the Target Group's transactions are denominated in the functional currency of the respective group entities.

As at 31 December 2006, 2007 and 2008, the Target Group had amounts due from fellow subsidiaries, amounts due to fellow subsidiaries and immediate holding company and borrowings denominated in HK$ which are the currencies other than the functional currency of the respective group entities. The Target Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

The carrying amounts of the Target Group's HK$ monetary assets and liabilities at the reporting date are HK$15,347,000 (2006: HK$16,059,000 and 2007: HK$14,363,000) and HK$372,770,000 (2006: HK$398,575,000 and 2007: HK$386,044,000) respectively.

The following table details the Target Group's sensitivity to a 5% (2006 and 2007: 5%) increase and decrease in RMB against HK$. 5% (2006 and 2007: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonable possible change in foreign exchange rates. The sensitivity analysis includes the financial assets and financial liabilities denominated in HK$, and adjusts their translation at each of the year ended 31 December 2006, 2007 and 2008 for a 5% change in foreign currency rates. A positive number below indicates a increase in profit where RMB strengthen 5% (2006 and 2007: 5%) against HK$. For a 5% (2006 and 2007: 5%) weakening of RMB against in HK$, there would be an equal and opposite impact on the profit for the year, and the balance below would be negative.

		HK$	
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Profit for the year	19,126	18,584	17,871

Credit risk

The Target Group's credit risk is primarily attributable to amounts due from fellow subsidiaries, trade and other receivables, pledged short-term bank deposits and bank balances.

The Target Group's maximum exposure to credit risk which will cause a financial loss to the Target Group in the event of the counterparties' failure to perform their obligations as at the balance sheet date in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

In order to minimise credit risk, management has delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, management reviews the recoverable amount of each individual debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, management considers that the Target Group's credit risk is significant reduced.

The Target Group reviews the recoverable amount of amounts due from fellow subsidiaries at each balance sheet date to ensure that the adequate impairment losses are made for irrecoverable amount.

The credit risk on liquid funds is limited because the Target Group's pledged short-term bank deposits and bank balances are deposited with banks of high credit ratings in Hong Kong and the PRC.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Target Group does not have significant concentration of credit risk on trade and other receivables as the exposure spread over a number of counterparties and customers.

Liquidity risk

The Target Group had net current liabilities of approximately HK$206,681,000, HK$259,898,000 and HK$212,978,000 at 31 December 2006, 2007 and 2008. In the event of the unsuccessful completion of the sale of the entire issued share capital of the Target Company to the Company, the Vendor will financially support the Target Group by providing future funding by the way of the proceeds from the issue of new shares by placement and open offer and the extension of repayment term of credit facilities. In the event of the successful completion of the sale of the entire share capital to the Company, the Company will provide financial support to the Target Group. Accordingly, the Financial Information has been prepared on a going concern basis.

In the management of the liquidity risk, the Target Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Group's operations and mitigate the effects of fluctuations in cash flows. The Target Group relies on bank and other borrowings as a significant source of liquidity. The management monitors the utilisation of bank and other borrowings.

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

Liquidity and interest risk tables

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total undiscounted cash flows	Carrying amount at balance sheet date
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2006								
Borrowings – fixed rate	5.69	9,184	46,806	60,618	–	–	116,608	113,727
Borrowings – variable rate	5.88	–	1,346	14,174	92,039	–	107,559	96,000
Trade and other payables	–	62,356	3,507	42,586	–	–	108,449	108,449
Amounts due to fellow subsidiaries – interest bearing	5.58	–	–	–	–	1,087	1,087	203
Amounts due to fellow subsidiaries	–	14,451	–	–	–	–	14,451	14,451
Amount due to immediate holding company	–	289,721	–	–	–	–	289,721	289,721
Amounts due to related companies	–	935	–	–	–	–	935	935
Amount due to ultimate holding company	–	6,041	–	–	–	–	6,041	6,041
Amount due to a minority shareholder	5.58	4,974	–	–	–	2,799	7,773	5,468
		387,662	51,659	117,378	92,039	3,886	652,624	634,995
At 31 December 2007								
Borrowings – fixed rate	8.60	18,536	27,123	83,959	–	–	129,618	124,789
Borrowings – variable rate	6.41	86,435	–	–	–	–	86,435	86,000
Trade and other payables	–	47,202	31,959	45,510	–	–	124,671	124,671
Dividends payable to a minority shareholder	–	738	–	–	–	–	738	738
Amounts due to fellow subsidiaries	–	14,392	–	–	–	–	14,392	14,392
Amounts due to related companies	–	777	–	–	–	–	777	777
Amount due to immediate holding company	–	285,652	–	–	–	–	285,652	285,652
Amount due to former ultimate holding company	–	12,988	–	–	–	–	12,988	12,988
Amount due to a minority shareholder	5.58	–	–	–	–	2,978	2,978	400
		466,720	59,082	129,469	–	2,978	658,249	650,407
At 31 December 2008								
Borrowings – fixed rate	6.64	–	–	117,346	–	–	117,346	113,422
Borrowings – variable rate	5.23	71,022	1,847	17,454	11,596	–	101,919	99,977
Trade and other payables	–	30,930	6,392	39,174	–	–	76,496	76,496
Amounts due to fellow subsidiaries	–	15,003	–	–	–	–	15,003	15,003
Amount due to immediate holding company	–	289,630	–	–	–	–	289,630	289,630
Amounts due to related companies	–	2,283	–	–	–	–	2,283	2,283
Amount due to former ultimate holding company	–	14,641	–	–	–	–	14,641	14,641
Amount due to a minority shareholder	5.58	4,876	–	–	–	3,181	8,057	5,326
		428,385	8,239	173,974	11,596	3,181	625,375	616,778

Fair values

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using the relevant prevailing market rates.

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

7. REVENUE

Revenue, which is also the turnover of the Target Group, represents the sales value of the distribution and manufacturing of cement and clinker net of discount and sales related tax.

8. SEGMENT INFORMATION

For management purpose, the Target Group has one operating division, which is distribution and manufacturing of cement and clinker. The Target Group's operation is principally located in the PRC. Accordingly, no segmental analysis is presented.

9. OTHER INCOME

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Interest income	843	1,822	1,022
Gain on disposal of property, plant and equipment	–	278	–
Guarantee fee received	213	–	–
Subsidy income	–	–	3,653
Refund of value-added tax	14,589	15,685	19,711
Sundry income	514	5,640	8,050
	16,159	23,425	32,436

10. NET FOREIGN EXCHANGE GAIN

Included in the amount of net foreign exchange gain was an amount of HK$17,198,000 (2006: HK$11,517,000 and 2007: HK$17,185,000) arising from the translation of amounts due from fellow subsidiaries, amounts due to fellow subsidiaries and amount due to immediate holding company.

11. FINANCE COSTS

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Interest on:			
Bank loans wholly repayable within five years	12,519	14,470	11,206
Other loans	1,394	–	1,141
Imputed interest on interest-free amount due to a minority shareholder and former fellow subsidiaries	25	676	51
	13,938	15,146	12,398

12. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

Directors' remuneration

The remuneration paid or payable to the directors was as follows:

	Mr. Ng Qing Hai *HK$'000*	**Mr. Ko Sing Ming** *HK$'000*	**Mr. Li Chi Kong** *HK$'000*	**Mr. Lee Hon Sang** *HK$'000*	**Total** *HK$'000*
2006					
Directors' fees	–	–	–	–	–
Salaries and other benefits	845	–	–	–	845
Retirement benefit scheme contributions	–	–	–	–	–
Total remuneration	845	–	–	–	845

	Mr. Ng Qing Hai *HK$'000*	**Dato' Wong Peng Chong** *HK$'000*	**Mr. Kong Muk Yin** *HK$'000*	**Mr. Li Chi Kong** *HK$'000*	**Mr. Lee Hon Sang** *HK$'000*	**Total** *HK$'000*
2007						
Directors' fees	–	–	–	–	–	–
Salaries and other benefits	812	–	–	–	–	812
Retirement benefit schemes contributions	–	–	–	–	–	–
Total remuneration	812	–	–	–	–	812

	Mr. Ng Qing Hai *HK$'000*	**Dato' Wong Peng Chong** *HK$'000*	**Mr. Kong Muk Yin** *HK$'000*	**Total** *HK$'000*
2008				
Directors' fees	–	–	–	–
Salaries and other benefits	1,056	–	–	1,056
Retirement benefit scheme contributions	–	–	–	–
Total remuneration	1,056	–	–	1,056

During the year ended 31 December 2006, Mr. Ko Sing Ming resigned as a director of the Target Company and Mr. Lee Hon Sang was appointed as a director of the Target Company.

During the year ended 31 December 2007, Mr. Li Chi Kong and Mr. Lee Hon Sang resigned as directors of the Target Company and Dato' Wong Peng Chong and Mr. Kong Muk Yin were appointed as directors of the Target Company.

During the Relevant Periods, no remuneration was paid by the Target Group to the directors of the Target Company as an inducement to join or upon joining the Target Group or as compensation for loss of office. None of the directors of the Target Company has waived any remuneration during the Relevant Periods.

Employees' emoluments

The five highest paid individuals included one director of the Target Company for each of the three years ended 31 December 2006, 2007 and 2008. The emoluments of the remaining four individuals for the Relevant Periods, which were individually less than HK$1,000,000, were as follows:

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Salaries and other benefits	1,294	1,360	1,835
Performance related bonuses	95	114	–
Contributions to retirement benefit scheme	28	33	40
	1,417	1,507	1,875

During the Relevant Periods, no emoluments were paid by the Target Group to the five highest paid individuals as an inducement to join or upon joining the Target Group.

The performance bonus is an incentive scheme adopted by Shanghai Cement, Wangchao Cement and Shangdong Cement. Criterion on the incentive scheme are:

1. Amount of profits

2. Average cost of production

3. Quantities cement and clinker produced

4. Electricity consumption

5. Coal consumption

6. Aggregate amount of aging debts

Each company bases on its annual budgeted performance to set out its targets. If pre-set targets are achieved in a particular month, all staff will entitle to performance related bonus as illustrated in each target level as well as on individual's assessed performance during subject month.

13. TAXATION (CHARGE) CREDIT

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Current tax			
– PRC Enterprise Income Tax	–	(4,044)	(6,576)
– Overprovision in prior year	–	–	2,976
	–	(4,044)	(3,600)
Deferred tax *(note 27)*			
– current year	(7,197)	2,925	1,743
– attributable to a change of tax rate	–	2,519	–
	(7,197)	5,444	1,743
	(7,197)	1,400	(1,857)

Shanghai Cement and Wangchao Cement enjoyed PRC Enterprise Income Tax rate of 27% since they are located in designated coastal cities engaging in the manufacturing business. On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changed the tax rate from 27% to 25% for Shanghai Cement and Shandong Cement from 1 January 2008. At 31 December 2007, the deferred tax balance had been adjusted to reflect the tax rates that were expected to apply to the respective periods when the asset was realised or the liability was settled.

The PRC Enterprise Income Tax is calculated at the rates applicable to respective subsidiaries. In accordance with the tax legislations applicable to foreign investment enterprises, Wangchao Cement is entitled to exemptions from the PRC Enterprise Income Tax for the two years commencing from the first profit-making year of operation in 2007 and thereafter, entitled to a 50% relief from the PRC Enterprise Income Tax for the following three years. The subsidiary can continue to entitle such tax concession according to the New Law and the charge of PRC Enterprise Income Tax for the year has been provided for after taking these tax incentive into account.

No provision for Hong Kong Profits Tax has been made as the Target Group had no assessable profits arising in Hong Kong during the Relevant Periods. On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 17.5%, 17.5% and 16.5% for the years ended 31 December 2006, 2007 and 2008 respectively.

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

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Profit before taxation	31,914	36,860	57,585
Taxation at domestic income tax rate (2006: 27%, 2007: 27%, 2008: 25%)	(8,617)	(9,952)	(14,396)
Tax effect of expenses not deductible for tax purpose	(2,595)	(1,435)	(1,242)
Tax effect of income not taxable for tax purpose	3,062	4,384	4,616
Tax effect of tax losses not recognised	(284)	(3,738)	(759)
Tax effect of utilisation of tax losses previously not recognised	767	2,833	61
Effect of tax exemption granted to a PRC subsidiary	–	5,479	6,077
Effect of different tax rates of subsidiaries operating in other jurisdictions	470	1,310	1,179
Overprovision in prior year	–	–	2,976
Decrease in opening deferred tax liability resulting from a decrease in tax rate	–	2,519	–
Others	–	–	(369)
Taxation (charge) credit	(7,197)	1,400	(1,857)

Note: The domestic tax rate represents the statutory tax rate of the major group companies operating in the PRC.

14. PROFIT FOR THE YEAR

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Profit for the year has been arrived at after charging (crediting):			
Staff costs:			
Directors' remuneration *(note 11)*	845	812	1,056
Other staff costs	18,443	18,443	22,036
Contributions to retirement benefit schemes	4,235	4,914	5,067
	23,523	24,169	28,159
Auditor's remuneration	1,053	794	1,067
Cost of inventories recognised as an expense	324,339	390,415	509,121
Amortisation of mining right (included in administration expenses)	147	162	173
Depreciation of property, plant and equipment	23,757	25,866	28,049
Total amortisation and depreciation	23,904	26,028	28,222
Release of prepaid lease payments on land use rights	374	411	439
Loss on disposal of property, plant and equipment	224	–	23
Operating lease rentals in respect of:			
Premises	524	569	790
Plant and machinery	1,346	1,542	777
	1,870	2,111	1,567

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant and machinery	Construction in progress	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 1 January 2006	235,998	414	414,891	6,962	2,628	5,610	666,503
Effect of exchange adjustments	9,681	17	16,851	54	109	263	26,975
Additions	1,860	–	1,564	4,419	115	1,802	9,760
Disposals/write-off	(785)	–	(52)	–	(8)	(643)	(1,488)
Reclassification	6,229	–	4,981	(11,210)	–	–	–
At 31 December 2006	252,983	431	438,235	225	2,844	7,032	701,750
Effect of exchange adjustments	16,148	28	28,059	14	182	449	44,880
Additions	68	–	1,091	1,317	292	851	3,619
Disposals/write-off	–	–	(263)	–	(16)	(223)	(502)
Reclassification	47	–	111	(196)	38	–	–
At 31 December 2007	269,246	459	467,233	1,360	3,340	8,109	749,747
Effect of exchange adjustments	18,358	31	31,949	93	228	553	51,212
Additions	2,861	–	3,399	10,225	74	618	17,177
Disposals/write-off	(162)	–	(1,966)	–	(28)	(323)	(2,479)
Reclassification	1,598	–	10,074	(11,678)	6	–	–
At 31 December 2008	291,901	490	510,689	–	3,620	8,957	815,657
ACCUMULATED DEPRECIATION							
At 1 January 2006	56,122	301	161,466	–	1,642	2,644	222,175
Effect of exchange adjustments	2,480	13	6,960	–	74	125	9,652
Provided for the year	7,495	43	15,194	–	267	758	23,757
Eliminated on disposals/write-off	(378)	–	(17)	–	(7)	(149)	(551)
At 31 December 2006	65,719	357	183,603	–	1,976	3,378	255,033
Effect of exchange adjustments	4,194	23	11,720	–	126	216	16,279
Provided for the year	7,982	24	16,920	–	271	669	25,866
Eliminated on disposals/write-off	–	–	(237)	–	(14)	(201)	(452)
At 31 December 2007	77,895	404	212,006	–	2,359	4,062	296,726
Effect of exchange adjustments	5,311	28	14,458	–	161	277	20,235
Provided for the year	8,667	40	18,320	–	283	739	28,049
Eliminated on disposals/write-off	(10)	–	(317)	–	(22)	(159)	(508)
At 31 December 2008	91,863	472	244,467	–	2,781	4,919	344,502
CARRYING VALUES							
At 31 December 2006	187,264	74	254,632	225	868	3,654	446,717
At 31 December 2007	191,351	55	255,227	1,360	981	4,047	453,021
At 31 December 2008	200,038	18	266,222	–	839	4,038	471,155

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

Buildings	2.7% – 10%
Leasehold improvements	4.5% – 10%
Plant and machinery	4% – 8%
Furniture, fixtures and equipment	15% – 20%
Motor vehicles	18% – 25%

The buildings of the Target Group are situated on the leasehold land in the PRC under a medium-term lease.

At 31 December 2008, the Target Group pledged its buildings with carrying amount of approximately HK$80,991,000 (2006 and 2007: nil) to secure for an amount of HK$15,227,000 (2006 and 2007: nil) of a bank loan of HK$22,159,000 (2006 and 2007: nil) granted to a third party who then lent a loan of HK$17,614,000 to the Target Group.

16. PREPAID LEASE PAYMENTS ON LAND USE RIGHTS

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
The Target Group's prepaid lease payments on land use rights comprise:			
Leasehold land in the PRC under a medium-term lease	15,688	16,278	16,949
Analysed for reporting purposes as:			
Current	387	411	439
Non-current	15,301	15,867	16,510
	15,688	16,278	16,949

The leasehold land is amortised on a straight-line basis over the remaining term of leases.

At 31 December 2008, the Target Group pledged its land use rights with carrying amount stated as above (2006 and 2007: nil) to secure for amount of approximately HK$77,273,000 (2006 and 2007: nil) of borrowings to the Target Group.

17. GOODWILL AND IMPAIRMENT TEST ON GOODWILL

	HK$'000
COST	
At 1 January 2006 and 31 December 2006, 2007 and 2008	83,618
IMPAIRMENT	
At 1 January 2006 and 31 December 2006, 2007 and 2008	14,139
CARRYING VALUE	
At 31 December 2006, 2007 and 2008	69,479

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill of HK$83,618,000 was wholly allocated to cash-generating unit in distribution and manufacturing of cement and clinker of a subsidiary (the "Unit").

Upon the application of HKFRS 3, the Target Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the Unit are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rate, growth rates and expected changes to selling prices and direct costs during the forecasted period. Management estimated discount rate of 12.94% (2006: 8.56%, 2007: 12.55%), using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the Unit. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Target Group prepared cash flow projections derived from the most recent financial budgets approved by management covering a five-year period and extrapolated cash flows of the Unit for the following ten years using zero growth rate.

During the Relevant Periods, management of the Target Group determined that there was no impairment of the Unit.

Due to the effects caused by the macro-economic adjustments in the PRC and the uncertainty about the market conditions in previous years, the Target Group revised its cash flow projections for the Unit during the year ended 31 December 2005. The Unit was therefore reduced to its recoverable amount through recognition of an impairment loss against goodwill of HK$14,139,000 in that year.

18. MINING RIGHT

	HK$'000
COST	
At 1 January 2006 and 2007	7,383
Effect on exchange adjustments	471
At 31 December 2007	7,854
Effect on exchange adjustments	535
At 31 December 2008	8,389
AMORTISATION	
At 1 January 2006	86
Effect on exchange adjustments	8
Charge for the year	147
At 31 December 2006	241
Effect on exchange adjustments	15
Charge for the year	162
At 31 December 2007	418
Effect on exchange adjustments	28
Charge for the year	173
At 31 December 2008	619
CARRYING VALUES	
At 31 December 2006	7,142
At 31 December 2007	7,436
At 31 December 2008	7,770

The licence period is 10 years and renewable for another 10 years or more at minimal charges. In the opinion of the directors, the mining right is amortised on a straight line basis over its estimated useful life of 50 years.

19. PROPERTIES HELD FOR SALE

The balance represents properties transferred in previous years from trade debtors of a subsidiary, Shanghai Cement in lieu of cash settlement and registered in the name of Shanghai Cement.

20. INVENTORIES

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Inventories consist of the following:			
Raw materials	22,493	29,048	35,852
Work in progress	3,266	4,354	6,147
Finished goods	9,672	5,148	5,997
	35,431	38,550	47,996

21. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	211,006	263,631	248,567
Less: Allowance for bad and doubtful debts for trade receivables	29,239	30,666	32,198
	181,767	232,965	216,369
Other receivables and deposits	24,691	22,965	24,113
Less: Allowance for bad and doubtful debts for other receivables and deposits	13,939	14,828	15,857
	10,752	8,137	8,256
Total trade and other receivables and deposits	192,519	241,102	224,625

The Target Group has a policy of allowing its trade customers credit periods normally ranging from 120 days to 1 year. Their aged analysis of trade receivables is as follows:

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
0 – 90 days	123,992	182,555	173,285
91 – 180 days	25,228	30,539	33,830
181 – 365 days	15,738	14,533	7,364
Over 1 year	16,809	5,338	1,890
	181,767	232,965	216,369

As at 31 December 2006, 2007 and 2008, discounted bills receivable with full recourse of approximately HK$15,453,000, HK$50,321,000 and HK$32,740,000 was included in trade receivables. The advance obtained from discounted bills receivable has been recorded as unsecured bank loans (note 24).

Before accepting any new customer, the Target Group will assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed twice a year. Approximately 99% (2006 and 2007: 90% and 98%) of the trade receivables that are neither past due nor impaired.

As at 31 December 2006, 2007 and 2008, included in the Target Group's trade receivables balances are debtors with aggregate carrying amount of approximately HK$16,809,000, HK$5,338,000 and HK$1,890,000 respectively which are past due at the reporting date for which the Target Group has not provided for impairment loss. At 31 December 2007, the Target Group held the collateral with approximate market value of HK$4 million of motor vehicles over these balances and the remaining balances were gradually settled. The average age of these receivables is 518 days (2006 and 2007: 390 days and 502 days).

Aging of trade receivables which are past due but not impaired.

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Over 1 year	16,809	5,338	1,890

Movement in the allowance for bad and doubtful debts

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Balance at beginning of the year	40,213	43,178	45,494
Exchange difference	556	2,710	3,102
Impairment losses recognised on receivables	5,583	1,730	244
Amounts recovered during the year	(3,174)	(2,124)	(785)
Balance at end of the year	43,178	45,494	48,055

As at 31 December 2006, 2007 and 2008, included in the allowance for bad and doubtful debts are individually impaired trade and other receivables with an aggregate balance of HK$5,583,000, HK$1,730,000 and HK$244,000 which have either been placed under liquidation or in severe financial difficulties. The Target Group does not hold any collateral over these balances.

At 31 December 2008, the carrying amount of trade receivable, which was pledged as security for the borrowings, is approximately HK$3,409,000 (2006 and 2007: nil). The advance obtained from trade receivable has been recorded as secured bank loans (note 24).

22. PLEDGED SHORT-TERM BANK DEPOSITS, BANK BALANCES AND CASH

As at 31 December 2006, 2007 and 2008, bank deposits totalling HK$24,000,000, HK$25,532,000 and HK$13,636,000 were pledged to banks as collateral to secure short-term banking facilities in respect of bills payable to suppliers and were therefore classified as current assets. The pledged short-term bank deposits carry fixed interest rate of 2.07% to 2.25%, 2.25% to 3.42% and 0.81% to 3.42% per annum for each of the three years ended 31 December 2006, 2007 and 2008 respectively. Bank balances and cash comprise cash and bank balances held by the Target Group with maturity of three months or less and carry interest at market rates which range from 1.99% to 2.85%, 0.01% to 3.5% and 0.01% to 1.98% per annum for each of the three years ended 31 December 2006, 2007 and 2008 respectively.

23. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

Included in trade and other payables and deposits received are trade payables of approximately HK$47,908,000 (2007: HK$81,642,000 and 2006: HK$69,560,000) and their aged analysis is as follows:

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
0 – 90 days	63,671	71,514	15,300
91 – 180 days	3,336	5,315	29,505
181 – 365 days	1,086	2,419	1,177
Over 1 year	1,467	2,394	1,926
	69,560	81,642	47,908

24. BORROWINGS

At 31 December 2006, 2007 and 2008, included in bank loans were amounts of approximately HK$15,453,000, HK$50,321,000 and HK$32,740,000 respectively which represents the proceeds from discounted bills receivable with full recourse.

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Bank loans	209,727	210,789	195,785
Other loans	–	–	17,614
	209,727	210,789	213,399
Secured	–	–	169,296
Unsecured	209,727	210,789	44,103
	209,727	210,789	213,399

The maturity profile of the above borrowings is as follows:

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
On demand or within one year	123,727	210,789	203,058
More than one year but not exceeding two years	15,000	–	–
More than two years but not exceeding five years	71,000	–	10,341
	209,727	210,789	213,399
Less: Amount due within one year shown under current liabilities	(123,727)	(210,789)	(203,058)
Amount due after one year	86,000	–	10,341

At 31 December 2008, bank borrowings of approximately HK$169,296,000 were secured by:

(a) joint guarantee provided by its ultimate holding company and the Target Company;

(b) property, plant and equipment as disclosed in note 15;

(c) land use rights as disclosed in note 16; and

(d) trade receivables as disclosed in note 21.

There was no secured borrowings for the years ended 31 December 2006 and 2007.

At 31 December 2006, 2007 and 2008, bank loans of HK$96,000,000, HK$86,000,000 and HK$71,000,000 were denominated in HK$, the currency other than the functional currency of the Target Company.

The exposure of the Target Group's fixed-rate and variable-rate borrowings are as follows:

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Fixed-rate borrowings:			
Bank loans repayable within one year	113,727	124,789	113,422
Variable-rate borrowings:			
Bank loans repayable within one year	10,000	86,000	82,363
Bank loans repayable after one year	86,000	–	–
Other loans repayable within one year	–	–	7,273
Other loans repayable after two years, but not exceeding five years	–	–	10,341
	96,000	86,000	99,977

The variable-rate borrowings carry interest rate, which are repricing annually, as follows:

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong Interbank Offered Rate plus 1.5%	96,000	86,000	71,000
1-year lending interest rate multiplied by 160%	–	–	11,363
3-year lending interest rate multiplied by 120%	–	–	17,614
	96,000	86,000	99,977

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

	2006	**2007**	**2008**
Effective interest rate:			
Fixed-rate borrowings	5.62% – 5.69%	7.03% – 16.73%	4.83% – 7.13%
Variable-rate borrowings	5.88% – 7.98%	5.31% – 6.41%	4.08% – 8.39%

The amount of approximately HK$71,000,000 (2006: HK$96,000,000 and 2007: HK$86,000,000) is denominated in HK$, a currency other than the functional currency of the Target Group.

In respect of a bank loan with a carrying value of HK$86,000,000 and HK$71,000,000 as at 31 December 2007 and 2008, the Target Group breached a term of the bank loan which related to the debt-equity ratio of its ultimate holding company. On 5 May 2008 and 12 November 2008, the lender has agreed to waive its rights to demand immediate payment of the loan due to the breach of the borrowing term as at 31 December 2007 and 30 June 2008 respectively. In respect of the breach as at 31 December 2008, the directors of the ultimate holding company have informed the lender and commenced a renegotiation of the terms of the loan with the relevant bank. Up to the date of the issue of the Financial Information, those negotiations had not been concluded. Since the lender has not yet agreed to waive its rights to demand immediate payment as at the balance sheet date, the loan has been classified as a current liability in the Financial Information.

25. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$1 each		
Authorised:		
At 1 January 2006, 31 December 2006, 31 December 2007 and 31 December 2008	10,000,000	10,000
Issued and fully paid:		
At 1 January 2006, 31 December 2006, 31 December 2007 and 31 December 2008	10,000,000	10,000

26. SHARE OPTION SCHEME

The share option scheme of the Vendor (the "Scheme"), the ultimate holding company, was adopted by the shareholders of the Vendor pursuant to a resolution passed on 23 May 2002 for the primary purpose of providing the participants with the opportunity to acquire proprietary interests in the Vendor and to encourage participants to work towards enhancing the value of the Vendor and its shares for the benefit of the Vendor and its shareholders as a whole. The Scheme will expire on 22 May 2012.

The total number of shares in respect of which options may be granted under the Scheme and any other schemes is not permitted to exceed 10% of the shares of the Vendor in issue at the date of shareholders' approval of the 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 of the Vendor which may be issued upon the exercise of all outstanding share options granted and yet to be exercised under the Scheme and any other share option schemes, must not exceed 30% of the total number of shares of the Vendor in issue from time to time. The number of shares of the Vendor in respect of which share options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Vendor then in issue, without prior approval from the Vendor's shareholders. Each grant of share options to any director, chief executive or substantial shareholder must be approved by independent non-executive directors. Where any grant of share options to a substantial shareholder or an independent non-executive director or any of their respective associates would result in the shares of the Vendor issued and to be issued upon exercise of share options already granted and to be granted in excess of 0.1% of the Vendor's issued share capital 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 the Vendor.

Share options granted must be taken up within 21 days from date of grant, upon payment of HK$10 per each grant of share options. A share option may be exercised in accordance with the terms of the Scheme at any time during the effective period of the Scheme to be notified by the board of directors of the Vendor which shall not be later than 10 years from date of grant. The exercise price is determined by the directors of the Vendor, and will not be less than the higher of the closing price of the Vendor's shares 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 discloses details of the Vendor's share options held by directors of the Target Company and movements of such holdings during the year:

	Number of share options				
	Outstanding at 1 January 2006	**Cancelled during 2006**	**Outstanding at 1 January 2007**	**Lapsed during 2007**	**Outstanding at 1 January 2008 and 31 December 2008**
Held by directors	6,100,000	(4,600,000)	1,500,000	(1,500,000)	–

The share options were exercisable from 28 January 2004 to 27 July 2013 with an exercise price of HK$0.70.

There was no share option held by other employee of the Target Group during the Relevant Periods.

27. DEFERRED TAXATION

At the balance sheet date and during the year, deferred tax liabilities (assets) were recognised in respect of the temporary differences attributable to the following:

	Accelerated tax depreciation	Allowance for doubtful debts	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006	32,241	(9,285)	883	23,839
Exchange differences	1,351	(195)	–	1,156
Charge (credit) to income for the year	1,867	5,336	(6)	7,197
At 31 December 2006	35,459	(4,144)	877	32,192
Exchange differences	2,263	(265)	–	1,998
Effect of change in tax rate	(2,794)	327	(52)	(2,519)
Credit to income for the year	(1,996)	(748)	(181)	(2,925)
At 31 December 2007	32,932	(4,830)	644	28,746
Exchange differences	2,245	(329)	–	1,916
(Credit) charge to income for the year	(2,150)	369	38	(1,743)
At 31 December 2008	33,027	(4,790)	682	28,919

Under the New Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the financial information in respect of temporary differences attributable to undistributed profits of the PRC subsidiaries amounting to HK$96,676,000 as at 31 December 2008 as Target Company controls the dividend policy of these subsidiaries and it is probable that the profit will not be distributed in the foreseeable future.

At 31 December 2006, 2007 and 2008, the Target Group had estimated unused tax losses of HK$11,407,000, HK$14,048,000 and HK$16,722,000 respectively available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. At 31 December 2006, 2007 and 2008, unused tax loss of HK$1,379,000, HK$14,091,000 and HK$11,329,000 respectively will expire in 2012 and the remaining unused tax losses may be carried forward indefinitely.

28. RETIREMENT BENEFIT SCHEMES

The PRC employees of the Target Group are members of a state-managed retirement benefit scheme operated by the local government. The Target Group is required to contribute 20% – 22% of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Target Group with respect to the retirement benefit scheme is to make the specified contributions.

During each of the years ended 31 December 2006, 2007 and 2008, the Target Group made total contributions to the retirement benefit schemes of HK$4,235,000, HK$4,914,000 and HK$5,067,000 respectively.

29. DISPOSAL OF SUBSIDIARIES

On 27 April 2007, the Target Group entered into a sale and purchase agreement to dispose of Year Invest Investments Limited and its subsidiaries, which were engaged in property investment, at an aggregate consideration of HK$1,000,000 to an independent third party. Details of the net liabilities of these subsidiaries as at the date of disposal were as follows:

	HK$'000
NET LIABILITIES DISPOSED OF	
Trade and other receivables	1,144
Deposits and prepayments	11
Other payables	(1,534)
	(379)
Gain on disposal	1,379
Total consideration	1,000
Satisfied by:	
Cash consideration	1,000
Net cash inflow arising on disposal:	
Cash consideration	1,000

The above disposed subsidiaries contributed HK$1,000,000 to the Target Group's investing activities during the year ended 31 December 2007.

30. OPERATING LEASE COMMITMENTS

In June 2001, the Target 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. Other operating leases and rentals are negotiated for an average term of two to eight years.

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Minimum lease payments under operating leases recognised as an expense in the year	1,870	2,111	1,566

At 31 December 2006, 2007 and 2008, the Target Group had commitments for future minimum lease payments under the above arrangement and other non-cancellable operating leases for premises and property, plant and equipment which fall due as follows:

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Not later than one year	579	1,543	1,648
Later than one year and not later than five years	–	6,170	6,591
Later than five years	–	13,036	12,277
	579	20,749	20,516

31. CAPITAL COMMITMENT

At the balance sheet date, the Target Group had the following capital commitments:

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Capital expenditure commitments in respect of the acquisition of property, plant and equipment contracted for but not provided in the Financial Information	–	–	6,801

32. CONTINGENT LIABILITIES

The Target Company and its ultimate holding company have given joint guarantees to a financial institution to secure loan facilities granted to the ultimate holding company. The Target Company did not receive any fee from its ultimate holding company for such guarantees provided. The aggregate amounts that could be required to be paid if the guarantee were called upon in entirety amounted to nil, HK$220,000,000 and HK$262,500,000 at 31 December 2006, 2007 and 2008 respectively. At the balance sheet dates, the banking facilities utilised by its ultimate holding company, which have not been recognised in the Target Group's consolidated balance sheet as liabilities, were as follows:

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Facilities utilised by ultimate holding company	–	220,000	262,500

33. RELATED PARTY TRANSACTIONS

(1) On 16 December 1995, a leasing agreement was entered into between Shanghai Cement, a subsidiary of the Target Company, and Shanghai Cement Factory ("SCF"), a minority shareholder, which held a 40% interest in Shanghai Cement. According to the leasing agreement, Shanghai Cement should pay to SCF an annual leasing fee which consisted of (1) a fixed asset leasing fee mainly based on the depreciation of the property, plant and equipment leased under the leasing agreement plus a mark-up of about 10%; and (2) an usage fee mainly based on the volume of raw materials off-load and the applicable unit rate for the relevant raw materials agreed by the parties when the leasing agreement was signed. The underlying assets are also used by SCF. During each of the years ended 31 December 2006, 2007 and 2008, Shanghai Cement paid a total fee of HK$5,769,000, HK$6,631,000 and HK$6,747,000 respectively to SCF.

(2) In July 2002, the Vendor entered into a master agreement (the "Master Agreement") with the Company, the then ultimate holding company, for a reciprocal arrangement of guarantee. Accordingly, the Target Group provides guarantees to secure certain borrowings of subsidiaries of the Company (the "Group") in the PRC and the Group provides guarantees to secure certain borrowings of the Target Group in the PRC. A guarantee fee of 1% per annum on the principal amount of the guarantees is chargeable between the relevant parties. At 31 December 2006, 2007 and 2008, the Target Group did not provide any guarantees to secure borrowings of the Group in the PRC. The Group provided guarantees of HK$49,105,000 and HK$10,638,000 to secure borrowings of Shanghai Cement in the PRC at 31 December 2006 and 2007 respectively. As the Master Agreement expired during 2008, the Group did not provide any guarantee to secure the borrowings of Shanghai Cement in the PRC at 31 December 2008. Details of the guarantee fee income and expenses are set out below. During the year ended 31 December 2006, two directors of the ultimate holding company were also directors of the Company. During the year ended 31 December 2007, a director of the ultimate holding company, who was a director of the Company, resigned on 4 July 2007.

In addition, the Target Group had entered into the following related party transactions:

		As at 31 December		
		2006	2007	2008
		HK$'000	*HK$'000*	*HK$'000*
(i)	Fellow subsidiaries *(Note)*			
	Management fee expenses	724	356	–
	Guarantee fee expenses	363	181	–
	Guarantee fee income	213	–	–
(ii)	A subsidiary of a substantial shareholder of the Vendor with significant influence over the Target Group			
	Administrative expenses	–	777	1,506
(iii)	Ultimate holding company *(Note)*			
	Guarantee fee expense	82	478	–

Note: The transactions occurred from 1 January 2006 to 28 June 2007, before the Company ceased to be the Target Group's ultimate holding company.

As at 31 December 2006, 2007 and 2008, the Target Group had the following significant balances with related parties:

		As at 31 December		
		2006	2007	2008
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Current assets				
Amounts due from fellow subsidiaries	*a*	42,625	41,143	29,257
Amount due from a minority shareholder	*a*	–	1,281	–
Current liabilities				
Dividends payable to a minority shareholder	*b*	–	738	–
Amounts due to fellow subsidiaries	*b*	14,451	14,392	15,003
Amount due to immediate holding company	*b*	289,721	285,652	289,630
Amount due to ultimate holding company	*b, e*	6,041	–	–
Amount due to former ultimate holding company	*b, e*	–	12,988	14,641
Amount due to a minority shareholder	*b*	4,974	–	4,876
Amounts due to related companies	*b, d*	935	777	2,283
Non-current liabilities				
Amount due to a minority shareholder	*c*	494	400	450
Amounts due to fellow subsidiaries	*c*	203	–	–

Notes:

(a) The balance was unsecured, non-interest bearing and expected to be repaid within one year.

(b) The balances were unsecured, non-interest bearing and are repayable on demand.

(c) The amounts due to fellow subsidiaries and the amount due to a minority shareholder were unsecured, non-interest bearing and repayable by 2043. The effective interest rate of these amounts is 5.58% per annum for each of the years ended 31 December 2006, 2007 and 2008.

(d) The related companies are owned by a substantial shareholder of the Vendor. On 6 March 2009, the substantial shareholder of the Vendor disposed its shares in the Vendor to an independent third party.

(e) The balances were due to the Company which ceased to be the Target Group's ultimate holding company on 28 June 2007. The balances of HK$12,988,000 and HK$14,641,000 as at 31 December 2007 and 2008 respectively were, therefore, classified as amount due to former ultimate holding company.

(f) Included in amounts due from fellow subsidiaries, amounts due to fellow subsidiaries and immediate holding company, the amounts of approximately HK$15,347,000 (2006: HK$16,059,000 and 2007: HK$14,363,000), HK$15,003,000 (2006: HK$12,945,000 and 2007: HK$14,392,000) and HK$286,767,000 (2006: HK$289,630,000 and 2007: HK$285,652,000) respectively are denominated in HK$, currency other than the functional currency of the Target Group.

34. POST BALANCE SHEET EVENT

On 21 May 2009, the ultimate holding company entered into an agreement with Sunwealth Holdings Limited ("Sunwealth"), pursuant to which Sunwealth will acquire the entire issued share capital of the Target Company and all amounts of the shareholders' loan owed by the Target Company to the ultimate holding company as at 21 May 2009 for a total consideration of HK$200,000,000. The transaction is conditional and is subject to the approval of the shareholders of the ultimate holding company.

35. EARNINGS PER SHARE

Earnings per share is not presented herein as such information is not considered meaningful for the purpose of this report.

(B) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group, the Target Company or any of the companies comprising the Target Group in respect of any period subsequent to 31 December 2008.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

1. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

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

Deloitte.
德勤

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

29th June, 2009

The Directors
Tian An China Investments Company Limited
22nd Floor, Allied Kajima Building
138 Gloucester Road, Wanchai
Hong Kong

Dear Sirs,

To the Directors of Tian An China Investments Company Limited

We report on the unaudited pro forma statement of assets and liabilities 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 acquisition of the entire issued share capital of Shanghai Allied Cement Holdings Limited might have affected the financial information presented, for inclusion in Appendix III to the circular dated 29th June, 2009 (the "Circular"). The basis of preparation of the unaudited pro forma statement of assets and liabilities is set out on pages 126 to 129 to this 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 statement of assets and liabilities in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma statement of assets and liabilities 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 statement of assets and liabilities beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma statement of assets and liabilities 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 statement of assets and liabilities 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 Enlarged Group and that the adjustments are appropriate for the purpose of the unaudited pro forma statement of assets and liabilities as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma statement of assets and liabilities is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Enlarged Group as at 31st December, 2008, or any future date.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

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

(c) the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

2. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The following is the unaudited pro forma statement of assets and liabilities of the Enlarged Group immediately after completion of the Acquisition, which has been prepared to illustrate the effect of the Transaction on the assets and liabilities of the Group, as if the Transactions had taken place on 31st December, 2008, and is based on the historical consolidated balance sheet of the Group and historical consolidated balance sheet of Shanghai Allied Cement Holdings Limited (the "Target Group") with further adjustments explained in the notes below.

The unaudited pro forma statement of assets and liabilities has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group after the Transaction had been completed on 31st December, 2008 or any future date.

The historical consolidated balance sheet of the Group and the historical consolidated balance sheet of the Target Group as at 31st December, 2008 have been extracted from the published annual report of the Company for the year ended 31st December, 2008 and the Accountants' Report on the Target Group as set out in Appendix II to this circular, respectively.

	The Group	The Target Group	Pro forma adjustments		The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
	(Audited)	(Audited)	(Unaudited)		(Unaudited)
Non-current assets					
Property, plant and equipment	153,979	471,155			625,134
Investment properties	4,352,200	–			4,352,200
Properties for development	3,388,544	–			3,388,544
Deposits for acquisition of properties for development	1,327,907	–			1,327,907
Prepaid lease payments on land use rights	53,980	16,510			70,490
Interests in associates	254,945	–			254,945
Interests in jointly controlled entities	721,499	–			721,499
Available-for-sale investments	17,583	–			17,583
Goodwill	640	69,479			70,119
Mining right	–	7,770			7,770
Deferred tax assets	7,303	–			7,303
	10,278,580	564,914	–		10,843,494

	The Group	The Target Group	Pro forma adjustments		The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
	(Audited)	(Audited)	(Unaudited)		(Unaudited)
Current assets					
Inventories of properties					
– under development	628,224	–			628,224
– completed	477,097	1,333			478,430
Inventories	996	47,996			48,992
Amounts due from jointly controlled entities	172,392	–			172,392
Amounts due from minority shareholders	24,320	–			24,320
Amounts due from fellow subsidiaries	–	29,257	(29,257)	*(iii)*	–
Loans receivable	165,650	–			165,650
Trade and other receivables, deposits and prepayments	199,490	242,952	(14,641)	*(iv)*	427,801
Prepaid lease payments on land use rights	896	439			1,335
Held-for-trading Investments	22,513	–			22,513
Prepaid tax	26,577	721			27,298
Pledged bank deposits	600,672	13,636			614,308
Bank balances and cash	1,892,715	59,161	(200,000)	*(i)*	1,751,876
	4,211,542	395,495	(243,898)		4,363,139
Assets classified held for sale	445,901	–			445,901
	4,657,443	395,495	(243,898)		4,809,040

	The Group	The Target Group	Pro forma adjustments		The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
	(Audited)	(Audited)	(Unaudited)		(Unaudited)
Current liabilities					
Trade and other payables	901,422	78,949	2,283	*(v)*	982,654
Pre-sale deposits	78,748	–			78,748
Tax liabilities	428,929	33			428,962
Dividends payable to minority shareholders	453	–			453
Amounts due to fellow subsidiaries	–	15,003	(15,003)	*(iii)*	–
Amount due to immediate holding company	–	289,630	(289,630)	*(iii)*	–
Amount due to the Group	–	14,641	(14,641)	*(iv)*	–
Amount due to a minority shareholder	–	4,876	(4,876)	*(v)*	–
Amount due to related companies	–	2,283	(2,283)	*(v)*	–
Interest-bearing borrowings	297,618	203,058			500,676
Interest-free borrowing	166,770	–	4,876	*(v)*	171,646
Derivative financial instructment	9,066	–			9,066
	1,883,006	608,473	(319,274)		2,172,205
Liabilities classified as held for sale	178,701	–			178,701
	2,061,707	608,473	(319,274)		2,350,906
Net current assets (liabilities)	2,595,736	(212,978)	75,376		2,458,134
Total assets less current liabilities	12,874,316	351,936	75,376		13,301,628
Non-current liabilities					
Amount due to a minority shareholder	–	450	(450)	*(v)*	–
Interest-bearing borrowings	1,446,378	10,341			1,456,719
Interest-free borrowings	–	–	450	*(v)*	450
Deferred rental income from a tenant	106,247	–			106,247
Rental deposits from tenants	10,444	–			10,444
Deferred tax liabilities	1,172,926	28,919			1,201,845
	2,735,995	39,710	–		2,775,705
Net assets	10,138,321	312,226	75,376		10,525,923

Notes:

(i) The adjustment represents the payment of the cash consideration for the Acquisition of HK$200,000,000 on the assumption of a cash payment. An excess of fair value of identifiable net assets over cost of approximately HK$194,720,000 is assumed to arise from the Acquisition, details of which are set out below:

	HK$'000
Total consideration	200,000
Net identifiable assets of the Target Group acquired (after minority interests of HK$192,882,000)	(119,344)
Assignment of shareholders' loan	(275,376)
Excess	(194,720)

Since the fair values of the identifiable assets, liabilities and contingent liabilities of the Target Group at the date of Completion may be substantially different from their carrying amounts as at 31st December, 2008, the amount of the excess arising from the Acquisition may be different from the estimated amount as shown above. There is no significant repayment of the shareholders' loan after 31st December, 2008.

(ii) A formal valuation of the identifiable assets, liabilities and contingent liabilities of the Target Group will be performed as at the date of completion of the Acquisition and their fair values may be different with those used in preparing this pro forma statement of assets and liabilities.

(iii) The adjustment represents the elimination of the shareholders' loan to Shanghai Allied Cement Limited of an aggregate amount of approximately HK$275,376,000 as at 31st December, 2008 which is acquired by the Group in the Acquisition. The shareholder's loan assignment including the aggregate amount of amounts due from fellow subsidiaries, amounts due to fellow subsidiaries and amount due to immediate holding company in the Accountants' Report on the Target Group.

(iv) The adjustment represents the elimination of the balances between the Group and the Target Group. The amount due from the Target Group is classified as trade and other receivables, deposits and prepayments in the Group's consolidated balance sheet.

(v) The adjustment represents the reclassification of the balances to conform with the presentation of the Group's financial statement.

(vi) No adjustment has been made to reflect any trading or other transactions entered into subsequent to 31st December, 2008.

1. STATEMENT OF INDEBTEDNESS

At the close of business on 30th April, 2009, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding borrowings of approximately HK$2,104,289,000 comprising secured bank loans of approximately HK$1,817,624,000, other secured loans of approximately HK$16,932,000, unsecured bank loans of approximately HK$82,550,000, unsecured loans from certain minority shareholders of approximately HK$58,836,000, unsecured loans from jointly controlled entitles of approximately HK$65,928,000, unsecured loans from associates of approximately HK$22,820,000, derivative financial instrument of approximately HK$2,519,000 and other unsecured loans of approximately HK$37,080,000. The Enlarged Group's banking facilities and other loans were secured by charges over its assets, including bank deposits, property, plant and equipment, land use rights, properties for development, properties under development, inventories of completed properties, investment properties and trade receivables.

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 April, 2009, a property for development with carrying value of approximately HK$125,013,000 had been identified as idle land, which delayed development was due to the legal action taken by a previous minority shareholder against the subsidiary. This legal case was settled and the Enlarged Group intends to continue the development of this property. Another property for development with carrying value of approximately HK$178,203,000 may be potentially classified as idle land. The Enlarged 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 Enlarged Group had contingent liabilities in the sum of approximately HK$166,253,000 in respect of guarantees for banking facilities granted to property purchasers and related companies. There were also claims arising from litigation with property purchasers, claimed beneficial owner of the vendor in an acquisition, joint venture partner 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 Enlarged 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 April, 2009.

Foreign currency amounts have been translated into Hong Kong dollars at the rates of exchange prevailing at the close of business on 30th April, 2009.

The directors are not aware of any material changes in the Enlarged Group's indebtedness and contingent liabilities since the close of business on 30th April, 2009.

2. WORKING CAPITAL

The Directors are of the opinion that after taking into account the financial resources available to the Enlarged Group including internally generated funds, the Enlarged 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.

3. 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, 2008, being the date to which the latest published audited financial statements of the Group were made up.

4. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Board believes the economic environment for 2009 will remain stagnant and gloomy with occasional bright spots. The governments of developed countries are attempting to resolve their financial sector problems and if these initiatives are successful, it should bode well for the latter part of 2009 and beyond. The Board remains confident of the longer term prospects of the economy of China and will continue to position our Enlarged Group to take advantage of the recovery of the PRC property and construction market, as a result of which demand for construction materials is expected to remain strong. The Board believes that current market conditions present a good opportunity to acquire the business of manufacturing and production of construction material.

The Group expects to diversify its scope of business to that of manufacturing and distribution of construction material in the PRC. Through the diversification of the Group's business, the Board also expects to expand its source of revenue and to increase its clientele base in the PRC as well as achieving economic benefits in vertical integration through direct management on the business of the Target Group in manufacturing and distributing the Products and assistance with broadening the sourcing of materials for the Group's construction projects.

The Board believes that the Enlarged Group is in a strong position and expects to be able to carry out its stated strategies and objectives for the benefit of all Shareholders.

5. MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF THE TARGET GROUP

REVIEW OF OPERATIONS

The Target Group is primarily engaged in the manufacture and sales of cement and clinker with its principal market in mainland China.

For the year ended 31st December, 2008, turnover of the Target Group's cement and clinker business was HK$552,847,000 (2007: HK$420,683,000 and 2006: HK$367,691,000) and profit attributable to equity holders of the Target Company was HK$47,702,000 (2007: HK$31,673,000 and 2006: HK$18,666,000). During the year 2008, the aggregate sales volume of cement and clinker dropped to 2,164,000 tonnes (2007: 2,439,000 tonnes and 2006: 2,186,000 tonnes).

1. Shanghai Cement

In 2008, Shanghai Cement achieved a turnover and sales of HK$322,803,000 (2007: HK$255,737,000 and 2006: HK$220,653,000) and 981,000 tonnes (2007: 995,000 tonnes and 2006: 956,000 tonnes) respectively. Segment profit was HK$23,248,000 (2007: HK$13,294,000 and 2006: 24,616,000).

During the year ended 31st December, 2008, against the backdrop of a competitive market environment, Shanghai Cement continued to focus on operational efficiency in its production process resulting in reduction of coal, gypsum and power consumption. In addition to urban wastage recycling, Shanghai Cement further undertook a scientific research project with the Science and Technology Commission of the Shanghai Municipality for the disposal of ashes from waste incineration plant in cement production.

2. Shandong Cement

Shandong Cement recorded a turnover of HK$74,021,000 (2007: HK$20,456,000 and 2006: HK$60,197,000) and sales of 291,000 tonnes (2007: 351,000 tonnes and 2006: 368,000 tonnes) during the year ended 31st December, 2008. Segment profit amounted to HK$1,016,000 (2007: loss of HK$10,108,000 and 2006: profit of HK$3,709,000) due mainly to the focus on cement grinding and rationalizing of production method and workforce to reduce costs and enhance quality.

3. Wangchao Cement

During the year ended 31st December, 2008, Wangchao Cement achieved a turnover of HK$156,023,000 (2007: HK$144,490,000 and 2006: HK$86,841,000) and sales of 892,000 tonnes (2007: 1,093,000 tonnes and 2006: HK$862,000 tonnes). Segment profit was HK$25,373,000 (2007: HK$19,999,000 and 2006: HK$4,465,000). Wangchao Cement continued its efforts to rationalize its workforce and remuneration system to reduce cost and enhance quality and pursue its commitment to waste recycling technology in cement production.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

The Target Group's capital expenditure, daily operations and investments are mainly funded by cash generated from its operations and loans from principal bankers and financial institutions. As at 31st December, 2008, the Target Group maintained cash reserves of HK$72,797,000 (2007: HK$61,304,000 and 2006: 64,260,000) including pledged short-term bank deposits of HK$13,636,000 (2007: HK$25,532,000 and 2006: 24,000,000). As at 31st December, 2008, the total equity of the Target Company amounted to HK$312,226,000 (2007: HK$256,759,000 and 2006: HK$213,069,000) with total borrowings of HK$213,399,000 (2007: HK$210,789,000 and 2006: HK$209,727,000). The net current liabilities were the result of loans from the Vendor. The gearing ratio (net debt over total equity) of the Target Group at 31st December, 2008 was approximately 45% (2007: 58% and 2006: 68%). As at 31st December, 2008, around 53% (2007: 59% and 2006: 54%) of the Target Group's borrowings bear interest at fixed rates while the remainder is at floating rates.

Hedging Activities

According to the information provided by the Vendor, the Target Group did not use any financial instruments for hedging purposes and no foreign currency net investments are hedged by currency borrowings and other hedging instruments for the three financial years ended 31st December, 2008.

Foreign Exchange Fluctuation

The Target Group's operations are mainly located in mainland China and its transactions, related working capital and borrowing are primarily denominated in Renminbi and Hong Kong Dollars. The Target Group monitors its foreign exchange exposure and will consider hedging significant currency exposure should the need arises.

Charges on Assets

As of 31st December, 2008, buildings, land use rights, trade receivables and short-term bank deposits with respective carrying values of approximately HK$80,991,000 (2007 and 2006: nil), HK$16,949,000 (2007 and 2006: nil), HK$3,409,000 (2007 and 2006: nil) and HK$13,636,000 (2007: HK$25,532,000 and 2006: HK$24,000,000) were pledged to banks and financial institutions as collateral mainly to secure short term credit facilities granted to the Target Group.

Material Acquisitions and Disposals

According to the information provided by the Vendor, the Target Group did not engage in material acquisitions and disposals of subsidiaries and associated companies for the three financial years ended 31st December, 2008.

Employees and Remuneration Policies

As of 31st December, 2008, the Target Group, including its subsidiaries but excluding its associates, employed 556 (2007: 631 and 2006: 665) employees. The remuneration policies of the Target Group are based on the prevailing market levels and the performance of the respective group companies and individual employees. These policies are reviewed on a regular basis.

Contingent Liabilities

The Target Company and the Vendor have given joint guarantees to a financial institution to secure loan facilities granted to the Vendor. The Target Company did not receive any fee from the Vendor for such guarantees provided. The aggregate amounts that could be required to be paid if the guarantee were called upon in entirety amounted to nil, HK$220,000,000 and HK$262,500,000 at 31 December 2006, 2007 and 2008 respectively.

Future Investments

According to the information provided by the Vendor, as at the Latest Practicable Date, the Target Group has no future plans for material investments or capital assets.

Prospects

2009 is expected to be a difficult year with weaker consumer and investor confidence coupled with continued adjustments in the equity and property markets in China. With the finalization of the State's RMB4 trillion fiscal stimulus package, together with the implementation of the supportive RMB18 trillion regional investment projects, signs of recovery have emerged.

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. DIRECTORS' INTEREST

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had 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	Number of Shares and underlying shares held	Approximate % of the relevant issued share capital	Nature of interests
Lee Seng Hui	652,602,215 *(Notes 1 & 3)*	43.31%	Other interests
Ma Sun	72,975 *(Notes 2 & 3)*	0.005%	Personal interests (held as beneficial owner)

Notes:

1. Mr. Lee Seng Hui together with Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees of Lee and Lee Trust, being a discretionary trust. They together, through Lee and Lee Trust, own approximately 44.54% interest in the issued share capital of Allied Group Limited ("AGL") and were therefore deemed to have an interest in the Shares and underlying shares of the Company in which AGL was interested. The interest includes the holding of (i) 563,193,096 Shares; and (ii) 89,409,119 units of warrants of the Company ("Warrants") giving rise to an interest in 89,409,119 underlying shares of the Company.

2. The interest includes the holding of (i) 62,550 Shares; and (ii) 10,425 units of Warrants giving rise to an interest in 10,425 underlying shares of the Company.

3. The Warrants entitle the holders thereof to subscribe at any time during the period from 2nd January, 2008 to 2nd January, 2010 (both days inclusive) for fully paid shares of the Company at an initial subscription price of HK$10 per share (subject to adjustments).

4. All 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.

3. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

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 and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO

	Number of Shares and underlying shares held				
Name of Shareholders	**Personal Interests (held as beneficial owner)**	**Corporate Interests (interest of controlled corporation)**	**Other Interests**	**Total Interests**	**Approximate % of the relevant issued share capital**
Sun Hung Kai & Co. Limited ("SHK")	652,602,215 *(Note 1)*	–	–	652,602,215	43.31%
Allied Properties (H.K.) Limited ("APL")	–	652,602,215 *(Note 2)*	–	652,602,215 *(Note 3)*	43.31%
Allied Group Limited ("AGL")	–	652,602,215 *(Note 4)*	–	652,602,215 *(Note 3)*	43.31%
Lee and Lee Trust	–	652,602,215 *(Note 5)*	–	652,602,215 *(Note 3)*	43.31%
Penta Investment Advisers Limited ("Penta")	–	–	421,637,676 (held as investment manager)	421,637,676 *(Note 6)*	27.98%
John Zwaanstra	–	421,637,676 *(Note 7)*	–	421,637,676 *(Note 8)*	27.98%
Penta Asia Fund, Ltd. ("Penta Asia")	–	150,612,485 *(Note 9)*	–	150,612,485 *(Note 10)*	9.99%
Todd Zwaanstra	–	150,612,485 *(Note 9)*	–	150,612,485 *(Note 10)*	9.99%
Mercurius GP LLC ("Mercurius")	–	–	–	150,612,485 *(Note 11)*	9.99%
Penta Asia Long/Short Fund, Ltd.	88,723,953	–	–	88,723,953 *(Note 12)*	5.89%

Name of Shareholders	Number of Shares and underlying shares held: Personal Interests (held as beneficial owner)	Corporate Interests (interest of controlled corporation)	Other Interests	Total Interests	Approximate % of the relevant issued share capital
The Goldman Sachs Group, Inc. ("Goldman Sachs")	–	189,103,620	–	189,103,620 *(Note 13)*	12.47%
UBS AG	1,728,000	–	150,122,658	151,850,658 *(Note 14)*	10.08%
ORIX Corporation	122,500,000	–	–	122,500,000 *(Note 15)*	8.11%

Notes:

1. The interest includes the holding of (i) 563,193,096 Shares; and (ii) 89,409,119 units of Warrants giving rise to an interest in 89,409,119 underlying shares of the Company. Mr. Patrick Lee Seng Wei, a Director, is also a non-executive director of SHK.

2. Through AP Jade Limited and AP Emerald Limited, direct and indirect wholly-owned subsidiaries of APL respectively, APL owned approximately 61.90% interest in the issued share capital of SHK and was therefore deemed to have an interest in the Shares and underlying shares of the Company in which SHK was interested. Messrs. Patrick Lee Seng Wei and Li Chi Kong, as Directors, are also executive directors of APL.

3. The figure refers to the same interest of SHK in 563,193,096 Shares and 89,409,119 units of Warrants giving rise to an interest in 89,409,119 underlying shares of the Company.

4. AGL owned approximately 74.36% interest in the issued share capital of APL and was therefore deemed to have an interest in the Shares and underlying shares of the Company in which APL was interested. Messrs. Lee Seng Hui and Edwin Lo King Yau, as Directors, are also executive directors of AGL.

5. Mr. Lee Seng Hui, a Director, together with Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees of Lee and Lee Trust, being a discretionary trust. They together owned approximately 44.54% interest in the issued share capital of AGL and were therefore deemed to have an interest in the Shares and underlying shares of the Company in which AGL was interested.

6. These include (i) an interest in 410,355,476 Shares; (ii) an interest in unlisted cash settled derivatives of the Company equivalent to 4,560,000 underlying shares of the Company; and (iii) 6,722,200 units of Warrants giving rise to an interest in 6,722,200 underlying shares of the Company.

7. The figure refers to the same interest in (i) 410,355,476 Shares; (ii) unlisted cash settled derivatives of the Company equivalent to 4,560,000 underlying shares of the Company; and (iii) 6,722,200 units of Warrants giving rise to an interest in 6,722,200 underlying shares of the Company held by Penta.

8. Mr. John Zwaanstra was deemed to have interests in the Shares and underlying shares of the Company through his 100% interest in Penta. Mr. John Zwaanstra was also deemed to have interests in the Shares and underlying shares of the Company 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.

9. These duplicated parts of the interests of Penta and Mr. John Zwaanstra and include (i) an interest in 142,682,918 Shares; (ii) an interest in unlisted cash settled derivatives of the Company equivalent to 1,621,000 underlying shares of the Company; and (iii) 6,308,567 units of Warrants giving rise to an interest in 6,308,567 underlying shares of the Company.

10. 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 and underlying shares of the Company 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.

11. Mercurius was the founder of the Mercurius Trust and was therefore deemed to have interests in the Shares and underlying shares of the Company in which Mr. Todd Zwaanstra and Mercurius Trust were interested.

12. These duplicated parts of the interests of Penta held through its controlled management account, Penta Asia Long/Short Fund, Ltd. and include (i) an interest in 78,026,358 Shares; and (ii) 10,697,595 units of Warrants giving rise to an interest in 10,697,595 underlying shares of the Company.

13. Goldman Sachs (through various of its affiliates including Sky (Delaware) LLC, Sky (Cayman) Ltd. and Elevatech Limited) was deemed to be economically interested in (i) 135,350,763 Shares; (ii) unlisted cash settled derivatives of the Company equivalent to 36,400,000 Shares; and (iii) 17,352,857 units of Warrants giving rise to an interest in 17,352,857 underlying shares of the Company.

14. The interest includes the holding of 151,850,658 Shares of which included the physically settled listed derivatives of the Company giving rise to an interest in 16,715,200 underlying shares of the Company.

15. The interest includes the holding of (i) 105,000,000 Shares; and (ii) 17,500,000 units of Warrants giving rise to an interest in 17,500,000 underlying shares of the Company.

16. All 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 Enlarged Group

Company incorporated in Hong Kong

Name of non wholly-owned subsidiary of the Company	**Name of Substantial Shareholder**	**Number of shares held**	**Approximate % of the relevant issued share capital**
Jack Rock Development Limited	World Happy Limited	25,428,948 A shares and 295,690,440 B shares	25.08%△

△ interest in voting rights

Companies incorporated in BVI

Name of non wholly-owned subsidiaries of the Company	Name of Substantial Shareholders	Number of shares held	Approximate % of the relevant issued share capital
Asia Coast Investments Limited	Lead Step Holdings Limited	2,121,212	15.15%
AII-Shanghai	ASO Corporation	2,562,750	16.67%

Companies incorporated in the PRC

Name of non wholly-owned subsidiaries of the Company	Name of Substantial Shareholders	Number of shares held	Approximate % of the relevant issued share capital
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%
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.	肇慶市七星發展公司	N/A	12%
Shanghai Cement	上海水泥廠	N/A	40%

4. 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).

5. 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) 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 businesses of money lending and property investment;

(b) Messrs. Patrick Lee Seng Wei and Li Chi Kong are directors of APL which, through certain of its subsidiaries, is partly engaged in the businesses of money lending, property development and investment;

(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 businesses of money lending, property development and investment. 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 Lee and Lee Trust which is a deemed substantial shareholder of each of AGL, APL and SHK which, through their subsidiaries, are partly engaged in the businesses of money lending, property development and investment.

Although the above mentioned Directors have competing interest in other companies by virtue of their respective common directorship, they will fulfil their fiduciary duties in order to ensure that they will act in the best interest of the Shareholders and the Company as a whole at all times. Hence, the Group is capable of carrying on its business independently of, and at arm's length from, the businesses of such companies.

6. 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 and no litigation or claim of material importance was 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$59,466,000 together with compensation. Inventories of completed properties with carrying value of HK$42,613,000 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 carparks with the compensation amounting to approximately HK$71,248,000. In December 2007, a conditional settlement agreement was reached between the parties. In April 2008, the parties agreed to modify the conditional settlement agreement whereby the property purchaser agreed to settle the case on the conditions that the Group has to arrange the issue of ownership certificates of the subject properties under the name of the property purchaser and hand over the subject properties to the property purchaser. It is expected that the properties held in custody of the court will be released to the Group following completion of the settlement;

(b) certain contractors have sued subsidiaries of the Company for outstanding construction costs and compensations of an aggregate of approximately HK$5,297,000 which are in dispute. 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;

(c) a contractor has applied for arbitration against a subsidiary claiming for outstanding construction costs and compensation of approximately HK$28,784,000 which are being disputed. The arbitration is still in progress, but 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;

(d) in 1998, the Company acquired a subsidiary that held a land site in the PRC with the consideration partially satisfied by disposing of its interest in a jointly controlled entity to the vendor. A person who claimed to be the beneficial owner of the vendor has initiated legal proceeding against the Company, for which proceedings a writ was received by the Company in March 2008, claiming the transfer of the interest in the jointly controlled entity and losses in RMB of HK$21,636,000 equivalent plus interest and other costs ("Claimed Amount") on the grounds that the Company had not effectively transferred the legal title to the interest in that jointly controlled entity to the vendor. The Company has investigated the matter and is defending the case vigorously. At this stage, based on legal opinion, the Company does not consider that it is appropriate to make any provision in the circumstances. Further, the Directors are of the view that the Claim Amount is insignificant to the total assets and revenue of the Company and hence, the claim will not have material effect on the financial position of the Group;

(e) certain property purchasers have taken legal action against a subsidiary of the Company and are claiming for compensation of totally approximately HK$2,810,000 as a result of alleged late issue of title deeds of properties sold to them. The Group has arranged the issue of title deeds of properties during the year and has assessed the claims and obtained legal advice. The Group considers that the final outcome of the claims will not have material effect on the financial statements; and

(f) a joint venture partner has sued a subsidiary of the Company to seek to rescind two co-operation agreements on the ground that the subsidiary has not contributed capital into the joint venture and those two co-operation agreements have not been properly submitted to relevant government authorities for approval. The joint venture partner is arguing that those two co-operation agreements are invalid and claims for the return of deposit paid in the amount of approximately HK$62,065,000. The Group has assessed the claim and obtained legal advice, and considers that it is too early to assess the possible liability at this stage and no provision is required to be made.

7. MATERIAL CONTRACTS

Save and except the transactions disclosed below, there are no material contracts (being contracts entered outside the ordinary course of business carried on or intended to be carried on by the Enlarged Group) having been entered into by any member of the Enlarged Group within the two years preceding the Latest Practicable Date:

(a) A sale and purchase agreement dated 24th August, 2007 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 ("Asia Coast") 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.

(b) An underwriting agreement dated 25th September, 2007 (the "Underwriting Agreement") entered into between the Company as issuer and 3V Capital Limited as underwriter in relation to the underwriting of an open offer by the Company's offering of 225,853,983 offer shares (the "Offer Shares") to the qualifying shareholders of the Company (the "Qualifying Shareholders"), at the subscription price of HK$6.00 per Offer Share, on the basis of one Offer Share for every five existing Shares held as at the record date as disclosed in a circular of the Company dated 22nd October, 2007 (the "Open Offer Circular"). Further details were disclosed in a joint announcement of the Company and AGL dated 2nd October, 2007, an announcement of the Company dated 18th October, 2007, and the Open Offer Circular.

(c) A subscription agreement dated 26th October, 2007 entered into between the Company as issuer and Goldman Sachs (through its affiliates Elevatech Limited and Sky (Delaware) LLC) and York Capital Management (through its funds, namely York Asian Opportunities Master Fund, L.P., York Capital Management, L.P., York Global Value Partners, L.P., York Investment Limited, York Select, L.P. and York Select Unit Trust), collectively as subscribers (the "Subscribers") 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 by the Subscribers. Further details were disclosed in a joint announcement of the Company and AGL dated 30th October, 2007.

(d) A supplemental agreement to the Underwriting Agreement dated 30th October, 2007 entered into between the Company and 3V Capital Limited as underwriter in relation to the underwriting of the revised open offer by the Company's offering of 251,853,983 offer shares (the "Revised Offer Shares") 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 existing Shares held as at the record date as disclosed in a circular of the Company dated 19th November, 2007 (the "Revised Open Offer Circular") . Further details were disclosed in a joint announcement of the Company and AGL dated 30th October, 2007, an announcement of the Company dated 16th November, 2007, the Revised Open Offer Circular and a prospectus of the Company dated 7th December, 2007.

(e) A sale and purchase agreement dated 3rd December, 2007 entered into between Tian An China Hotel and Property Investments Company Limited ("TACHP") as vendor, the Company as vendor's guarantor, Lead Step Holdings Limited ("Lead Step") as purchaser and Mr. Fong Ting ("Mr. Fong") as purchaser's guarantor in relation to (i) the disposal of 2,121,212 shares of US$1.00 each, representing approximately 15.15% of the issued share capital of Asia Coast at a consideration of HK$100,000,000; and (ii) the granting by TACHP of an option to Lead Step to require TACHP to sell to Lead Step 11,878,788 shares of US$1.00 each, representing approximately 84.85% of the issued share capital of Asia Coast (the "Option Shares") at the option price of HK$560,000,000 (subject to adjustment) within the extended call option period (the "Extended Call Option Period"). Further details were disclosed in an announcement of the Company dated 10th December, 2007 and a circular of the Company dated 9th January, 2008.

Subsequently, TACHP and Lead Step were in the process of negotiating a supplemental agreement to extend the Extended Call Option Period and the completion date for the disposal of the Option Shares following the expiry on 3rd December, 2008 and 5th December, 2008 respectively. Further details were disclosed in an announcement of the Company dated 4th December, 2008.

(f) A sale and purchase agreement dated 25th January, 2008 entered into between 深圳市旭濘貿易有限公司 (Shenzhen City Xuling Trading Company Limited*) as vendor and 新海通有限公司 (Sun Hai Tung Co., Ltd.) as purchaser in relation to the acquisition of 40% equity interest and its right to dividends and profits in 江門市天安房地產開發建設有限公司 (Jiangmen City Tian An Property Development Co., Ltd.*) at a consideration of RMB14,030,000. Further details were disclosed in an announcement of the Company dated 29th January, 2008.

(g) A conditional contract dated 8th July, 2008 entered into between the Company as vendor, 天安鴻基集團有限公司 (Tian An Hung Kai Group Company Limited*) ("TAHK") as purchaser, Mr. Fong as purchaser's guarantor and 國威國際商企合作投資有限公司 (Guo Wei International Trading and Investment Company Limited*) ("Guo Wei") in relation to the disposal of the entire equity interest in 天安(廣州)投資有限公司 (Tian An (Guang Zhou) Investments Co., Ltd.*) and hence the entire interest of the Company in developing a piece of land into a residential development known as 天安鴻基花園 (Tian An Hung Kai Garden*) (the "Project"), including an interest in 30% of the profits generated by the Project and the unsettled amount of RMB79,564,000 (equivalent to approximately HK$90,414,000) for an aggregate consideration of RMB150,000,000 (equivalent to approximately HK$170,455,000). Further details were disclosed in an announcement of the Company dated 16th July, 2008 and a circular of the Company dated 6th August, 2008.

Subsequently, the Company, TAHK, Mr. Fong and Guo Wei were in the process of negotiating a supplemental agreement to extend the payment by TAHK of the balance of the aggregate consideration in the sum of RMB135,000,000 (equivalent to approximately HK$153,410,000) to the Company and hence the completion date. Further details were disclosed in an announcement of the Company dated 31st December, 2008.

(h) The SP Agreement.

(i) Two sale and purchase agreements both dated 5th June, 2009 entered into between (i) the Company as vendor and 深圳天安數碼城有限公司 (Shenzhen Tian An Cyberpark Co., Ltd.*) ("Shenzhen Tian An Cyberpark") as purchaser in relation to the disposal of 50% of the equity interest in 常州天安數碼城置業有限公司 (Changzhou Tian An Cyberpark Property Company Limited*) ("Changzhou Tian An") at a consideration of RMB181,956,793 (equivalent to HK$206,769,083); and (ii) Jeefo Holdings (HK) Limited as vendor and Shenzhen Tian An Cyberpark as purchaser in relation to the disposal of the remaining 50% of the equity interest in Changzhou Tian An at a consideration of RMB181,851,646 (equivalent to HK$206,649,598). Further details were disclosed in an announcement of the Company dated 5th June, 2009.

8. 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, 2008 (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.

9. EXPERTS AND CONSENTS

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	Certified Public Accountants

As at the Latest Practicable Date, Deloitte Touche Tohmatsu:

(a) did not have any direct or indirect interest in any assets which have since 31st December, 2008 (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 Touche Tohmatsu has given and have not withdrawn its written consent to the issue of this circular with the inclusion herein of their reports or letters, as the case may be, and reference to their names in the form and context in which they respectively appear.

10. GENERAL

(a) Dr. Moses Cheng Mo Chi, a Non-Executive Director of the Company, is a senior partner of Messrs. P. C. Woo & Co., the legal firm which has been advising the Company in respect of the SP Agreement for normal professional fees. Accordingly, Dr. Moses Cheng Mo Chi has abstained from voting at the board resolutions approving the entering into of the SP Agreement. Other than disclosed hereinabove, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which is subsisting as at the Latest Practicable Date and which is significant in relation to the business of the Group.

(b) The registered office of the Company is 22nd Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong.

(c) The share registrars of the Company is Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.

(d) 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.

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

11. 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 in the section headed "Material Contracts" in this Appendix;

(c) the letter from the Board, the text of which is set out on pages 5 to 14 of this circular;

(d) the annual reports of the Company for the years ended 31st December, 2006, 2007 and 2008;

(e) the accountants' reports of the Target Group, the text of which is set out in Appendix II to this circular;

(f) the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(g) the consent letter referred to in the section headed "Experts and Consents" in this Appendix;

(h) this circular.

* *for identification purpose only*

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 Falcon Room II, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong on Friday, 17th July, 2009 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without modification, the following resolutions as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) the sale and purchase agreement dated 21st May, 2009 (the "SP Agreement") entered into between Sunwealth Holdings Limited ("Sunwealth") as the purchaser, the Company as the purchaser's guarantor and Shanghai Allied Cement Limited ("SAC") as the vendor in relation to (i) the sale and purchase of 10,000,000 shares of HK$1.00 each, representing the entire issued share capital of Shanghai Allied Cement Holdings Limited ("SACHL"); and (ii) the assignment by SAC to Sunwealth of a loan owed by SACHL to SAC in the amount of HK$278,503,677 (a copy of the SP Agreement has been produced to the Meeting marked "A" and signed by the Chairman of the Meeting for the purpose of identification) and all the transactions contemplated thereunder and all other matters of and incidental thereto or in connection therewith be and are hereby approved, ratified and confirmed; and

(b) any one director of the Company be and is hereby authorised for and on behalf of the Company, amongst other matters, to sign, seal, execute, perfect, deliver, do or to authorise signing, executing, perfecting and delivering and doing all such documents, deeds, acts, matters and things as he/she may in his/her discretion consider necessary, expedient or desirable to give effect to and implement the terms of the SP Agreement and to make and agree such variations of a minor or non-material nature in or to the terms of the SP Agreement (including but not limited to the time for completion under the SP Agreement) as he/she may in his discretion consider to be desirable and in the interests of the Company."

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

Hong Kong, 29th June, 2009

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

Notes:

1. A member of the Company entitled to attend and vote at the Meeting will be entitled to appoint one or more proxies to attend and, on a poll, vote on his or her 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. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Meeting or any adjourned meeting thereof if you so wish. In the event that you attend the Meeting after having lodged the completed form of proxy, it 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 of attorney or authority, must be deposited at the share registrars of the Company, 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 any Share(s), any one of such joint holders may vote at the Meeting, either personally or by proxy in respect of such Share(s) as if he or she was solely entitled thereto, but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of such joint 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(s).