CHINA CHENGTONG DEVELOPMENT GROUP LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 217)

Annual Report 2007

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Gu Laiyun
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Independent Non-Executive Directors
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Tsui Yiu Wa, Alec
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AUDIT COMMITTEE

Kwong Che Keung, Gordon (Chairman)
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REMUNERATION COMMITTEE

Tsui Yiu Wa, Alec (Chairman)
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COMPANY SECRETARY

Lai Ka Fai

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

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SHARE LISTING

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited under Stock Code No. 217

CHAIRMAN'S STATEMENT

I would like to present the annual report of China Chengtong Development Group Limited (the "Company") together with its subsidiaries (the "Group") for the year ended 31 December 2007.

RESULTS OF OPERATIONS

The Group's audited profit attributable to shareholders for the year ended 31 December 2007 was approximately HK$36 million, representing an increase of 125% as compared to that for the year ended 31 December 2006. Earnings per share were HK1.39 cent.

DIVIDEND

The board does not recommend any payment of dividend for the year ended 31 December 2007 (31 December 2006: nil).

OVERVIEW

In 2007, the Group's profit attributable to shareholders recorded an increase of approximately 125% as compared to that of 2006, and the equity attributable to shareholders increased 67% to approximately HK$620 million as of 31 December 2007 from approximately HK$370 million as of 31 December 2006.

In 2007, the macro environment the Group faced was mixed blessings: the continuous economic growth in China at a fast pace; continuous rise in prices of the land and real estate, together with series of macro control in respect of land and real estate development (particularly domestic real estate investment by foreigners) implemented by the State. Besides, the prosperous capital market in Hong Kong was then resulted in dramatic fluctuation. Under such background, the Group carried out a rights issue to raise fund of approximately HK$200 million in the first half of 2007 with an aim to strengthen the capital base and support the business development. The Group also actively sought to acquire the property development projects both were in line with the Company's ability and of a good profit-making prospect and to expand the land bank in China. Though the Group's participation into several land-auction projects was unsuccessful, the Group was able to acquire 52% of the equity interest in a commercial residential property development project in Xian and the entire equity interest in Luoyang Southern City CMST Logistics Limited in Henan province, which owns a land parcel with an area of 80,000 square metres for development, from China Chengtong Holdings Group Limited ("Chengtong Holdings"), its ultimate controlling shareholder. The construction of the Huzhou project which was invested in 2006 was in good progress during 2007. To capitalize the advantage of the investment platform of Zhongshi Investment Company Limited ("Zhongshi") in Beijing, so as to expand the property development business in Mainland China, the Group acquired the remaining 30% equity interest of Zhongshi from its minority shareholder.

For strategic investment, the Group completed the reorganization of its cement business in the first half of 2007. By transferring its entire interest in Sea-Land Mining Limited to CIMPOR Chengtong Cement Corporation Limited ("CIMPOR Chengtong"), the Group accordingly held 20% equity interest in CIMPOR Chengtong. The reorganization will be able to utilize the Group's domestic resources integrated expansion ability, the technique and financing advantages of CIMPOR-Cimentos de Portugal, SGPS, S.A. sufficiently. In 2007, CIMPOR Chengtong completed the acquisition of a cement manufacturing enterprise in Shandong, and increased its capital and expanded its production capacity.

CORPORATE GOVERNANCE

The Group fully understands the importance of maintaining high standards of corporate governance. Apart from having the Audit Committee and Remuneration Committee, the Group also established the Risk Management Department for further improving the internal controls and risk management system in 2007. In the process of all kinds of important operation management decisions making, the Company also attaches great importance to the full play of the Independent Directors. The Board believes that the excellent corporate governance will protect the common interests of all shareholders and support the healthy and continuous development of each business. In 2008, the Group will endeavour to enhance its internal controls and corporate governance strategies so as to achieve a higher level of corporate governance.

OUTLOOK

Looking forward to 2008, the China Government has put forward the macro control of "preventing economy from developing too rapidly towards overheating and suffering from inflation in order to avoid economic slump or great fluctuation." This clearly states that many challenges will be brought to China's economy in 2008.

After the rapid and substantial development of the property market in China in past several years, it is expected that the rising trend of housing prices in 2008 will slow down or fluctuates. Besides, with tighter government control, many property companies will be suffered. However, due to its vast geographical areas, imbalance economic development and regional nature of property market, many good investment development opportunities still exist in different regions. The Group is currently in healthy financial position and with a low gearing ratio, it will actively and steadily seek for new projects for acquisition and the opportunities from land auctions in superior locations.

Following the stringent land polices in China and the continuous appreciation of Renminbi, the land price is expected to keep rising in the future. Chengtong Holdings intends to inject various kinds of land resources to the Group. In 2007, the Group had reviewed and examined some of the projects as potential acquisition targets. Though none of projects has yet to be finalized, the Group will endeavour to strive towards progress of relevant acquisition work.

With regard to the strategic investment in cement business, through CIMPOR Chengtong, the Group will also strike for increasing production capacity through acquisition and expansion in order to improve the level of profitability in 2008.

Looking forward, with the great support of Chengtong Holdings and the healthy financial foundation as well as the steady and flexible development investment strategy, the Group will continue to explore new business opportunities with dedicated efforts so as to achieve continuous growth in both assets and profitability and obtain additional sources of recurring income.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to all shareholders for their support and confidence. I would also like to thank the employees for their dedication and hard work throughout the year.

Ma Zhengwu
Chairman

Hong Kong, 20 March 2008

A. FINANCIAL RESULTS

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

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

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

B. BUSINESS REVIEW

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

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

1. Property Development

1) *Huzhou Property Development Project*

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

2) *Xian*

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

3) *Beijing*

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

2. Property Investment

1) *Guangzhou*

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

2) *Price Sales Limited*

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

3. Land Resource Exploitation

Luoyang

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

4. Strategic Investment

Cement

In the first half of 2007, the Group lined up with CIMPOR-Cimentos de Portugal, SGPS, S.A., which is an international leading cement group listed on the Euronext exchange in Lisbon, to reorganize its cement business. After the reorganization, the Group transferred its entire interest in Sea-Land Mining to Cimpor Chengtong Cement Corporation Limited (the "Joint Venture"), and accordingly held 20% equity interest in the Joint Venture. At present, the Joint Venture mainly controls two domestic cement production companies in Shandong province and Suzhou province. During the year under review, the consolidated loss attributable to shareholders of the Joint Venture was approximately HK$3.49 million after deducting its consolidated financial expenses HK$20.79 million. By using the equity method of accounting, the Group shared its attributable loss to shareholders approximately HK$700,000. In order to improve asset liability structure of the domestic companies and to reduce financial expense, the Joint Venture planned to increase capital investment in the domestic companies. During the year under review, the Joint Venture has completed an increase of capital of RMB270 million in Shandong company, and its equity interest in Shandong company increased to 96% from 60%.

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

OUTLOOK

1. Macro Economic Environment

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

2. Background information of the shareholder

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

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

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

Gearing Ratio

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

Liquidity and Capital Resources

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

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

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

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

Foreign Exchange Risk Management

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

Human Resources

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

DIRECTORS

Mr. Ma Zhengwu

Aged 45, is the chairman and a non-executive director of the Group. Mr. Ma joined the Group in February 2003. Mr. Ma graduated from Beijing Chemical Technology College in 1985 and holds a bachelor degree in science, and also holds a master degree in business administration from Hunan University in 1999. Mr. Ma is well experienced in corporate management and has held senior management positions in various large enterprises. He serves as an vice chairman of China Logistics and Purchasing Federation. He is also the chairman of China Chengtong Holdings Group Limited, the ultimate controlling shareholder of the Company.

Mr. Zhang Guotong

Aged 44, is the vice chairman and the managing director of the Group. Mr. Zhang joined the Group in February 2003. Mr. Zhang graduated from Sun Yat-sen University in 1985 and holds a bachelor degree in economics. He had served as deputy director of the Department of Policy Studies of Ministry of Material Supply of the PRC, director of Department of Legislation on Structural Reform of Ministry of Domestic Trade of the PRC, president of China Logistics Company in Mainland China, general manager of China National Materials Development & Investment Corporation and director of China Chengtong Holdings Group Limited. Mr. Zhang has extensive experience in macro decision-making, corporate governance, investment and business administration.

Mr. Wang Hongxin

Aged 44, is an executive director of the Group. Mr. Wang joined the Group in March 2005. Mr. Wang graduated from Jilin Normal University in the PRC with a bachelor degree of arts and an executive master of business administration degree from the Guanghua School of Management of Beijing University in the PRC. He was a director and a deputy general manager for Maoming Yongye (Group) Co. Ltd., whose shares are listed on the Shenzhen Stock Exchange and previously worked as assistant to general manager for China Materials Investment Corporation in the PRC.

Mr. Hong Shuikun

Aged 52, is a non-executive director of the Group. Mr. Hong joined the Group in February 2003. Mr. Hong graduated from Shanghai Fudan University in journalism in 1978. He also obtained post-graduate qualifications from Central Party School of China in 2002. Mr. Hong is a reputable expert in the logistics industry of Mainland China and he has many years of experience in management of large logistics enterprises. Mr. Hong was a general manager of China National Storage and Transportation Corporation and the chairman of Zhongchu Development Stock Company Limited, which is a company listed on the Shanghai Stock Exchange in the PRC. Mr. Hong is currently the director, president of China Chengtong Holdings Group Limited, the ultimate controlling shareholder of the Company.

Ms. Xu Zhen

Aged 43, is a non-executive director of the Group. Ms. Xu joined the Group in March 2005. Ms. Xu graduated from Dongbei University of Finance and Economics in the PRC with a bachelor degree in economics and a master degree in accounting studies. Ms. Xu previously worked for China Materials Investment Corporation as deputy general manager and she was a director of Create Technology & Science Company Limited whose shares are listed on the Shenzhen Stock Exchange. Ms. Xu is currently the chief accountant of China Chengtong Holdings Group Limited, the ultimate controlling shareholder of the Company.

Mr. Gu Laiyun

Aged 44, is a non-executive director of the Group. Mr. Gu joined the Group in February 2003. Mr. Gu graduated from Dongbei University of Finance and Economics in 1985 and holds both a bachelor degree in economics and master of Economics from Jilin University. Mr. Gu has extensive experience in corporate management and he is the assistant to president of China Chengtong Holdings Group Limited, the ultimate controlling shareholder of the Company.

Mr. Tsui Yiu Wa, Alec

Aged 58, is an independent non-executive director of the Group. Mr. Tsui joined the Group in March 2003. He is the Chairman of WAG Worldsec Corporate Finance Limited and Vice-chairman of China Mergers and Acquisitions Association. Mr. Tsui was the Chairman of the Hong Kong Securities Institute from 2001 to 2004, and the Chief Operating Officer of Hong Kong Exchanges and Clearing Limited in 2000. He is an independent non-executive director of a number of listed companies in Hong Kong and Nasdaq, including Industrial and Commercial Bank of China (Asia) Limited, Vertex Communications & Technology Group Limited, China Power International Development Limited, COSCO International Holdings Limited, Synergis Holdings Limited, China BlueChemical Limited, Greentown China Holdings Limited, China Hui Yuan Juice Group Limited, Melco PBL Entertainment (Macau) Limited, Pacific Online Limited and ATA Inc. Ltd. He is also a director of Hong Kong Professional Consultants Association Limited and AIG Huatai Fund Management Company Limited. Mr. Tsui graduated from the University of Tennessee, United States with a Bachelor of Science degree and a Master of Engineering degree in Industrial Engineering. He completed a Program for Senior Managers in Government at the John F.Kennedy School of Government of Harvard University. He has numerous years of experience in finance and administration, corporate and strategic planning, information technology as well as human resources management.

Mr. Kwong Che Keung, Gordon

Aged 58, has been an independent non-executive Director of the Company since March 2003. Mr. Kwong has also been serving as a member of the remuneration committee of the Company and the chairman of the audit committee of the Company since March 2003. He is currently served as independent non-executive director of a number of companies listed on the Stock Exchange, namely COSCO International Holdings Limited, Tianjin Development Holdings Limited, Beijing Capital International Airport Company Limited, Frasers Property (China) Limited, NWS Holdings Limited, China Oilfield Services Limited, OP Financial Investments Limited (formerly known as Concepta Investments Limited), Global Digital Creations Holdings Limited, Ping An Insurance (Group) Company of China, Limited, Quam Limited, China Power International Development Limited, Henderson Land Development Company Limited, Henderson Investment Limited, Agile Property Holdings Limited and CITIC 1616 Holdings Limited. From 1984 to 1998, Mr. Kwong was a partner of Pricewaterhouse and was a council member of the Stock Exchange from 1992-1997. He has a Bachelor of Social Science degree from the University of Hong Kong and is a fellow member of the Institute of Chartered Accountants in England and Wales and Hong Kong Institute of Certified Public Accountants.

Mr. Lao Youan

Aged 43, is an independent non-executive director of the Group. Mr. Lao joined the Group in April 2002. Mr. Lao graduated from Sun Yat-sen University in 1985 and holds a bachelor degree in economics. He has many years of experience in the investment, trading and financial field in Hong Kong. He has held senior management positions in various large enterprises. He serves as financial controller of Guangdong Panyu Bridge Co., Ltd. and has extensive experienced in corporate management, project investment management and financial management.

Mr. Ba Shusong

Age 38, is an independent non-executive director of the Group. Mr. Ba joined the Group in April 2007. Mr. Ba obtained his bachelor and master degrees in 1991 and 1994 from the Huazhong University of Science and Technology and in 1999 he obtained his doctorate degree from the Central University of Finance and Economics. From 2000 to 2002, he conducted his post doctorate research in Peking University Centre of China Economic Research, his major research areas were Risk Management of Financial Institutes, Corporate Governance and Regulatory Framework of Financial Market. Mr. Ba is the vice director of the Finance Research Institute, Development Research Centre of the State Council of the PRC and also a panel member of the Mutual Funds Committee of the China Securities Regulatory Commission, an examination panel member of the China Banking Regulatory Commission, an expert of evaluating Corporate Annuity Funds and a member of professional committee of the China Development Bank. He is currently an independent non-executive director of Da An Gene Co., Ltd. of Sun Yat-Sen University (a company listed on the Shenzhen Stock Exchange) and Industrial Bank Co., Ltd. (a company listed on Shanghai Stock Exchange). In addition, he serves in a number of government committees and certain non-government organizations committees.

SENIOR MANAGEMENT

Mr. Lai Ka Fai

Aged 37, is the Head of the Legal and Company Secretarial Department. He is a solicitor of the High Court of Hong Kong SAR and holds a bachelor of laws degree and a master degree in business administration. Mr. Lai joined the Group in January 2003.

Ms. Chan Yuet Kwai

Aged 44, is the financial controller of the Group. Ms. Chan is a fellow member of both Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants, a member of American Institute of Certified Public Accountants and a certified public accountant of Washington States in United States. She also holds a master degree in business administration. Ms. Chan has over 20 years experience in the fields of auditing, accounting and finance. Before joining the Group, She had served as financial controller of Hong Kong listed companies for over 13 years. Ms. Chan joined the Group in June 2006.

The Board of Directors ("the Board") is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2007.

The Group considers that good corporate governance is vital to the healthy and sustainable development of the Group. To ensure a high standard of corporate governance, the Group shall strive to enhance the standard of corporate governance continuously, strictly comply with the code provisions ("Code Provisions") as set out in the Code on Corporate Governance Practices ("Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules") and actively apply the principles of the Code.

The Code sets out the principles of good corporate governance ("Principles") and two levels of corporate governance practices:

(a) Code Provisions which listed issuers are expected to comply with or to give considered reasons for any deviation; and

(b) recommended best practices for guidance only, which listed issuers are encouraged to comply with or give considered reasons for deviation.

The Company has complied with all the Code Provisions throughout the accounting period for the year ended 31 December 2007 except for the following deviation:

– With respect to Code Provision A.4.1, the non-executive Directors do not have a specific term of appointment. Pursuant to the Company's articles of association (the "Articles"), at each annual general meeting one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Board considered that complied with the objective of Code Provision A.4.1.

The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the Code, and acknowledges the important role of its Board in providing effective leadership and direction to the Company's business, and ensuring transparency and accountability of the Company's operations.

The key corporate governance principles and practices of the Company are summarized as follows:

THE BOARD

Responsibilities

The Board provides leadership, approves policies, strategies and plans, and oversees their implementation to ensure the healthy growth of the Company, in the interests of the Company's shareholders ("Shareholders").

The Board takes responsibility for all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the company secretary, with a view to ensure the Board's procedures and all applicable rules and regulations are followed. In general, each director is able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the Managing Director, Executive Director and senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the above mentioned officers. The Board has the full support of the Managing Director, Executive Director and the senior management to discharge its responsibilities.

Composition

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

The Board currently comprises ten members, consisting of two executive directors, four non-executive directors and four independent non-executive directors.

The Board of the Company comprises the following directors:

Executive Directors:

ZHANG Guotong	(Vice-Chairman, Managing Director, member of Remuneration Committee and Nomination Committee)
WANG Hongxin	

Non-executive Directors:

MA Zhengwu	(Chairman, Chairman of Nomination Committee and member of Remuneration Committee)
HONG Shuikun	(member of Audit Committee)
XU Zhen	(member of Audit Committee)
GU Laiyun	

Independent non-executive Directors:

KWONG Che Keung, Gordon	(Chairman of Audit Committee, member of Remuneration Committee and member of Nomination Committee)
TSUI Yiu Wa, Alec	(Chairman of Remuneration Committee, member of Audit Committee and member of Nomination Committee)
LAO Youan	(member of Audit Committee, member of Remuneration Committee and member of Nomination Committee)
BA Shusong*	(member of Audit Committee)

* Mr. Ba Shusong was appointed as Independent Non-executive Director on 4 April 2007.

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

During the year ended 31 December 2007, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

The independent non-executive Directors bring a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflicts of interest and serving on Board committees, all independent non-executive Directors make positive contributions to the orderly management and effective operation of the Company.

Appointment and Succession Planning of Directors

The Company has established a Nomination Committee and formal, considered and transparent procedures for the appointment and succession planning of Directors.

In accordance with the Company's Articles of Association, one third of the Directors are subject to retirement by rotation every year and any new Director appointed to fill a causal vacancy or as an addition to the Board shall be eligible for re-election by shareholders at the first general meeting after appointment.

Code Provision A.4.1 of Appendix 14 to the Listing Rules requires that non-executive Directors should be appointed for a specific term and should be subject to re-election. With respect to Code Provision A.4.1, the non-executive Directors of the Company have not been appointed for any specific terms since they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Memorandum and Articles of Association of the Company. As such, the Company considers that sufficient measures have been taken to serve the purpose of this Code Provision.

The Board and Nomination Committee as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors. The Board reviewed its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the candidates proposed by the Nomination Committee, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

In accordance with the Company's Articles of Association, Mr. Zhang Guotong, Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec and Mr. Lao Youan shall retire by rotation and being eligible, offer themselves for re-election at the Annual General Meeting ("AGM") of the Company to be held on 24 June 2008.

The Board recommended the re-appointment of the Directors standing for re-election at the forthcoming annual general meeting of the Company.

The Company's circular in relation to the forthcoming annual general meeting contains detailed information of the Directors standing for re-election.

Board Meetings

Number of Meetings and Directors' Attendance

Regular Board meetings are held at least four times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

During the year ended 31 December 2007, seven Board meetings were held and four of which were regular Board meetings.

The individual attendance record of each Director at the meetings of the Board, Audit Committee and Remuneration Committee during the year ended 31 December 2007 is set out below:

	Attendance/Number of Meetings		
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**
MA Zhengwu	7/7	Not applicable	1/1
ZHANG Guotong	7/7	Not applicable	1/1
WANG Hongxin	7/7	Not applicable	Not applicable
HONG Shuikun	6/7	1/2	Not applicable
XU Zhen	7/7	2/2	Not applicable
GU Laiyun	7/7	Not applicable	Not applicable
KWONG Che Keung, Gordon	7/7	2/2	1/1
TSUI Yiu Wa, Alec	7/7	2/2	1/1
LAO Youan	6/7	2/2	0/1
BA Shusong*	3/7	1/2	Not applicable

* Mr. Ba Shusong was appointed as independent non-executive director on 4 April 2007.

Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance. Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The Company Secretary of the Company is responsible for keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Articles of Association also contains provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

CHAIRMAN AND MANAGING DIRECTOR

The Company fully supports the division of responsibility between the Chairman of the Board and the Managing Director to ensure a balance of power and authority. The positions of the Chairman and Managing Director are held by Mr. MA Zhengwu and Mr. ZHANG Guotong respectively. Their respective responsibilities are clearly defined and set out in writing.

The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. With the support of the senior management, the Chairman is also responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

The Managing Director focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. He is also responsible for developing strategic plans and formulating the company practices and procedures, business objectives, and risk assessment for the Board's approval.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees kept in the Company and are available to shareholders upon request. The majority of the members of each Board committees are independent non-executive Directors and the list of the Chairman and members of each Board committee is set out in this report on page 14 .

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Audit Committee

The Audit Committee comprises four independent non-executive Directors (including one independent non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise) and two Non-executive Directors. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

(a) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer, internal auditor or external auditors before submission to the Board.

(b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee held two meetings during the year ended 31 December 2007 to review the financial results and reports, financial reporting and compliance procedures and the re-appointment of the external auditors.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The Audit Committee has not taken a different view from the Board regarding the selection, appointment, resignation or dismissal of external auditors.

The Company's annual results for the year ended 31 December 2007 have been reviewed by the Audit Committee.

Remuneration Committee

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the Directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee normally meets for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the members of the Board and the senior management and other related matters. The human resources department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee shall consult the Chairman and/or the Managing Director of the Company about these recommendations on remuneration policy and structure and remuneration packages.

The Remuneration Committee meet once during the year ended 31 December 2007 and reviewed the existing remuneration policy and structure of the Company and remuneration packages of the Directors and the senior management.

Nomination Committee

The Company has established a Nomination Committee and was chaired by the Chairman of the Board, members of the Nomination Committee including the managing director and three Independent Non-executive Directors. Nomination Committee responsible for nominating potential candidates for directorship appointment and succession, regular review on the composition and structure of the Board and making appropriate recommendation to the Board in order to ensure the balance of expertise, skills and experience among the members of the Board. Nomination will be made reference to the skill, experience, professional knowledge, personal integrity and time commitment.

MODEL CODE FOR SECURITIES TRANSACTIONS

In the year ended 31 December 2007, the Company has adopted its own code of conduct regarding Directors' securities transactions (the "Code of Conduct") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the requirements of the Code of Conduct and the Model Code throughout the year ended 31 December 2007.

The Company also has established written guidelines on no less exacting than the Model Code (the "Written Guidelines") for securities transactions by the employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Written Guidelines by the employees was noted by the Company.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS AND AUDITORS' REMUNERATION

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2007.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 27.

The remuneration paid to the external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2007 amounted to HK$1,200,000 and HK$1,051,000 respectively. An analysis of the remuneration paid to the external auditors of the Company is set out below:

	Amount of Fee Payable/Paid (HK$'000)
Audit Services	1200
Review on interim results	280
Other non-audit services	771
Total	2,251

INTERNAL CONTROLS

The Company has maintained a structure with defined lines of responsibility and appropriate delegation of responsibility and authority to senior management. The Board is responsible for the establishment and effective operation of the internal control system. However, such system aims at limiting the risks of the Company to an acceptable level but not at eliminating all risks. Hence, such system can only provide reasonable assurance that there will not be any error in financial information and record, and there will not be any financial loss or fraud.

The Board has established operational procedures to identify, assess and manage major risks faced by the Company. Such procedures shall be updated from time to time to reflect the changes in circumstances and rules and regulation, and shall be used as a guideline for updating the internal control system in a timely manner. The Board considers that as at the date of this annual report, the internal control system is adequate and effective in safeguarding the assets of the Group and protecting the interests of Shareholders, customers and employees of the Group.

The management is responsible for implementing the procedures established by the Board to identify, assess and manage major risks faced by the Company. This procedure includes the design, operation and supervision of suitable internal control to mitigate and control risks. Major procedures established for reviewing the suitability and compliance of internal control are as follows:

- The Board is responsible for the supervision of all business activities of the Group and the implementation of strategic plans and policy. The management is responsible for the effective daily operation of the Group and for ensuring the Group operates in accordance with the target, strategy and budget of the Group.

- The Audit Committee periodically reviews the controlled items of internal audit department, external auditors, regulatory bodies and management, and assesses the suitability and effectiveness of risk management and the internal control system. The Audit Committee also reviews the function of internal audit and pays particular attention to the independence of the internal audit department, the audit quality and the audit scope.

- The Risk Control department also formulates the annual internal audit plan and procedures, conducts periodic independent reviews on the operations of individual divisions and subsidiaries to identify any irregularities and risks, develops action plans and makes recommendations to address the identified risks, and reports to the Audit Committee on any key findings and progress of the internal audit process. The Audit Committee, in turn, reports to the Board on any material issues and makes recommendations to the Board.

In strict compliance with the requirements of Code Provision C.2.1, the Group has conducted a comprehensive review of the internal control system under the guidance of the Board and the senior management in 2007. The review assessed the prevailing internal control and risk management practices of the Group and covered various aspects including financial control, operational control, compliance control and risk management.

The Company will continue where possible to improve its internal control system and strengthen its risk management capability.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

The rights of Shareholders and the procedures for demanding a poll on resolutions at Shareholders' meetings are contained in the Articles. Details of such rights to demand a poll and the poll procedures are included in all circulars to Shareholders and will be explained during the proceedings of meetings.

Poll results will be posted on the website of the Stock Exchange and the Company on the day of the Shareholders' meeting.

The general meetings of the Company provide a forum for communication between the Shareholders and the Board. The Chairman of the Board as well as chairmen of the Audit Committee and Remuneration Committee, or in their absence, other members of the respective committees, and where applicable, the independent Board committee, are available to answer questions at the Shareholders' meetings.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner.

Currently, investors can access the Company's information through the websites of the Stock Exchange and http://www.irasia.com/listco/hk/chengtong.

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 16 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 28.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in property, plant and equipment and investment properties during the year are set out in notes 14 and 15 to the consolidated financial statements respectively.

SHARE CAPITAL

Details of share capital of the Company are set out in note 31 to the consolidated financial statements.

During the year, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

DISTRIBUTABLE RESERVES

As at 31 December 2007, the Company had no distributable reserves, calculated in accordance with Section 79B of the Companies Ordinance.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate amount of turnover attributable to the five largest customers represented 45.97% of the Group's total turnover. Sales to the largest customer included therein amounted to 14.67%.

During the year, the aggregate amount of purchases (not including purchases of items which are of a capital nature) attributable to the five largest suppliers represented 42.42% of the Group's total purchases. Purchases from the largest supplier amounted to 34.83% of the Group's total purchases.

None of the directors of the Company or any of their associates or any shareholders, which to the best knowledge of the Company's directors, own more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers or suppliers for the year ended 31 December 2007.

DIRECTOR'S REPORT

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Mr. ZHANG Guotong	(Executive Director, Vice Chairman and Managing Director)
Mr. WANG Hongxin	(Executive Director)
Mr. MA Zhengwu	(Non-executive Director, Chairman)
Mr. HONG Shuikun	(Non-executive Director)
Mr. GU Laiyun	(Non-executive Director)
Ms. XU Zhen	(Non-executive Director)
Mr. KWONG Che Keung, Gordon	(Independent non-executive Director)
Mr. TSUI Yiu Wa, Alec	(Independent non-executive Director)
Mr. LAO Youan	(Independent non-executive Director)
Mr. BA Shusong	(Independent non-executive Director, appointed on 4 April 2007)

In accordance with Article 105 of the Company's Articles of Association, Messrs. Zhang Guotong, Kwong Che Keung, Gordon, Tsui Yiu Wa, Alec and Lao Youan retire by rotation and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The term of office of each non-executive director is the year up to his retirement by rotation in accordance with the Company's Articles of Association.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

There were no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

	Date of grant	Exercisable period	Previous exercise price per share HK$	Adjusted exercise price per share HK$ (Note)	Number of shares: At 1 January 2007	Adjusted during the year (Note)	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2007	Aggregate long position in underlying shares to issued share capital of the Company %
Directors											
Ma Zhengwu	8.3.2004	9.3.2005 to 8.3.2008	0.364	0.3012	600,000	725,195	–	(725,195)	–	–	–
		9.3.2006 to 8.3.2009	0.364	0.3012	600,000	725,195	–	(725,195)	–	–	–
Zhang Gutong	8.3.2004	9.3.2005 to 8.3.2008	0.364	0.3012	600,000	725,195	–	(725,195)	–	–	–
		9.3.2006 to 8.3.2009	0.364	0.3012	600,000	725,195	–	(725,195)	–	–	–
	28.9.2004	29.9.2005 to 28.9.2008	0.245	0.2027	3,000,000	3,625,975	–	(3,625,975)	–	–	–
Hong Shuikun	8.3.2004	9.3.2005 to 8.3.2008	0.364	0.3012	600,000	725,195	–	(725,195)	–	–	–
		9.3.2006 to 8.3.2009	0.364	0.3012	600,000	725,195	–	(725,195)	–	–	–
Gu Laiyun	8.3.2004	9.3.2005 to 8.3.2008	0.364	0.3012	600,000	725,195	–	(725,195)	–	–	–
		9.3.2006 to 8.3.2009	0.364	0.3012	600,000	725,195	–	(725,195)	–	–	–
	28.9.2004	29.9.2005 to 28.9.2008	0.245	0.2027	2,000,000	2,417,317	–	–	–	2,417,317	0.0905
Xu Zhen	8.3.2004	9.3.2005 to 8.3.2008	0.364	0.3012	300,000	362,598	–	–	–	362,598	0.0136
		9.3.2006 to 8.3.2009	0.364	0.3012	300,000	362,598	–	–	–	362,598	0.0136
					10,400,000	12,570,048	–	(9,427,535)	–	3,142,513	
Other employees											
In aggregate	8.3.2004	9.3.2005 to 8.3.2008	0.364	0.3012	5,325,000	6,436,107	–	(6,073,509)	–	362,598	
		9.3.2006 to 8.3.2009	0.364	0.3012	5,325,000	6,436,107	–	(5,948,313)	–	487,794	
	28.9.2004	29.9.2005 to 28.9.2008	0.245	0.2027	19,250,000	23,266,680	–	(20,014,729)	–	3,251,951	
					29,900,000	36,138,894	–	(32,036,551)	–	4,102,343	0.1535
Total					40,300,000	48,708,942	–	(41,464,086)	–	7,244,856	

Note: The Rights Issue of the Company was completed on 12 April 2007. Pursuant to the terms of Share Option Scheme, the exercise price and number of shares that can be subscribed for under the Scheme are required to be adjusted upon the completion of Rights Issue.

All the interests stated above represent long positions. As at 31 December 2007, no short positions were recorded in the Register of Directors' and Chief Executive's Interests and Short Positions required to be kept under Section 352 of Part XV of the Securities and Futures Ordinance (the "SFO").

Save as disclosed above, as at 31 December 2007, none of the directors or Chief Executives of the Company nor their spouses or children under 18 years of age were granted, or had exercised, any rights to subscribe for any equity or debt securities of the Company or any of its Associated Corporations.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Other than the share options disclosed above, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2007, the Register of Interests and Short Positions in Shares and Underlying Shares maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the shares and underlying shares of the Company:

Name of shareholder	Capacity	Number of shares	Percentage of issued share capital of the Company
World Gain Holdings Limited	Beneficial owner	791,814,913	29.63%
China Chengtong Hong Kong Company Limited	Controlled corporation (note)	791,814,913	29.63%
China Chengtong Holdings Group Limited	Controlled corporation (note)	791,814,913	29.63%

Note: The entire issued share capital of World Gain Holdings Limited is beneficially owned by China Chengtong Hong Kong Company Limited and the entire issued share capital of which is beneficially owned by China Chengtong Holdings Group Limited.

All the interests stated above represent long position. As at 31 December 2007, no short positions were recorded in the Register of Interests and Short Positions in Shares and Underlying Shares required to be kept under Section 336 of the SFO.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the shares and underlying shares of the Company as at 31 December 2007.

DISCLOSURE PURSUANT TO THE LISTING RULES

As at 31 December 2007, the aggregate amount of advances made by the Group to its associates was approximately HK$149,598,000. Particulars of these advances are set out in note 17 to the financial statements.

The combined balance sheet of the associates, Goodwill (Overseas) Limited, Cimpor Chengtong Cement Corporation Limited ("Cimpor Chengtong") and Suzhou Nanda Cement Company Limited 蘇州南達水泥有限公司 ("Suzhou Nanda") as at 31 December 2007 disclosed in accordance with 13.22 of Chapter 13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") is as follows:

	HK$'000
Non-current assets	951,729
Current assets	238,760
Current liabilities	(333,412)
Net current liabilities	(94,652)
Non-current liabilities	(587,849)
Net assets	269,228
Equity attributable to shareholders of the associates	241,701
Minority interests	27,527
	269,228

CONNECTED TRANSACTIONS

(a) On 27 March 2007, the Group entered into a conditional agreement with the minority shareholder of Zhongshi Investment Company Limited 中實投資有限責任公司 ("Zhongshi"), Beijing Xinghe Dongli Investment Management Co. Limited 北京興合動力投資管理有限公司 ("Beijing Xinghe") to acquire the remaining 30% equity interest in Zhongshi through its wholly owned subsidiary, China Chengtong Properties Group Limited, at a consideration of RMB24,000,000. The transaction had been completed on 31 December 2007 and up till 31 December 2007, a total amount of RMB7,200,000 (equivalent to approximately HK$7,632,000) is due by the Group to Beijing Xinghe.

Beijing Xinghe is the minority shareholder of Zhongshi. Accordingly, the acquisition of additional interests constituted a connected transaction of the Company under the Listing Rules.

(b) On 8 June 2007, the Group acquired investment properties and properties under development through acquisition of entire equity interest in Luoyang Southern City CMST Logistics Limited 洛陽城南中儲物流有限公司（「洛陽城南」）and 52% equity interest in Xian Fuxiang Real Estate Development Limited 西安富祥房地產開發有限公司（「西安富祥」）by its 70% owned subsidiary, Zhongshi at consideration of RMB26,680,000 (equivalent to approximately HK$27,030,000) and RMB25,600,000 (equivalent to approximately HK$25,600,000) from China Xinyuan Asset Management Company 中國新元資產管理公司 ("China Xinyuan") and Jiacheng Enterprise Development Company Limited 嘉成企業發展有限公司 ("Jiacheng Enterprise") respectively.

China Xinyuan and Jiacheng Enterprise are subsidiaries of China Chengtong Holdings Group Limited, a holding company of a substantial shareholder of the Company. Accordingly, the acquisitions of 洛陽城南 and 西安富祥 constituted connected transactions of the Company under the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

During the year, the Group has maintained a sufficiency public float throughout the year ended 31 December 2007.

FINANCIAL SUMMARY

A summary of the Group's results and its assets and liabilities for the year ended 31 December 2007 and the past four financial years is set out on page 88.

AUDITOR

The financial statements of the Company for the year ended 31 December 2007 were audited by Messrs. Deloitte Touche Tohmatsu.

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

MA ZHENGWU
CHAIRMAN

Hong Kong
20 March 2008

Deloitte.
德勤

TO THE MEMBERS OF CHINA CHENGTONG DEVELOPMENT GROUP LIMITED
中國誠通發展集團有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Chengtong Development Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 86, which comprise the consolidated and Company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20 March 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

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

CONSOLIDATED BALANCE SHEET

At 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	14	**3,232**	1,404
Investment properties	15	**83,740**	45,000
Interests in associates	17	**41,599**	264
Amount due from an associate	17	**139,874**	148,605
Interest in a jointly controlled entity	18	**103,881**	99,740
Restricted bank balance	19	**4,200**	4,200
		376,526	299,213
Current assets			
Properties held for sale		**32,678**	50,415
Trade and other receivables	21	**7,959**	7,769
Bills receivable		**5,035**	–
Amounts due from associates	17	**9,724**	–
Amounts due from related companies	22	**4,741**	4,507
Bank balances and cash	23	**298,626**	117,372
		358,763	180,063
Assets classified as held for sale	9	**–**	50,483
		358,763	230,546
Current liabilities			
Trade and other payables	24	**54,825**	59,470
Deposits received on sale of properties		**11,410**	1,055
Amounts due to related companies	25	**17,084**	–
Amount due to a minority shareholder of a subsidiary	26	**3,978**	3,978
Tax payable		**12,505**	17,347
Unsecured other loans	27	**7,196**	7,196
		106,998	89,046
Liabilities associated with assets classified as held for sale	9	**–**	35,721
		106,998	124,767
Net current assets		**251,765**	105,779
Total assets less current liabilities		**628,291**	404,992
Non-current liabilities			
Deferred taxation	29	**4,737**	3,937
Net assets		**623,554**	401,055

CONSOLIDATED BALANCE SHEET

At 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Capital and reserves			
Share capital	31	**267,202**	202,350
Reserves		**356,352**	170,462
Equity attributable to shareholders of the Company		**623,554**	372,812
Minority interests		**–**	28,243
		623,554	401,055

The financial statements on pages 28 to 86 were approved and authorised for issue by the Board of Directors on 20 March 2008 and are signed on its behalf by:

Zhang Guotong
DIRECTOR

Wang Hongxin
DIRECTOR

BALANCE SHEET

At 31 December 2007

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

Zhang Guotong
DIRECTOR

Wang Hongxin
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

	Attributable to shareholders of the Company											
	Share capital	**Share premium**	**Capital re-demption reserve**	**Special capital reserve**	**Capital reserve**	**Exchange reserve**	**Legal surplus**	**Share options reserve**	**Accumul-ated (losses) profits**	**Total**	**Minority interests**	**Total equity**
	HK$'000	HK$'000	HK$'000	HK$'000 (Note 1)	HK$'000 (Note 2)	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2006	168,710	939,273	402	–	–	1,936	565	8,711	(866,531)	253,066	32,266	285,332
Exchange realignment	–	–	–	–	–	4,813	–	–	–	4,813	1,247	6,060
Share of changes in equity in a jointly controlled entity recognised directly in equity	–	–	–	–	–	(111)	–	–	–	(111)	–	(111)
Net income recognised directly in equity	–	–	–	–	–	4,702	–	–	–	4,702	1,247	5,949
Profit for the year	–	–	–	–	–	–	–	–	15,953	15,953	6,686	22,639
Total recognised income for the year	–	–	–	–	–	4,702	–	–	15,953	20,655	7,933	28,588
Capital Reduction *(Note)*	–	(939,273)	–	965	–	–	–	–	938,308	–	–	–
Issue of new shares	33,200	66,400	–	–	–	–	–	–	–	99,600	–	99,600
Transaction costs attributable to issue of new shares	–	(694)	–	(965)	–	–	–	–	–	(1,659)	–	(1,659)
Issue of shares upon exercise of share options	440	1,439	–	–	–	–	–	(729)	–	1,150	–	1,150
Share option forfeited	–	–	–	–	–	–	–	(916)	916	–	–	–
Dividend paid to minority shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	(11,956)	(11,956)
At 31 December 2006	202,350	67,145	402	–	–	6,638	565	7,066	88,646	372,812	28,243	401,055
Exchange realignment	–	–	–	–	–	3,218	–	–	–	3,218	1,793	5,011
Share of changes in equity in a jointly controlled entity recognised directly in equity	–	–	–	–	–	5,616	–	–	–	5,616	–	5,616
Share of changes in equity in an associate recognised directly in equity	–	–	–	–	–	644	–	–	–	644	–	644
Net income recognised directly in equity	–	–	–	–	–	9,478	–	–	–	9,478	1,793	11,271
Release and transfer upon disposal of subsidiaries	–	–	–	–	–	(1,556)	(565)	–	877	(1,244)	–	(1,244)
Release upon acquisition of additional interests in a subsidiary	–	–	–	–	–	–	–	–	–	–	(28,799)	(28,799)
Deemed contribution from substantial shareholder	–	–	–	–	2,814	–	–	–	–	2,814	–	2,814
Profit for the year	–	–	–	–	–	–	–	–	35,945	35,945	834	36,779
Total recognised income and expense for the year	–	–	–	–	2,814	7,922	(565)	–	36,822	46,993	(26,172)	20,821
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	24,420	24,420
Release upon disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	(26,491)	(26,491)
Rights issue of shares	60,706	139,622	–	–	–	–	–	–	–	200,328	–	200,328
Capitalisation of share issue expenses	–	(6,738)	–	–	–	–	–	–	–	(6,738)	–	(6,738)
Issue of shares upon exercise of share options	4,146	12,067	–	–	–	–	–	(6,054)	–	10,159	–	10,159
At 31 December 2007	267,202	212,096	402	–	2,814	14,560	–	1,012	125,468	623,554	–	623,554

Notes:

1. On 20 June 2006, the High Court of the Hong Kong Special Administrative Region (the "High Court") made an order (the "Order") confirming the cancellation of the entire sum standing to the credit of the share premium account of the Company as at 31 December 2004 and set off with the accumulated loss of the Company as at 31 December 2004 (the "Capital Reduction"). The Order stipulated that after the Capital Reduction becoming effective, the Company will create a Special Capital Reserve in the amount of approximately HK$965,000 representing the amount by which the Capital Reduction exceeds the total accumulated losses of the Company as at 31 December 2004 and that for so long as there remained any debt of or claim against the Company outstanding at the date when the Capital Reduction became effective which, if such date were the date of commencement of the winding up of the Company, would have been admissible in proof against the Company and the persons entitled to the benefit thereof had not have agreed otherwise, such reserve:

   (i) should not be treated as realised profits for the purpose of Section 79B of the Companies Ordinance;

   (ii) should, for so long as the Company remained a listed company, be treated as an undistributable reserve of the Company for the purposes of Section 79C of the Companies Ordinance or any statutory re-enactment or modification thereof.

   It was also provided in the Order that, notwithstanding the above undertaking, (a) the Special Capital Reserve might be applied for the same purposes as a share premium account might be applied; (b) the amount standing to the credit of the Special Capital Reserve might be reduced by the aggregate of any increase in the paid up share capital or the amount standing to the credit of the share premium account of the Company resulting from the payment up of shares by the receipt of new consideration or upon a capitalisation of distributable reserve after the Capital Reduction becoming effective; and (c) in the event that the amount of the Special Capital Reserve is so reduced, the Company shall be at liberty to transfer the amount of any such reduction to the general reserves of the Company and the same shall become available for distribution. During the year ended 31 December 2006, the Special Capital Reserve is applied to set off with the transaction cost attributable to the issue of new shares.

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Cash flows from operating activities			
Profit before taxation		**45,888**	40,063
Adjustments for:			
Interest income		**(5,029)**	(2,889)
Interest expense		**1,296**	1,210
Gain on disposal of subsidiaries	36	**(51,727)**	–
Share of results of associates		**697**	(1)
Share of results of a jointly controlled entity		**1,475**	728
Loss on disposal of property, plant and equipment		**–**	4,811
Depreciation of property, plant and equipment		**1,871**	3,524
(Increase) decrease in fair value of an investment property		**(1,460)**	1,782
Allowance for property held for sale		**8,283**	–
Impairment loss recognised in respect of property, plant and equipment		**–**	7,840
Gain on waiver of secured other loan and interest		**–**	(14,842)
Operating cash flows before working capital changes		**1,294**	42,226
Increase in inventories		**(1,882)**	(655)
Increase in properties under development		**(765)**	–
Decrease in properties held for sale		**7,547**	179,747
(Increase) decrease in trade and other receivables		**(10,630)**	17,409
Increase in bills receivable		**(4,035)**	(856)
Increase (decrease) in trade and other payables		**7,004**	(37,778)
Increase (decrease) in deposits received on sale of properties		**10,355**	(188,380)
Cash flows from operations		**8,888**	11,713
Hong Kong Profits Tax refunded		**–**	284
PRC Enterprise Income Tax paid		**(14,993)**	–
Net cash (used in) from operating activities		**(6,105)**	11,997
Cash flows from investing activities			
Acquisition of investment in a jointly controlled entity		**–**	(26,594)
Acquisition of subsidiaries	35	**(39,725)**	–
Acquisition of additional interest in a subsidiary		**(17,808)**	–
Capital contribution to a jointly controlled entity		**–**	(71,580)
Disposal of subsidiaries	36	**44,090**	–
Increase in restricted bank balance		**–**	(4,200)
Repayment from related companies		**–**	775
Proceeds from disposals of property, plant and equipment		**–**	6,097
Purchases of property, plant and equipment		**(1,632)**	(1,244)
Advance to associates		**(9,724)**	–
Purchase of an investment property		**(436)**	–
Repayment of amount due from an associate		**8,731**	12,475
Decrease (increase) in amount due from a minority shareholder of a subsidiary		**1,416**	(57)
Interest received		**5,029**	2,889
Net cash used in investing activities		**(10,059)**	(81,439)

	Note	2007 HK$'000	2006 HK$'000
Cash flows from financing activities			
Dividend paid to a minority shareholder of a subsidiary		**–**	(11,956)
Proceeds from right issue	31(b)	**200,328**	–
Issue of new shares		**–**	99,600
Share issue expenses paid		**(6,738)**	(1,659)
Issue of shares upon exercise of share options		**10,159**	1,150
Repayment of loan from a related company		**(4,953)**	(15,000)
Increase in amounts due to related companies		**3,705**	–
Repayment of bank loan		**(9,000)**	–
Interest paid		**(1,296)**	(140)
Net cash from financing activities		**192,205**	71,995
Net increase in cash and cash equivalents		**176,041**	2,553
Cash and cash equivalents at beginning of year		**118,539**	115,058
Effect of foreign exchange rate changes		**4,046**	928
Cash and cash equivalents at end of year, representing bank balances and cash		**298,626**	118,539

1. GENERAL

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

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

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

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

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

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

Revenue recognition

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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

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

Service income is recognised when services are provided.

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

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

Investment properties

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

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

Property, plant and equipment

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

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

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

Subsidiaries

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

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

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

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

Goodwill

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

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

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

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

Investments in associates

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates (continued)

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

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

Investment in a jointly controlled entity

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

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

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

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

Non-current assets held for sale

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Properties held for sales

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

Borrowing costs

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

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

Impairment of assets other than goodwill

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

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

Taxation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

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

Foreign currencies

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

Operating leases

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

The Group as lessor

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

The Group as lessee

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

Financial instruments

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

Financial assets

The Group's financial assets are mainly loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of financial assets are set out below.

Effective interest method

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

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

Loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets

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

The objective evidence of impairment could include:

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

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

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

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

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are other financial liabilities which are subsequently carried at amortised cost. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities

Financial liabilities including trade and other payables, amount due to a minority shareholder/related companies and other loans, are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

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

Derecognition

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

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

Retirement benefits costs

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees of the share options schemes

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

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

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

4. FINANCIAL INSTRUMENTS

Capital risk management

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

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

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

Categories of financial instruments

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

Financial risk management objectives and policies

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

Currency risk

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

Interest rate risk

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

4. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Interest rate risk (continued)

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

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

Credit risk

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

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

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

Liquidity risk

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

4. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity table

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

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

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

Fair value of financial instruments

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

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

5. SEGMENT INFORMATION

Business segments

The Group's principal activities are trade and manufacture of cement, property investment and property development. These business segments are the basis on which the Group reports its primary segment information. During the year, the Group discontinued its business of trade and manufacture of cement (see note 9). Accordingly, the businesses of trade and manufacture of cement is classified as discontinued operations. During the year ended 31 December 2006, the Group discontinued its trade of goods business. Segment information about the Group's businesses is presented as below:

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

5. SEGMENT INFORMATION (continued)
Business segments (continued)

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

5. SEGMENT INFORMATION (continued)
Business segments (continued)

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

5. SEGMENT INFORMATION (continued)

Business segments (continued)

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

Geographical segments

The Group's operations are located in Mainland China and Hong Kong of the People's Republic of China (the "PRC"). The following table provides an analysis of the Group's turnover by geographical market (including the discontinued operations), irrespective of the origin of the goods:

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

5. SEGMENT INFORMATION (continued)

Geographical segments (continued)

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment analysed by the geographical areas in which the assets are located:

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

6. OTHER INCOME

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

7. FINANCE COSTS

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

8. TAXATION

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

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

Notes:

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

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

8. TAXATION (continued)

A statement of reconciliation of taxation is as follows:

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

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

9. DISCONTINUED OPERATIONS

Discontinued trade of goods business

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

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

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

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

9. DISCONTINUED OPERATIONS (continued)

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

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

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

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

9. DISCONTINUED OPERATIONS (continued)

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

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

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

10. PROFIT FOR THE YEAR

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

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

2007

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

2006

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

(b) Five highest paid individuals

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

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

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(b) Five highest paid individuals (continued)

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

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

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

12. EARNINGS PER SHARE

From continuing and discontinued operations

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

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

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

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

12. EARNINGS PER SHARE (continued)

From continuing operations

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

Earnings figures are calculated as follows:

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

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

From discontinued operations

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

13. RETIREMENT BENEFITS SCHEMES

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

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

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

14. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

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

14. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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

In 2006, the directors of the Company conducted a review of certain of the Group's manufacturing assets and determined that a number of those assets were fully impaired, due to physical damage and technical obsolescence. Accordingly, full impairment losses of HK$4,390,000 and HK$3,450,000 respectively have been recognised in respect of buildings and plant and machinery.

THE COMPANY

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

15. INVESTMENT PROPERTIES

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

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

The carrying amount of investment properties shown above comprises:

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

The fair value of the Group's investment properties at 31 December 2006 was arrived at on the basis of a valuation carried out on that date by S.H. Ng & Co., Ltd., independent qualified professional valuers not connected with the Group. S .H. Ng & Co., Ltd. are members of the Hong Kong Institute of Surveyors, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

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

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

16. INTERESTS IN SUBSIDIARIES

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

Particulars of the principal subsidiaries at 31 December 2007 are as follows:

Company	Place of incorporation/ registration	Total paid-up and issued ordinary share/ registered capital	Equity interest owned by the Group %	Principal activities
Directly held:				
Galactic Investment Limited	Hong Kong	2 ordinary shares of HK$1 each	100	Investment holding
Key Asset Limited	Hong Kong	100 ordinary shares of HK$1 each	100	Investment holding
Merry World Associates Limited	British Virgin Islands ("BVI")/ PRC	1 ordinary share of US$1	100	Property investment
Indirectly held:				
Boxhill Limited	BVI/Hong Kong	1 ordinary share of US$1	100	Investment holding
China Chengtong Properties Group Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100	Investment holding
Great Royal International Limited	Hong Kong	100 ordinary shares of HK$1 each	100	Investment holding
Price Sales Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100	Investment holding
中實投資有限責任公司* Zhongshi Investment Company Limited ("Zhongshi")	PRC	RMB80,000,000	100**	Properties development
洛陽城南**	PRC	RMB26,680,000	100	Property investment

16. INTERESTS IN SUBSIDIARIES (continued)

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

** A limited liability company established in the PRC.

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

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

17. INTERESTS IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES

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

Notes:

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

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

17. INTERESTS IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES (continued)

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

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

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

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

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

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

17. INTERESTS IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES (continued)

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

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

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

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

18. INTEREST IN A JOINTLY CONTROLLED ENTITY

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

The principal investment in jointly controlled entity at 31 December 2007 represents the Company's interest in 50% of registered capital of 湖州萬港聯合置業有限公司 (Huzhou Wangang United Estate Company Limited).

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

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

19. RESTRICTED BANK BALANCE

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

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

20. INVENTORIES

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

21. TRADE AND OTHER RECEIVABLES

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

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

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

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

Ageing of trade receivables which are past due but not impaired

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

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

22. AMOUNTS DUE FROM RELATED COMPANIES

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

The amounts are unsecured, interest-free and repayable on demand. 中國物資開發投資總公司 is a subsidiary of China Chengtong Holdings Group Limited, a holding company of a substantial shareholder of the Company. Nardu Company Limited and Panyu Lucky Rich Real-Estates Development Limited are subsidiaries of China Chengtong Hong Kong Company Limited, a substantial shareholder of the Company.

23. BANK BALANCES AND CASH

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

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

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

24. TRADE AND OTHER PAYABLES

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

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

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

25. AMOUNTS DUE TO RELATED COMPANIES

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

26. AMOUNT DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

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

27. UNSECURED OTHER LOANS

The other loans from third parties are unsecured, repayable on demand and interest-free, except for a loan of HK$3,600,000 (2006: HK$3,600,000) which carried interest at 0.05% per day on a compound basis.

28. SECURED OTHER LOAN

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

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

29. DEFERRED TAXATION

The Group

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

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

29. DEFERRED TAXATION (continued)

The Group (continued)

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

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

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

The Company

At 31 December 2007, the Company has unused tax losses of HK$80,191,000 (2006: HK$67,773,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profits streams. The tax losses may be carried forward indefinitely.

30. AMOUNTS DUE FROM/TO SUBSIDIARIES

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

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

31. SHARE CAPITAL

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

Notes:

(a) On 8 August 2006, the Company, a substantial shareholder of the Company (the "Substantial Shareholder") and an agent ("Placing Agent") entered into a placing and subscription agreement in relation to the placing of a total of 332,000,000 existing shares (the "Placing Shares") of the Company held by the Substantial Shareholder to the placees which represented approximately 19.68% of the then total issued share capital of the Company (the "Placing") and the Substantial Shareholder shall subscribe for 332,000,000 new shares of the Company (the "Subscription Shares") after the Placing being completed (the "Subscription").

The Placing Shares were placed to three independent third parties at HK$0.3 each in the proportion of 166,000,000 shares, 99,600,000 shares and 66,400,000 shares respectively. The Placing Agent charged a placing commission of 1% of the aggregate placing price. The Subscription Shares were issued to the Substantial Shareholder at HK$0.3 each and rank pari passu with other shares in issue in all respect. The completion of Placing and Subscription took place on 11 August 2006 and 18 August 2006, respectively.

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

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

32. SHARE OPTIONS SCHEME

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

Details of the Scheme are as follows:

(i) Purpose

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

(ii) Participants

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

(iii) Maximum number of shares

(a) 30% limit

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

(b) 10% limit

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

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

(iv) Maximum entitlement of each participant

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

32. SHARE OPTIONS SCHEME (continued)

(v) Price of shares

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

(vi) Amount payable upon acceptance of the option

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

(vii) Exercisable periods

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

(viii) Vesting periods

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

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

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

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

(ix) The remaining life of the Scheme

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

32. SHARE OPTIONS SCHEME (continued)

(x) Shares available for issue under the Scheme

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

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

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

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

32. SHARE OPTIONS SCHEME (continued)

(x) Shares available for issue under the Scheme (continued)

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

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

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

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

32. SHARE OPTIONS SCHEME (continued)

(x) Shares available for issue under the Scheme (continued)

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

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

33. RESERVES

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

THE COMPANY

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

34. COMMITMENTS

(a) Operating lease commitments as leasee

At 31 December 2007, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

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

Leases are negotiated for an average term of three years.

At the balance sheet date, the Company had no commitments under non-cancellable operating leases in respect of rented premises.

(b) Operating leases commitments as lessor

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

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

Leases are negotiated for an average term of three years.

At the balance sheet date, the Company had not entered into any operating lease arrangement for rental income.

35. ACQUISITION OF SUBSIDIARIES

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

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

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

36. DISPOSAL OF SUBSIDIARIES

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

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

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

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

37. RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

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

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

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

37. RELATED PARTY TRANSACTIONS (continued)

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

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

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

38. MAJOR NON-CASH TRANSACTION

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

PRINCIPAL PROPERTIES

At 31 December 2007

A. INVESTMENT PROPERTY

Location	Group's effective interest	Approximate gross floor area (sq. m.)	Usage	Category of lease
Li Wan Plaza, Zones C, Level 3, 9 Dexing Lu, Liwan District, Guangzhou City, Guangdong, PRC	100%	5,366	Commercial	Medium term lease
Land and buildings of the warehouse complex of Luoyang Southern City CMST Logistics Limited, Gangchang Road, Guanlin Town, Luolong District, Luoyang City, Henan, PRC	100%	28,691	Warehouse and logistics centre	Medium term lease

B. PROPERTY HELD FOR SALE

Location	Group's effective interest	Approximate gross floor area (sq. m.)	Usage	Category of lease
City of Mergence, Nos. 9 & 11, Baiwanzhuang Dajie, Xicheng District, Beijing, PRC	100%	5,800	Residential, shops and car parks	Long lease

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the year ended 31 December 2007 and the last four financial periods, as extracted from the audited financial statements and reclassified as appropriate, is set out below:

	Year ended 31 December			1.4.2004 to 31.12.2004	Year ended 31 March 2004
	2007	2006	2005		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**52,819**	291,414	253,772	210,992	175,050
Profit (loss) attributable to shareholders of the Company	**35,945**	15,953	(45,997)	99,714	44,158

	As at 31 December				As at 31 March
	2007	2006	2005	2004	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Property, plant and equipment	**3,232**	1,404	55,650	77,022	76,321
Investment properties	**83,740**	45,000	86,400	84,870	194,796
Interests in associates	**41,599**	264	263	264	525
Amount due from an associate	**139,874**	148,605	–	174,832	197,220
Interest in a jointly controlled entity	**103,881**	99,740	–	–	–
Restricted bank balance	**4,200**	4,200	–	–	–
Current assets	**358,763**	230,546	551,819	291,518	64,811
Total assets	**735,289**	529,759	694,132	628,506	533,673
Current liabilities	**(106,998)**	(124,767)	(403,106)	(195,226)	(147,876)
Loans from minority interests	**–**	–	–	–	(100,807)
Bank loans – amount due after one year	**–**	–	–	(94,300)	–
Other loans – amount due after one year	**–**	–	–	–	(63,236)
Deferred tax liabilities	**(4,737)**	(3,937)	(5,694)	(6,599)	(10,240)
Total liabilities	**(111,735)**	(128,704)	(408,800)	(296,125)	(322,159)