THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

If you have sold or transferred all your shares in **SRE Group Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

SRE GROUP LTD.

SRE GROUP LIMITED
上置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1207)

DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF KONMEN INVESTMENT LIMITED
AND
APPLICATION FOR WHITEWASH WAIVER

JOINT FINANCIAL ADVISERS

COMMERZBANK

COMMERZBANK AG
HONG KONG BRANCH

SOMERLEY LIMITED

INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEES AND THE INDEPENDENT SHAREHOLDERS

招商證券(香港)有限公司
CHINA MERCHANTS SECURITIES (HK) CO., LTD.

A letter from the Acquisition IBC containing its recommendation on the Acquisition and the issue of the Consideration Shares is set out on page 25 of this circular and a letter from the Whitewash IBC containing its recommendation on the Whitewash Waiver and the transactions contemplated under the Acquisition Agreement is set out on page 26 of this circular.

A letter from the Independent Financial Adviser containing its advice to the Acquisition IBC, the Whitewash IBC and the Independent Shareholders in respect of the Acquisition and the transactions contemplated under the Acquisition Agreement, the issue of the Consideration Shares and the Whitewash Waiver is set out on pages 27 to 48 of this circular.

A notice convening the SGM of the Company, to be held at Chater Room II, Function Room Level, The Ritz-Carlton, Hong Kong on Monday, 24 September 2007 at 10 a.m., is set out on pages 207 to 208 of this circular.

* *For identification purpose only*

7 September 2007

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

"Acquisition"	the acquisition of the Sale Share by the Purchaser from the Vendor pursuant to the terms and conditions of the Acquisition Agreement
"Acquisition Agreement"	the conditional sale and purchase agreement dated 17 August 2007 entered into between the Vendor, the Purchaser and the Company pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Share
"Acquisition IBC"	the independent board committee comprising all the independent non-executive Directors formed to advise the Independent Shareholders in respect of the transactions under the Acquisition Agreement
"Announcement"	the announcement dated 17 August 2007 issued by the Company in connection with, among other things, the Acquisition and the Whitewash Waiver
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"BVI"	British Virgin Islands
"Company"	SRE Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
"Completion"	completion of the Acquisition Agreement
"Completion Date"	the third business day after all the Conditions have been satisfied or waived (as the case may be) or such other date as may be agreed between the parties to the Acquisition Agreement
"Conditions"	the conditions precedent to Completion, as more particularly set out under the section headed "Conditions to Completion" in the Letter from the Board of this circular
"Consideration"	the consideration for the Acquisition in the amount of HK$1,600 million

"Consideration Shares"	526,315,789 new Shares to be issued by the Company to the Vendor as consideration for the Sale Share pursuant to the Acquisition Agreement
"Difference"	the difference between the Purchase Price and the actual amount of the consideration payable in respect of the Land as a result of the adjustments, details of which are set out in the section headed "Other principal terms of the Acquisition Agreement" in the Letter from the Board of this circular
"Directors"	the directors of the Company
"Executive"	the Executive Director of the Corporate Finance Division of the SFC from time to time and any delegate of such Executive Director
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Financial Adviser"	China Merchants Securities (HK) Co., Ltd., the independent financial adviser to advise the Whitewash IBC, the Acquisition IBC and the Independent Shareholders on the Acquisition, the issue of the Consideration Shares and the Whitewash Waiver
"Independent Shareholders"	Shareholders other than (i) the Vendor, the parties acting with concert with it and their respective associates and (ii) those who are interested in, or involved in the Acquisition and the Whitewash Waiver
"Independent Third Party(ies)	person(s) or company(ies) and their respective ultimate beneficial owner(s) which, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, are third parties independent of and not connected or acting in concert with the Company and its connected persons and the Vendor and its shareholders
"Independent Valuer"	BMI Appraisal Limited, the independent valuer appointed by the Company for the valuation of the Land and the Properties
"Issue Price"	HK$3.04 per Share, being the issue price per Share of the Consideration Shares pursuant to the terms of the Acquisition Agreement

"Land"	the plot of land located at No. 2007-024 Heping South Street East, Heping District, Shenyang, the PRC
"Latest Practicable Date"	4 September 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Last Trading Day"	16 August 2007, being the last trading day before suspension of trading in the Shares pending the release of the Announcement
"Last Full Trading Day"	15 August 2007, being the last full trading day before suspension of trading in the Shares pending the release of the Announcement
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	31 October 2007 or such later date as may be agreed between the parties to the Acquisition Agreement
"Mr. Wong"	Mr. Wong Chun Keung, an Independent Third Party
"parties acting in concert"	has the meaning ascribed to it under the Takeovers Code
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Audit Report 2005"	the qualified audited financial report of the PRC Subsidiary for the year ended 31 December 2005 prepared under PRC accounting standards, which gave a true and fair view of the PRC Subsidiary's financial position and operating results except for the limitation on sending account receivables confirmation
"PRC Audit Report 2006"	the qualified audited financial report of the PRC Subsidiary for the year ended 31 December 2006 prepared under PRC accounting standards, which gave a true and fair view of the PRC Subsidiary's financial position and operating results except for the limitation on sending bank confirmation

"PRC Subsidiary"	遼寧高校後勤集團房地產開發有限公司 ("Liaoning High School Support Group Property Development Limited"), a limited liability company established in the PRC which is owned as to 70% by the Subject Company and the remaining 30% by an Independent Third Party
"Properties"	the two commercial/residential estates of the PRC Subsidiary known as 書香門第 ("Shu Xiang Men Di") and 建賞歐洲 ("Appreciate Europe"), excluding any units sold on or before 30 June 2007
"Purchase Price"	the acquisition of the Land at an amount of RMB1,192,680,960 (equivalent to approximately HK$1,228,461,389) comprising, but not limited to, the land premium and the estimated relocation cost for relocating existing residents on the Land
"Purchaser"	Goldfull Enterprises Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
"Sale Share"	1 share of US$1.00 in the capital of the Subject Company, representing the entire issued share capital of the Subject Company
"SFC"	the Securities and Futures Commission of Hong Kong
"SGM"	the special general meeting of the Company to be convened to consider and, if thought fit, to approve the Acquisition, the issue of the Consideration Shares and the Whitewash Waiver
"Shareholders"	holders of the Shares
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subject Company"	Konmen Investment Limited, a company incorporated in the BVI and a wholly-owned subsidiary of the Vendor as at the date of the Acquisition Agreement
"Subject Group"	the Subject Company and the PRC Subsidiary
"Takeovers Code"	The Code on Takeovers and Mergers issued by the SFC

"Valuation"	the aggregate valuation of HK$2,301 million of the Land and the Properties as at 31 July 2007 prepared by the Independent Valuer
"Valuation Report"	the valuation report prepared by the Independent Valuer on the Land and the Properties as at 31 July 2007, the text of which is set out in Appendix 2 to this circular
"Vendor"	Good Time Resources Limited, a company incorporated in the BVI and a controlling Shareholder
"Vendor Acquisition"	the acquisition of the entire issued share capital of the Subject Company by the Vendor pursuant to the Vendor Acquisition Agreement
"Vendor Acquisition Agreement"	the sale and purchase agreement dated 17 August 2007 entered into between Mr. Wong and the Vendor in relation to the purchase by the Vendor of the entire issued share capital of the Subject Company owned by Mr. Wong
"Vendor Consideration"	the consideration of HK$1,600 million for the Vendor Acquisition, being the same as the Consideration
"Whitewash IBC"	the independent board committee comprising one of the non-executive Directors, namely Mr. Jin Bing Rong, and all the independent non-executive Directors, namely Mr. Yeung Kwok Wing, Mr. Geng Yu Xiu and Mr. E Hock Yap, established to advise the Independent Shareholders in respect of the Whitewash Waiver and the transactions under the Acquisition Agreement
"Whitewash Waiver"	a waiver in respect of the obligation on the part of the Vendor and parties acting in concert with it to make a mandatory general offer to the Shareholders for all the securities of the Company not already owned or agreed to be acquired by the Vendor and parties acting in concert with it as a result of the taking up of the Consideration Shares under the Acquisition in accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code
"HK$"	Hong Kong dollars, the legal currency of Hong Kong
"RMB"	Renminbi yuan, the legal currency of the PRC
"US$"	United States dollar(s), the lawful currency of the United States of America

"sq.m."	square metres
"%"	per cent.

English names of the PRC established companies and the Properties in this circular are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.

In this circular, RMB has been converted to HK$ at the rate of RMB1 = HK$1.03 for illustration purpose only. No representation is made that any amounts in RMB or HK$ have been, could have been or could be converted at the above rate or at any other rates or at all.

SRE GROUP LIMITED
上 置 集 團 有 限 公 司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 1207)

Executive Directors:
Mr. Shi Jian *(Chairman)*
Mr. Li Yao Min *(Vice-Chairman)*
Mr. Yu Hai Sheng *(Vice-Chairman)*
Mr. Jiang Xu Dong

Non-executive Directors:
Mr. Jing Bing Rong
Mr. Cheung Wing Yui

Independent non-executive Directors:
Mr. Yeung Kwok Wing
Mr. Geng Yu Xiu
Mr. E Hock Yap

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business in Hong Kong:
36th Floor
Times Tower
391-407 Jaffe Road
Wanchai
Hong Kong

7 September 2007

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF KONMEN INVESTMENT LIMITED AND APPLICATION FOR WHITEWASH WAIVER

1. INTRODUCTION

The Company announced on 17 August 2007 that the Vendor, the Purchaser and the Company entered into the Acquisition Agreement pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, the Sale Share for the consideration of HK$1,600 million, which will be satisfied at Completion by the Company issuing the Consideration Shares, credited as fully paid-up, to the Vendor or as it may direct.

As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules for the Acquisition exceeds 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules. Furthermore, as the

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Vendor is a controlling Shareholder and thus is a connected person of the Company under the Listing Rules, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules, and is therefore subject to the announcement, reporting and independent shareholders' approval requirements by way of a poll at the SGM under the Listing Rules.

As at the Latest Practicable Date, the Vendor, together with the parties acting in concert with it, held a total of 679,698,842 Shares, representing approximately 30.73% of the issued share capital of the Company. As Completion and the issue of the Consideration Shares would result in the Vendor acquiring more than 2% of the voting rights of the Company (increasing from approximately 30.73% to 44.05% assuming that there is no change in shareholding of the Vendor and its concert parties in the Company and that no Shares will be issued or repurchased between the Latest Practicable Date and the Completion Date save for the Consideration Shares) within the 12-month period immediately preceding the Completion Date, the Vendor and parties acting in concert with it would be obliged to make a mandatory offer for all the securities of the Company not already owned or agreed to be acquired by them pursuant to the Takeovers Code. The Vendor has made an application to the Executive for the Whitewash Waiver. The Executive has indicated he will grant the Whitewash Waiver subject to, among others, the approval of the Independent Shareholders by way of poll at the SGM.

The purpose of this circular is (a) to provide you with further information on, inter alia, the Acquisition, the issue of the Consideration Shares and the Whitewash Waiver; (b) to set out the advice of the Independent Financial Adviser to the Acquisition IBC, the Whitewash IBC and the Independent Shareholders; (c) to set out the recommendations of the Acquisition IBC and the Whitewash IBC to the Independent Shareholders; (d) to give you a notice of the SGM with resolutions approving the Acquisition, the issue of the Consideration Shares and the Whitewash Waiver; and (e) to provide other information required under the Listing Rules and the Takeovers Code.

2. THE ACQUISITION AGREEMENT

Date

17 August 2007

Parties to the Acquisition Agreement

(i) Good Time Resources Limited, the controlling Shareholder, as the vendor;

(ii) Goldfull Enterprises Limited, a wholly-owned subsidiary of the Company, as the purchaser; and

(iii) the Company.

As at the Latest Practicable Date, the Vendor, being an investment holding company, was the controlling Shareholder holding 676,545,379 Shares, representing approximately 30.59% of the total issued share capital of the Company. The Vendor is therefore a connected person of the Company as defined under the Listing Rules.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to acquire from the Vendor and the Vendor has conditionally agreed to sell to the Purchaser the Sale Share representing the entire issued share capital of the Subject Company.

The Vendor had on 17 August 2007 entered into the Vendor Acquisition Agreement to acquire the Sale Share from Mr. Wong, the present sole shareholder of the Subject Company at the consideration of HK$1,600 million to be settled in cash by installments comprising HK$50 million upon signing of the Vendor Acquisition Agreement, HK$350 million upon completion of the Vendor Acquisition Agreement and the remaining balance in 4 equal instalments over the two years from completion of the Vendor Acquisition Agreement. Completion of the Vendor Acquisition Agreement is subject to completion of a due diligence review by the Vendor on the Subject Company, the PRC Subsidiary, the Land and the Properties to its satisfaction. The last date for the fulfilment of the conditions under the Vendor Acquisition Agreement is 31 October 2007. Following completion of the Vendor Acquisition Agreement, the Sale Share will be sold by the Vendor to the Purchaser pursuant to the Acquisition Agreement.

The Consideration

The Consideration is HK$1,600 million, which will be satisfied at Completion by the Company issuing 526,315,789 Consideration Shares at the Issue Price of HK$3.04 per Consideration Share, credited as fully paid-up, to the Vendor or as it may direct. The Consideration was determined after arm's length negotiation between the Company and the Vendor, with reference to, among other things (i) the Vendor Consideration; (ii) the location of the Land and the Properties; (iii) the Valuation; (iv) the market potential of the property market in the city of Shenyang, the PRC and (v) the assets and liabilities and financial position of the Subject Company which principally comprise its investment in the PRC Subsidiary and a shareholder's loan due to Mr. Wong (which amounted to HK$10,505,842 as at the date of the Acquisition Agreement). In view of the facts that (i) the Consideration is equal to the Vendor Consideration which is determined with reference to the Valuation and the asset and liability value of the Subject Group; (ii) the Land is located at the prime residential/commercial area of Shenyang; and (iii) the Group's business strategy in expanding from Shanghai to other regions in the PRC to diversify its portfolio, the executive Directors considered that the Consideration is fair and reasonable and the entering into of the Acquisition Agreement is in the interest of the Company and the Shareholders as a whole. The Land and the Properties were valued at HK$2,301 million (or HK$1,610.7 million for 70%) by the Independent Valuer. The Land was valued as if all the demolition and relocation works had been completed.

The Issue Price

The Consideration Shares will be issued at the issue price of HK$3.04 per Consideration Share, which is determined after arm's length negotiation between the Company and the Vendor, with reference to the average closing price of the Shares for the last 10 trading days up to and including the Last Trading Day. The Issue Price represents:

(i) a premium of approximately 10.55% over the closing price of HK$2.75 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 3.40% over the average closing price of HK$2.94 per Share as quoted on the Stock Exchange on the Last Full Trading Day;

(iii) a discount of approximately 6.17% to the closing price of HK$3.24 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(iv) a premium of approximately 0.33% over the average closing price of HK$3.03 per Share, as quoted on the Stock Exchange for the five trading days up to and including the Last Full Trading Day;

(v) a discount of approximately 6.75% to the average closing price of HK$3.26 per Share as quoted on the Stock Exchange for the last 20 trading days up to and including the Last Full Trading Day;

(vi) a discount of approximately 9.52% to the average closing price of HK$3.36 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Full Trading Day; and

(vii) a premium of approximately 155.46% over the Group's consolidated audited net asset per Share (excluding minority interest) as at 31 December 2006 of approximately HK$1.19 (based on a total of 2,211,528,332 issued Shares as at the Latest Practicable Date).

The Consideration Shares

As at the Latest Practicable Date, there were 2,211,528,332 Shares in issue and there were convertible bonds in the outstanding amount of HK$43,500,000 which were convertible into a maximum of 32,222,222 Shares based on the current conversion price. As at the Latest Practicable Date, there were no share options outstanding under the share option scheme of the Company adopted on 23 May 2002.

The 526,315,789 Consideration Shares represent:

(i) approximately 23.80% of the issued share capital of the Company as at the date of the Acquisition Agreement;

(ii) approximately 23.80% of the issued share capital of the Company as at the Latest Practicable Date; and

(iii) approximately 19.22% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares (assuming that there is no change in the issued share capital of the Company between the Latest Practicable Date and the Completion Date save for the issue of the Consideration Shares).

The Vendor is an investment holding company which beneficially owned approximately 30.59% of the total issued Shares as at the Latest Practicable Date. The shareholders of the Vendor include Mr. Shi Jian, Mr. Yu Hai Sheng, Mr. Li Yao Min, Mr. Jiang Xu Dong (who are Directors) as well as the spouse and relatives of Mr. Shi Jian and other unrelated individuals. The Vendor does not intend to transfer, charge or pledge to any other persons any of the Consideration Shares which will be acquired by it pursuant to the Acquisition. The Vendor will remain as a controlling Shareholder of the Company after Completion.

Status of the Consideration Shares

The Consideration Shares, when issued and credited as fully paid, will rank pari passu amongst themselves and in all respects with the existing Shares in issue as at the Completion Date. An ordinary resolution will be proposed at the SGM to seek, among other things, a specific mandate for the issue of the Consideration Shares pursuant to the Acquisition Agreement.

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Conditions to Completion

Pursuant to the Acquisition Agreement, Completion is conditional upon the following conditions being satisfied or waived (whether in full or in part, with or without conditions) by the Purchaser on or before the Long Stop Date or such later date as may be agreed between the Purchaser and the Vendor:

(i) the passing of resolutions at the SGM (which will be taken by way of poll) voted by the Independent Shareholders to approve:

– the Acquisition Agreement and the transactions contemplated thereunder, including the issue and allotment of the Consideration Shares pursuant to the Acquisition Agreement; and

– the Whitewash Waiver;

(ii) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Consideration Shares;

(iii) the SFC granting the Whitewash Waiver;

(iv) completion of the Vendor Acquisition Agreement;

(v) the Purchaser undertaking and completing a due diligence investigation as further detailed in the Acquisition Agreement in respect of the Subject Group including but not limited to the affairs, business, assets, liabilities, operations, records, financial position, value of assets, accounts, results, legal and financial structure and shareholding structure of the Subject Group and the Purchaser being satisfied with the results of such due diligence investigation in all respects;

(vi) the receipt by or on behalf of the Purchaser of a legal opinion issued by a firm of qualified lawyers in the PRC in such form and content as may be satisfactory to the Purchaser regarding, amongst other things, the legal status, ownership, shareholding structure and registered capital in the PRC Subsidiary, the title to each of the Land and the Properties and any other matters which the Purchaser considers relevant in connection with the sale and purchase contemplated under the Acquisition Agreement; and

(vii) the parties to the Acquisition Agreement having obtained any and all other consents, permits, approvals, authorisations and waivers necessary or appropriate for the entering into and consummation of the transactions contemplated by the Acquisition Agreement.

If any of the Conditions is not fulfilled or waived by the Purchaser (other than the conditions in (i) to (iv) and (vii) above which cannot be waived) including, amongst others, the Whitewash Waiver, on or before the Long Stop Date, the Acquisition Agreement shall lapse and be of no further effect and no party to the Acquisition Agreement shall have any claim against or liability or obligation to the other parties in respect of the Acquisition Agreement save and except for any antecedent breach but the parties shall continue to observe the confidentiality provisions set out in the Acquisition Agreement. As at the Latest Practicable Date, none of the Conditions had been fulfilled.

Completion

Subject to and conditional upon fulfillment or waiver of all the Conditions on or before the Long Stop Date, Completion shall take place on the Completion Date.

After Completion, both the Subject Company and the PRC Subsidiary will become subsidiaries of the Company.

Other principal terms of the Acquisition Agreement

Payment of the Purchase Price

The PRC Subsidiary has successfully won the bid for the acquisition of the Land at the Purchase Price of RMB1,192,680,960 (equivalent to approximately HK$1,228,461,389) at an auction held on 3 August 2007 at the Shenyang Municipal Land Exchange. The Purchase Price is inclusive of demolition and relocation costs but will be subject to adjustments (i) according to planning and the actual site area specified in the land use rights certificate to be issued by the State Land Administration Authority of the PRC; and (ii) additional relocation cost mainly related to the relocation of the existing residents on the Land in excess of the current estimate, if any, and is payable by the PRC Subsidiary, being the purchaser of the Land.

As the PRC Subsidiary is the contractual party liable to pay the Purchase Price and such payment is expected to be incurred after Completion, the Vendor has undertaken to pay to the PRC Subsidiary before the due date for payment of the Purchase Price an amount up to RMB1,192,680,960 (equivalent to approximately HK$1,228,461,389). The PRC Subsidiary will be obliged to pay the Difference as a result of the above-mentioned adjustments on its own account. The Company expects that the PRC Subsidiary will be able to obtain sufficient working capital through various means, including, but not limited to, bank financing to settle the Difference. Nevertheless, if the PRC Subsidiary is unable to obtain financing for such purpose, the Vendor has further undertaken that it will make loans at an amount representing the Difference to the PRC Subsidiary.

Undertaking by the Vendor as to the obtaining of the land use right certificate of the Land

Completion is expected to take place before the land use rights certificate in respect of the Land is obtained by the PRC Subsidiary. According to the PRC legal adviser to the Company, subject to fulfillment of procedures and formalities as required under the relevant laws and regulations, there is no legal impediment for the PRC Subsidiary to obtain the said land use rights certificate. The Vendor has undertaken to the Company that if the PRC Subsidiary fails to obtain the land use rights certificate of the Land on or before 30 June 2009, the Vendor will pay the Consideration in cash to the Company on or before 31 December 2009. The Company will make relevant announcement(s) if the land use rights certificate of the Land is not obtained by the PRC Subsidiary on or before 30 June 2009 and/or when the Vendor pays the Consideration in cash to the Company. Given the above, the executive Directors are of the view that to complete the Acquisition Agreement before the land use rights certificate in respect of the Land is obtained by the PRC Subsidiary is on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

Vendor to bear liabilities of the PRC Subsidiary at Completion

The Vendor has undertaken to the Purchaser that it shall bear all liabilities of the PRC Subsidiary of any nature at Completion, and to reimburse the Purchaser, the Subject Company or the PRC Subsidiary (as the Purchaser may direct) the relevant amounts payable in respect of all such liabilities to the extent they have not been paid for by Mr. Wong and/or the shareholder who holds the remaining 30% equity interest in the PRC Subsidiary.

Purchaser to bear liabilities of the Subject Company at Completion

The Subject Company will continue to bear the shareholder's loan amounting to HK$10,505,842 as at the date of the Acquisition Agreement and as at the Latest Practicable Date (which is unsecured, non-interest bearing, repayable on demand and will not be adjusted) due from the Subject Company to Mr. Wong upon Completion.

Purchaser to pay or deliver the assets of the Subject Group at Completion

The Purchaser is purchasing the Sale Share on the basis that the PRC Subsidiary will not be entitled to the assets of the PRC Subsidiary at Completion save for the units in either of the Properties that remained unsold on 30 June 2007, which shall belong to the PRC Subsidiary upon Completion. The Purchaser has agreed to procure the PRC Subsidiary to pay, deliver or assign such assets (including accounts receivables, other receivables and fixed assets) or an amount equal to such assets on or after Completion to Mr. Wong to the extent such assets or amount have not already been paid to Mr. Wong and/or the shareholder who holds the remaining 30% equity interest in the PRC Subsidiary prior to Completion.

3. BACKGROUND INFORMATION ON THE SUBJECT COMPANY AND THE PRC SUBSIDIARY

The Subject Company

The Subject Company is an investment holding company incorporated under the laws of the BVI on 2 January 2007 which holds a 70% equity interest in the PRC Subsidiary. The Subject Company has not had any operations since its incorporation other than the acquisition of the 70% equity interest in the PRC Subsidiary and its principal asset and liabilities are the 70% equity interest in the PRC Subsidiary and the shareholder's loan due to Mr. Wong amounting to HK$10,505,842 respectively. Accordingly, the Subject Company has not prepared any audited financial statements.

The PRC Subsidiary

The PRC Subsidiary is a limited liability company established in the PRC on 4 December 2000 and is principally engaged in property development in the PRC, particularly, in Shenyang. The PRC Subsidiary is the owner of the Properties, namely the residential estates of 書香門第 ("Shu Xiang Men Di") and 建賞歐洲 ("Appreciate Europe"). The PRC Subsidiary has also successfully won the bid held on 3 August 2007 for the acquisition of the Land.

Based on the PRC Audit Report 2006, the audited net assets of the PRC Subsidiary amounted to approximately RMB26.2 million (equivalent to approximately HK$27.0 million) as at 31 December 2006 and it also recorded an audited loss before and after tax of approximately RMB9.2 million (equivalent to approximately HK$9.5 million) and RMB9.2 million (equivalent to approximately HK$9.5 million) respectively for the year ended 31 December 2006. Based on the PRC Audit Report 2005, the PRC Subsidiary recorded an audited profit before and after tax of approximately RMB6.8 million (equivalent to approximately HK$7.0 million) and approximately RMB4.5 million (equivalent to approximately HK$4.7 million) respectively for the year ended 31 December 2005.

Set out below are the details of the Land and the Properties:

The Land

The Land is located at Heping South Street East (Sport Category) with land plot number 2007-024, Heping District, being one of the prime commercial/ residential areas in Shenyang, and has a site area of approximately 153,696 sq.m.. The Land also enjoys a number of scenic points in Shenyang, including the South Lake Park and the Northeastern University of Shenyang (in the eastern area), the Shenyang Canal (the northern area) and the River Wen (the southern area). It is intended that the Land be developed into a residential/commercial complex, comprising high-end low density residential units and commercial centres.

The Properties

The Properties comprise two properties located in Shenyang, the PRC the particulars of which are set out below.

(i) Shu Xiang Men Di

This property is a residential estate located at 鐵西區愛工南街11號 (11 Ai Gong Nan Street, Tie Xi District), Shenyang, the PRC. Shu Xiang Men Di, being erected on a land parcel with site area of approximately 42,710 sq.m., is a residential development completed in 2004. As at 30 June 2007, the aggregate gross floor area of the unsold commercial portion and the number of car bays, both of which are held for leasing, amounted to approximately 8,114 sq.m. and 17, respectively, as at 30 June 2007. Based on the Valuation Report, the valuation of the unsold portion of Shu Xiang Men Di amounted to HK$75 million.

(ii) Appreciate Europe

This property is a residential estate located at 皇姑區長江街134號 ("134 Chang Jiang Street, Huang Gu District), Shenyang, the PRC. Appreciate Europe, being erected on a land parcel with site area of approximately 94,872 sq.m., is a residential development completed in 2006 and comprises residential units, commercial units and car bays. As at 30 June 2007, the aggregate gross floor area of unsold residential portion, which is held for sale, and number of car bays, which are held for leasing, amounted to approximately 19,791 sq.m. and 315 respectively. Based on the Valuation Report, the valuation of the unsold portion of Appreciate Europe amounted to HK$91 million.

4. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is an integrated property developer and is primarily engaged in the development and sale of residential and commercial properties in Shanghai and Shenyang with a specific focus on the middle to high-end residential properties, including Long Island Oasis Garden and Cedar Oasis Garden, Lakefront Oasis Garden, Rich-Gate Oasis Garden, Skyway Oasis Garden, International Villas and Skyway Landis Hotel and Shenyang Rich-Gate.

The executive and non-executive Directors consider that Shenyang has a number of advantages in terms of potential for property development, such as (i) the convenience of transportation by way of road, railway, air or sea; (ii) being adjacent to a number of major cities; and (iii) being located in the district around the Bohai Economic Circular that in the view of the executive and non-executive Directors has most potential in growth. In addition, the real estate industry in Shenyang is still in its early phase of rapid growth, as evidenced by the increase in the market demand which lead to a steady increase in property price. Accordingly, the executive and non-executive Directors considered that the Group's further expansion in Shenyang, being the first city for the Group to implement its geographical expansion strategy beyond Shanghai, and the Acquisition are in line with the Group's corporate development strategy.

The audited consolidated cash and bank balances of the Group amounted to approximately HK$1,025.9 million as of 31 December 2006, which would be insufficient for the payment of the Consideration before taking into account the capital commitment of the Group to other real estate projects and the Land. In addition, the Directors consider that opportunity for the acquisition of the Land with prime location may be taken up by other parties if the relevant sale and purchase agreement is not entered into in a prompt manner. By having the Vendor, being the controlling Shareholder, obtain the relevant land title as soon as possible, the Vendor will be able to secure the acquisition opportunity and to subsequently provide the Company with an opportunity to participate in the future development of the Land. Under the circumstances, the issue of the Consideration Shares for the Acquisition would allow the Company to retain its working capital for the future development of the Land and other property development projects of the Group, which in turn will enhance the future financial performance of the Group.

Having considered the above, together with the fact that (i) the Acquisition will allow the Group to secure a real estate development project located at the prime area of Shenyang, thus allowing the Group to enjoy the continuous growth in the real estate market of Shenyang; (ii) the Acquisition will increase the Group's total land reserve by 27.9% in terms of total floor area or its land reserve outside Shanghai by approximately 48.5%; (iii) the arrangement under the Acquisition is for the purpose of facilitating and securing the Group's future development in Shenyang and it is not the intention of the Vendor to benefit from the Acquisition; and (iv) the current cash and bank balance of the Group, the Directors consider that the terms of the Acquisition Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

5. SHAREHOLDING AND GROUP STRUCTURE BEFORE AND AFTER THE ACQUISITION

Shareholding Structure

The shareholding structure of the Company as at the Latest Practicable Date and immediately after Completion (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares between the Latest Practicable Date and Completion) is summarized as follows:

	As at the Latest Practicable Date		**Immediate after Completion**	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*
The Vendor *(Note 1)*	676,545,379	30.59	1,202,861,168	43.93
The shareholders of Vendor				
– Mr. Shi Jian and his spouse *(Notes 3 and 4)*	2,078,961	0.09	2,078,961	0.08
– Mr. Li Yao Min *(Note 4)*	2,147	0.00	2,147	0.00
– Mr. Yu Hai Sheng *(Note 4)*	1,065,914	0.05	1,065,914	0.04
– Mr. Shi Jian Dong *(Note 2)*	2,147	0.00	2,147	0.00
– Mr. Sze Sin Chi *(Note 2)*	2,147	0.00	2,147	0.00
– Mr. Chen Zheng Liang *(Note 2)*	2,147	0.00	2,147	0.00
Subtotal of the Vendor and the concert parties acting with it	**679,698,842**	**30.73**	**1,206,014,631**	**44.05**
Other public Shareholders	1,531,829,490	69.27	1,531,829,490	55.95
Total	**2,211,528,332**	**100.00**	**2,737,844,121**	**100.00**

Notes:

1. The Vendor is mainly held as to 32% by Mr. Shi Jian, 30% by Md. Si Xiao Dong, the spouse of Mr. Shi Jian, 5% by Mr. Li Yao Min, 5% by Mr. Yu Hai Sheng, and 1% by Mr. Jiang Xu Dong. Each of Mr. Shi Jian, Mr. Li Yao Ming, Mr. Yu Hai Sheng, and Mr. Jiang Xu Dong is a Director. The other shareholders of the Vendor include relatives of Mr. Shi Jian as well as unrelated individuals.

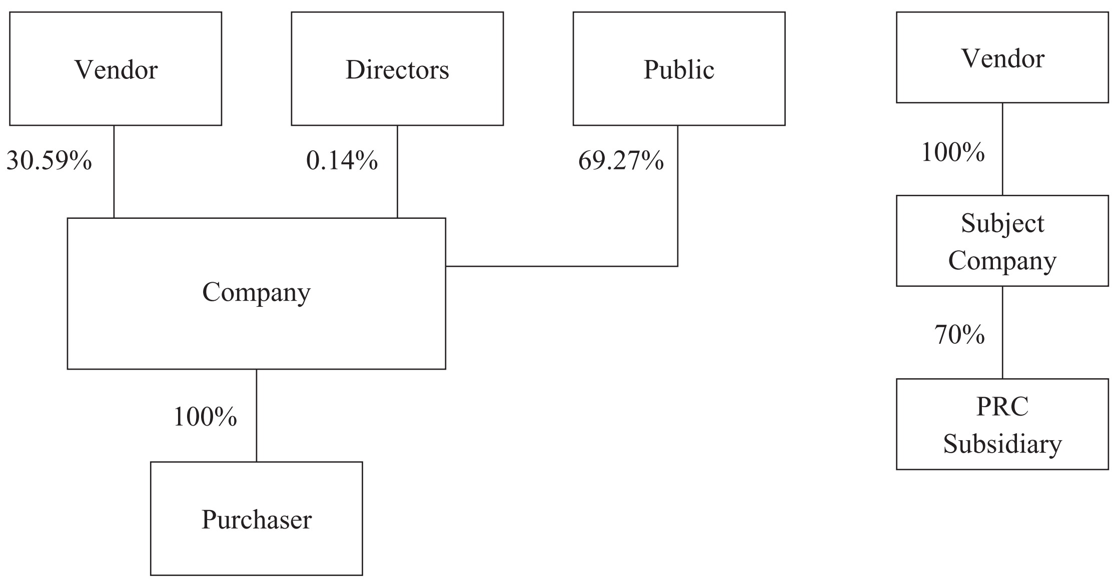
2. Both Mr. Shi Jian Dong and Mr. Sze Sin Chi are close relatives of Mr. Shi Jian, a Director, and Mr. Chen Zheng Liang is a shareholder of the Vendor.

3. The number of Shares held by Mr. Shi Jian includes those held by Md. Si Xiao Dong.

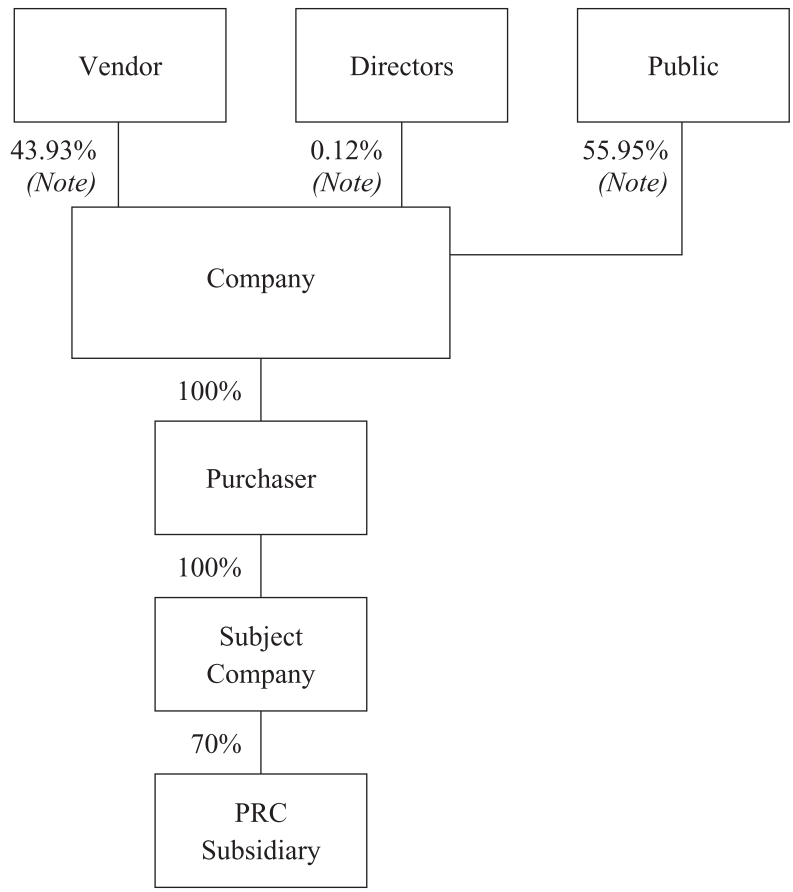
4. Mr. Shi Jian, Mr. Li Yao Min and Mr. Yu Hai Sheng are also the Directors.

Group structure

Simplified structure regarding the Group and the Subject Group as at the Latest Practicable Date



Simplified structure regarding the Group and the Subject Group immediately after Completion



Note: Assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares between the Latest Practicable Date and Completion.

The Vendor is the controlling Shareholder and will continue to be the controlling Shareholder after Completion. There will thus be no change of control of the Company as a result of the Acquisition.

6. FINANCIAL EFFECTS OF THE ACQUISITION

The audited consolidated net asset value of the Group was approximately HK$3,021 million as at 31 December 2006. Upon the issue of the Consideration Shares, there will be an increase in the net asset value of the Group.

The Directors also believe that there would be no impact on the liabilities or earnings position of the Group upon Completion. However, it is expected that the Acquisition will have a positive impact on the earnings of the Group in the long run. Upon Completion, the total assets of the Group will increase as the entire total assets of the Subject Group (which mainly comprise the land and the Properties with the valuation of HK$2,301 million) will be consolidated into the total assets of the Group upon Completion.

7. ADDITIONAL INFORMATION ON THE COMPANY'S ASSOCIATED COMPANY

The Company, on 28 November 2006, 29 December 2006 and 8 February 2007, announced that, among other things, the possible separate listing of its interests in 上海金羅店開發有限公司 (Shanghai Jinluodian Development Co., Ltd.) ("Jinluodian"), a company primarily engaged in the planning, infrastructure development and raw land preparation of new towns in the PRC. An application has been recently made to a stock exchange outside Hong Kong for the proposed listing of China New Town Development Company Limited ("CNTD"), the holding company of Jinluodian. As at the Latest Practicable Date, the Company had 49% interest in CNTD and CNTD, through two wholly-owned subsidiaries, has approximately 72.63% effective interest in Jinluodian. Both CNTD and Jinluodian are therefore associated companies of the Company. As a result of its listing application, CNTD is restricted from making disclosure of any information regarding itself and its subsidiaries which will form part of its prospectus, the failure to comply with which may result in its application for listing being rejected by the regulators of the relevant stock exchange.

As the valuation of the property interests of CNTD and its subsidiaries will be included in CNTD's prospectus, the Directors are of the view that inclusion of a valuation report on the property interests of CNTD and its subsidiaries in this circular prior to the issue of CNTD's prospectus may jeopardize CNTD's listing application, which would certainly not be in the interest of the Company and the Shareholders as a whole.

Given the percentage of the property interest held by CNTD and its subsidiaries to the Group's total asset as of 31 December 2006 being less than 5%, and the likely negative impact on CNTD's listing application, the Company has applied for, and the SFC has indicated that it would grant a waiver from strict compliance with Rule 11.1(f) of the Takeovers Code to include a valuation report on the property interests of CNTD and its subsidiaries in this circular.

8. IMPLICATION OF THE LISTING RULES AND THE TAKEOVERS CODE

As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules for the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under the Listing Rules.

As the Vendor is a controlling Shareholder and thus a connected person of the Company under the Listing Rules, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the announcement, reporting and independent shareholders' approval requirements by way of a poll at the SGM under the Listing Rules. Accordingly, the Vendor, Mr. Shi Jian and Md. Si Xiao Dong, spouse of Mr. Shi Jian, who altogether hold approximately 30.68% direct interest in the Company, Mr. Yu Hai Sheng, who holds approximately 0.05% direct interest in the Company, and each of Mr. Li Yao Min, Mr. Shi Jian Dong, Mr. Sze Sin Chi and Mr. Chen Zheng Liang who respectively holds approximately 0.0001% direct interest in the Company, (where Mr. Shi Jian and Mr. Li Yao Min are the shareholders and directors of both the Vendor and the Company, Mr. Yu Hai Sheng is a shareholder of the Vendor and a

Director, Md. Si Xiao Dong and Mr. Shi Jian Dong are shareholders and directors of the Vendor, Mr. Sze Sin Chi and Mr. Chen Zheng Liang are shareholders of the Vendor) and their respective concert parties and associates will abstain from voting at the SGM in respect of the resolution to approve the Acquisition and the issue of the Consideration Shares. The Directors have confirmed that save for the above, no other Shareholders are interested in the Acquisition.

As Completion and the issue of the Consideration Shares would result in the Vendor and parties acting in concert with it acquiring more than 2% of the voting rights of the Company (increasing from approximately 30.73% to 44.05% assuming there is no change in shareholding of the Vendor and the parties acting in concert with it in the Company and that no Shares will be issued between the date of the Acquisition Agreement and Completion) within the 12-month period immediately preceding the Completion Date, the Vendor and parties acting in concert with it would be obliged to make a mandatory offer for all the securities of the Company not already owned or agreed to be acquired by them pursuant to the Takeovers Code.

The Vendor has made an application to the Executive for the Whitewash Waiver. The Executive has indicated he will grant the Whitewash Waiver subject to, among others, the approval of the Independent Shareholders by way of poll at the SGM. The Vendor has confirmed that it and the parties acting in concert with it have not acquired any voting rights or securities that are convertible into Shares with voting rights in the Company in the six months prior to the Last Trading Day and has undertaken that it and parties acting in concert with it will not (a) acquire or dispose of any voting rights in the Company prior to Completion, (b) acquire or dispose of or enter into any agreement to acquire or dispose of any voting rights in the Company from a person who is a Director or substantial Shareholder within six months after the SGM. Each shareholder of the Vendor has also confirmed that he or she had not acquired any voting rights in the Company in the six months prior to the Last Trading Day and has undertaken that he or she will not (a) acquire or dispose of any voting rights in the Company prior to Completion or (b) acquire or dispose of or enter into any agreement to acquire or dispose of any voting rights in the Company from a person who is a Director or substantial Shareholder within six months after the SGM. The Vendor and parties acting in concert with it, their respective associates and those involved or interested in the Acquisition and the Whitewash Waiver (including Mr. Shi Jian, Md. Si Xiao Dong, Mr. Li Yao Min, Mr. Yu Hai Sheng, Mr. Shi Jian Dong, Mr. Sze Sin Chi and Mr. Chen Zheng Liang) will abstain from voting at the SGM in respect of the resolution for approving the Whitewash Waiver.

As at the Latest Practicable Date, the Company, except for the outstanding convertible bonds in the principal amount of HK$43.50 million, which are convertible into 32,222,222 Shares, did not have any options, warrants or convertible securities in issue, and none of the Vendor or its shareholders or any persons acting in concert with it owned any outstanding options, warrants, or any securities that are convertible into Shares; nor had any arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or shares of the Vendor and which might be material to the transactions contemplated under the Acquisition Agreement, or any agreements or arrangements to which the Vendor is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the Acquisition Agreement been entered into.

9. INDEPENDENT BOARD COMMITTEES AND INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 2.8 of the Takeovers Code, the Whitewash IBC comprising one of the non-executive Directors, namely Mr. Jin Bing Rong, and all the independent non-executive Directors, namely Mr. Yeung Kwok Wing, Mr. Geng Yu Xiu and Mr. E Hock Yap, is established to advise the Independent Shareholders in respect of the Whitewash Waiver. Mr. Cheung Wing Yui, the other non-executive Director, is a consultant of Messrs. Woo, Kwan, Lee & Lo, which is the Hong Kong legal adviser to the Company in relation to the Acquisition and the Whitewash Waiver. Hence, Mr. Cheung Wing Yui has not been appointed as a member of the Whitewash IBC. In addition, under Rule 13.39(6)(a) of the Listing Rules, the Acquisition IBC comprising all the independent non-executive Directors is formed to advise the Independent Shareholders in respect of the transactions under the Acquisition Agreement. No member of the Whitewash IBC or the Acquisition IBC has any interest or involvement in the transactions contemplated under the Acquisition Agreement or the Whitewash Waiver. The Company has appointed, with the respective approvals of the Whitewash IBC and the Acquisition IBC, the Independent Financial Adviser to advise the Whitewash IBC, the Acquisition IBC and the Independent Shareholders on the Acquisition and the transactions contemplated under the Acquisition Agreement, the issue of the Consideration Shares and the Whitewash Waiver.

10. PRINCIPAL ACTIVITIES OF THE VENDOR AND THE PURCHASER

The principal activity of the Vendor is investment holding.

The principal activity of the Purchaser is investment holding.

11. THE SPECIAL GENERAL MEETING

There is set out on pages 207 to 208 of this circular a notice of SGM to be held at Chater Room II, Function Room Level, The Ritz-Carlton, Hong Kong on Monday, 24 September 2007 at 10 a.m. at which ordinary resolutions will be proposed for approval by the Independent Shareholders the Acquisition, the issue of the Consideration Shares and the Whitewash Waiver. In compliance with the Listing Rules, the votes to be taken at the SGM in respect of the Acquisition, the issue of the Consideration Shares and the Whitewash Waiver will be taken by poll, the results of which will be published after the SGM.

The Vendor and parties acting in concert with it, their respective associates and those involved or interested in the Acquisition and the Whitewash Waiver (including Mr. Shi Jian, Md. Si Xiao Dong, Mr. Li Yao Min, Mr. Yu Hai Sheng, Mr. Shi Jian Dong, Mr. Sze Sin Chi and Mr. Chen Zheng Liang) will abstain from voting at the SGM in respect of the resolutions to approve the Acquisition, the issue of the Consideration Shares and the Whitewash Waiver.

To the best of Director's knowledge, information and belief, after making all reasonable enquiries, as at the Latest Practicable Date:

(a) (i) there were no voting trust or other agreements or arrangements or understandings (other than outright sale) entered into by or binding upon the Vendor, Mr. Shi Jian, Md. Si Xiao Dong, Mr. Yu Hai Sheng, Mr. Li Yao Min, Mr. Shi Jian Dong, Mr. Sze Sin Chi and Mr. Chen Zhen Liang and their respective associates;

(ii) there were no obligations or entitlement of the Vendor, Mr. Shi Jian, Md. Si Xiao Dong, Mr. Yu Hai Sheng, Mr. Li Yao Min, Mr. Shi Jian Dong, Mr. Sze Sin Chi and Mr. Chen Zhen Liang and their respective associates;

whereby such persons had or might have temporarily or permanently passed control over the exercise of the voting right in respect of their Shares to third parties, either generally or on a case-by-case basis; and

(b) there were no discrepancy between the beneficial shareholding interests of the Vendor, Mr. Shi Jian, Md. Si Xiao Dong, Mr. Yu Hai Sheng, Mr. Li Yao Min, Mr. Shi Jian Dong, Mr. Sze Sin Chi and Mr. Chen Zhen Liang and their respective associates and the number of Shares in respect of which they would control or would be entitled to exercise control over the voting right at the SGM.

Whether or not you are able to attend the SGM, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company's branch registrar, Tengis Limited, situated at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournments thereof. Completion and return of the proxy form will not preclude you from attending and voting at the SGM or any adjournments thereof should you so desire.

12. RECOMMENDATIONS

The Directors consider the transactions contemplated under the Acquisition Agreement (including the terms of the Acquisition and the issue of the Consideration Shares) to be fair and reasonable and in the interest of the Group and the Shareholders as a whole and therefore recommend the Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Acquisition Agreement, the issue of the Consideration Shares and the Whitewash Waiver.

Your attention is drawn to:

(a) the letter from the Acquisition IBC, the text of which is set out in page 25 of this circular;

(b) the letter from the Whitewash IBC, the text of which is set out in page 26 of this circular;

(c) the letter from the Independent Financial Adviser, the text of which is set out in pages 27 to 48 of this circular; and

(d) the letters and valuation certificates from the Independent Valuer, the texts of which are set out in Appendices 2 and 3 of this circular.

13. ADDITIONAL INFORMATION

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

By order of the Board
SRE Group Limited
Shi Jian
Chairman

SRE GROUP LTD.

SRE GROUP LIMITED
上置集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 1207)

7 September 2007

To the Independent Shareholders

Dear Sir or Madam,

This independent board committee has been appointed to advise you in connection with the Acquisition and the issue of the Consideration Shares, details of which are set out in the letter from the Board contained in the circular to the Shareholders dated 7 September 2007 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the terms of the Acquisition and the advice of China Merchants Securities (HK) Co., Ltd. in relation thereto as set out on pages 27 to 48 of the Circular, we are of the opinion that the Acquisition and the issue of the Consideration Shares are on normal commercial terms, are fair and reasonable and in the interest of the Company and the Shareholders as a whole. We therefore recommend that the Independent Shareholders should vote in favour of the resolution to be proposed at the SGM to approve the Acquisition Agreement and the transactions contemplated thereunder, including the issue and allotment of the Consideration Shares pursuant to the terms of the Acquisition Agreement.

Yours faithfully,
Acquisition IBC

Yeung Kwok Wing	**Geng Yu Xiu**	**E Hock Yap**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

* *For identification purpose only*

SRE GROUP LIMITED
上 置 集 團 有 限 公 司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 1207)

7 September 2007

To the Independent Shareholders

Dear Sir or Madam,

This independent board committee has been appointed to advise you in connection with the Whitewash Waiver and in relation thereto, the transactions contemplated under the Acquisition Agreement, details of which are set out in the letter from the Board contained in the circular to the Shareholders dated 7 September 2007 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the terms of Whitewash Waiver and the advice of China Merchants Securities (HK) Co., Ltd. in relation thereto as set out on pages 27 to 48 of the Circular, we are of the opinion that the Whitewash Waiver and the transactions contemplated under the Acquisition Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole. We therefore recommend that the Independent Shareholders should vote in favour of the resolutions to be proposed at the SGM to approve the Whitewash Waiver and the transactions contemplated under the Acquisition Agreement.

Yours faithfully,
Whitewash IBC

Jin Bing Rong
Non-executive Director

Yeung Kwok Wing
Independent non-executive Director

Geng Yu Xiu
Independent non-executive Director

E Hock Yap
Independent non-executive Director

* *For identification purpose only*

The following is the text of a letter of advice from the Independent Financial Adviser to the Acquisition IBC, the Whitewash IBC and the Independent Shareholders, which has been prepared for the purpose for inclusion in this circular.

招商證券(香港)有限公司
CHINA MERCHANTS SECURITIES (HK) CO., LTD.

48th Floor,
One Exchange Square
Central,
Hong Kong

7 September 2007

SRE Group Limited
36th Floor
Times Tower
391-407 Jaffe Road
Wanchai
Hong Kong

To: the Acquisition IBC, the Whitewash IBC and the Independent Shareholders of SRE Group Limited

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF KONMEN INVESTMENT LIMITED
AND
APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Acquisition IBC, the Whitewash IBC and the Independent Shareholders in relation to the Acquisition, the issue of the Consideration Shares and the Whitewash Waiver, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular dated 7 September 2007 (the "**Circular**") issued by the Company to the Shareholders, of which this letter forms apart. Capitalized terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

As referred to in the Letter from the Board, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules. As the Vendor is a controlling Shareholder, the Acquisition also constitutes a connected transaction for the Company under the Listing Rules. Therefore, the Acquisition is subject to the Independent Shareholders' approval by way of poll at the SGM. Accordingly, the Vendor, Mr. Shi Jian and Md. Si Xiao Dong, the spouse of Mr. Shi Jian, who altogether hold approximately 30.68% direct interest in the Company, Mr. Yu Hai Sheng, who holds approximately 0.05% direct interest in the Company, and each of Mr. Li Yao Min, Mr. Shi Jian Dong, Mr. Sze Sin Chi and Mr. Chen Zheng Liang who respectively holds approximately 0.0001% direct interest in the Company, (where Mr. Shi Jian and Mr. Li Yao Min are the shareholder and directors of both the

Vendor and the Company, Mr. Yu Hai Sheng is a shareholder of the Vendor and a Director, Md. Si Xiao Dong and Mr. Shi Jian Dong are shareholders and directors of the Vendor, Mr. Sze Sin Chi and Mr. Chen Zheng Liang are shareholders of the Vendor) and the respective parties acting in concert with any of them, as well as their respective associates will abstain from voting at the SGM in respect of the resolutions for approving the Acquisition and the issue of the Consideration Shares.

As referred to in the Letter from the Board, given that Completion and the issue of the Consideration Shares would result in the Vendor and parties acting in concert with it acquiring more than 2% of the voting rights of the Company (increasing from approximately 30.73% to 44.05% assuming there is no change in shareholding of the Vendor and the parties acting in concert with it in the Company and that no Shares will be issued between the date of the Acquisition Agreement and Completion) within the 12-month period immediately preceding the Completion Date, the Vendor and parties acting in concert with it would be obliged to make a mandatory offer for all the securities of the Company not already owned or agreed to be acquired by them pursuant to the Takeovers Code.

The Vendor has made an application to the Executive for the Whitewash Waiver. The Executive has indicated that he will grant the Whitewash Waiver subject to, among other things, the approval of the Independent Shareholders by way of poll at the SGM. The Vendor and parties acting in concert with it, their respective associates and those involved or interested in the Acquisition and the Whitewash Waiver (including Mr. Shi Jian, Md. Si Xiao Dong, Mr. Li Yao Min, Mr. Yu Hai Sheng, Mr. Shi Jian Dong, Mr. Sze Sin Chi and Mr. Chen Zheng Liang) will abstain from voting at the SGM in respect of the resolution for approving the Whitewash Waiver.

The Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors. Pursuant to Rule 2.8 of the Takeovers Code, the Whitewash IBC comprising a non-executive Director, namely Mr. Jin Bing Rong, and all the independent non-executive Directors, namely Mr. Yeung Kwok Wing, Mr. Geng Yu Xiu and Mr. E Hock Yap, is established to advise the Independent Shareholders in respect of the Whitewash Waiver. Mr. Cheung Wing Yui, the other non-executive Director, is a consultant of Messrs. Woo, Kwan, Lee & Lo, which is the Hong Kong legal adviser to the Company in relation to the Acquisition and the Whitewash Waiver. Hence, Mr. Cheung Wing Yui has not been appointed as a member of the Whitewash IBC. In addition, under Rule 13.39(6)(a) of the Listing Rules, the Acquisition IBC comprising all the independent non-executive Directors is formed to advise the Independent Shareholders in respect of the transactions under the Acquisition Agreement. No member of the Whitewash IBC or the Acquisition IBC has any interest or involvement in the transactions contemplated under the Acquisition Agreement or the Whitewash Waiver.

This letter contains our advice to the Acquisition IBC, the Whitewash IBC and the Independent Shareholders as to (i) whether each of the Acquisition Agreement and the issue of the Consideration Shares is under normal commercial terms, is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Group and the Shareholders as a whole; (ii) whether the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Group and the

Shareholders as a whole; and (iii) whether the Independent Shareholders should vote in favour of the resolutions approving the Acquisition Agreement, the issue of the Consideration Shares and the Whitewash Waiver at the SGM.

BASIS OF OUR OPINION

In formulating our advice and recommendation, we have relied on the accuracy of the information and facts supplied, and the opinions expressed by the Group, the Directors and the Group's management to us. We have assumed that all statements of belief and intention made by the Directors in the Circular were made after due enquiry. We have also assumed that all information, representations and opinion made or referred to in the Circular were true, accurate and complete at the time they were made and will continue to be true at the date of the SGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Group, the Directors and the Group's management and have been advised by the Directors that no material facts have been omitted from the information provided by or referred to in the Circular.

In rendering our opinion, we have researched, analyzed and relied on information as set out below:

(i) the Acquisition Agreement;

(ii) the annual report of the Company for the year ended 31 December 2006 (the "**2006 Annual Report**");

(iii) the property market research report headed "Property Times, Shenyang" for the first quarter of 2007 issued by DTZ, an independent property valuer in June 2007 (the "**DTZ Report**");

(iv) the statistics published on the official website of Shenyang Municipal Bureau of Statistics (瀋陽市統計局), the PRC; and

(v) the Circular (of which the Valuation Report forms part).

We have assumed such information to be accurate and reliable and have not carried out any independent verification on the accuracy of such information. Such relevant information provides us with a basis on which we have been able to formulate our independent opinion.

We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We also consider that we have performed all reasonable steps as required under the Rule 13.80 of the Listing Rules (including the notes thereto) to formulate our opinion and recommendation. We have not, however, conducted any form of in-depth investigations into the business affairs, financial position and future prospects of the Group and the parties to the Acquisition Agreement, nor carried out any independent verification of the information supplied, representations made or opinions expressed by the Group, the Directors and the Group's management.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation regarding the Acquisition Agreement, the issue of the Consideration Shares and the Whitewash Waiver, we have taken into account the following principal factors and reasons:

(A) THE ACQUISITION AGREEMENT

I. Background of and reasons for entering into the Acquisition Agreement

(i) Background of the Acquisition Agreement

As referred to in the Letter from the Board, on 17 August 2007, the Vendor, the Purchaser and the Company, entered into the Acquisition Agreement pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, the Sale Share for a consideration of HK$1,600 million, which will be satisfied by the issue of the Consideration Shares, credited as fully paid-up, by the Company to the Vendor or as it may direct.

Completion of the Acquisition Agreement including the issue and allotment of the Consideration Shares pursuant to the Acquisition Agreement, is subject to, among other things, the Independent Shareholders' approval of the Acquisition Agreement, the issue of the Consideration Shares as well as the Whitewash Waiver at the SGM, and the Executive of the SFC granting the Whitewash Waiver.

(ii) Information on the Group

As referred to in the Letter from the Board, the Group is an integrated property developer and is primarily engaged in the development and sale of residential and commercial properties in Shanghai and Shenyang with a specific focus on the middle to high-end residential properties, including Long Island Oasis Garden, Cedar Oasis Garden, Lakefront Oasis Garden, Rich-Gate Oasis Garden, Skyway Oasis Garden, Skyway Landis Hotel and Shenyang Rich-Gate.

As stated in the 2006 Annual Report, the Group recorded a revenue of approximately HK$2,621 million in the year ended 31 December 2006, representing an increase of approximately 100% as compared with that in the year ended 31 December 2005 of approximately HK$1,309 million. Profit attributable to Shareholders for the year ended 31 December 2006 was approximately HK$252 million, represented a decrease of approximately 16% as compared with that in the year ended 31 December 2005 approximately HK$301 million.

As advised by the Directors, the decrease in profit attributable to the Shareholders in the year ended 31 December 2006 was mainly due to the provision for additional land appreciation tax of approximately HK$252 million and the fair value of fixed cross currency swap contracts of approximately HK$211 million.

As set out in the 2006 Annual Report, the Group's operations include property development, sale of land infrastructure, property leasing, housing technology, golf course operation as well as other operations. During the two years ended 31 December 2006, the business segments under sale of land infrastructure and golf course operation did not generate any turnover. The turnover generated from property development accounted for approximately 97.6% and 98.1% of the Group's total turnover for each of the two years ended 31 December 2006, respectively. Since the Group intends to develop the Land into a residential/commercial complex which would comprise high-end low density residential units and commercial centres, we are of the view that the Acquisition, which is related to property development, is in line with the Group's business focus.

(iii) Background of the Subject Company

As referred to in the Letter from the Board, the Subject Company is an investment holding company incorporated under the laws of the BVI, which holds a 70% equity interest in the PRC Subsidiary. The Subject Company did not have any operations since its incorporation other than the acquisition of the 70% equity interest in the PRC Subsidiary. Apart from the 70% equity interest in the PRC Subsidiary and the shareholder's loan due to Mr. Wong amounting to HK$10,505,842, the Subject Company has no other assets and liabilities.

(iv) Background of the PRC Subsidiary

As referred to in the Letter from the Board, the PRC Subsidiary is a limited liability company established in the PRC and is principally engaged in property development in the PRC, particularly, in Shenyang. The PRC Subsidiary is the owner of the Properties, namely the residential estates of 書香門第 ("Shu Xiang Men Di") and 建賞歐洲 ("Appreciate Europe"). The PRC Subsidiary has also successfully won the bid held on 3 August 2007 for the acquisition of the Land.

Set out below are the details of the Land and the Properties:

The Land

As referred to in the Letter from the Board, the Land is located at Heping South Street East (Sport Category) with land plot number 2007-024, Heping District, being one of the prime commercial/residential areas in Shenyang, and has a site area of approximately 153,696 sq.m. The Land also enjoys a number of scenic points in Shenyang, including the South Lake Park and the Northeastern University of Shenyang (in the eastern area), the Shenyang Canal (the northern area) and the River Wen (the southern area). It is intended that the Land would be developed into a residential/commercial complex, comprising high-end low density residential units and commercial centres.

As referred to in the Letter from the Board, Completion is expected to take place before the land use rights certificate in respect of the Land is obtained by the PRC Subsidiary. According to the PRC legal advisers to the Company, subject to fulfillment of procedures and formalities as required under the relevant laws and regulations, there is no legal impediment for the PRC Subsidiary to obtain the aforesaid land use rights certificate.

The Properties

As referred to in the Letter from the Board, the Properties comprise two properties located in Shenyang, the PRC, the particulars of which are set out below:

(a) Shu Xiang Men Di

This property is a residential estate located at 鐵西區愛工南街11號 (11 Ai Gong Nan Street, Tie Xi District), Shenyang, the PRC. Shu Xiang Men Di, being erected on a land parcel with site area of approximately 42,710 sq. m., is a residential development completed in 2004. The aggregate gross floor area of the unsold commercial portion, which is held for leasing, and number of car bays, which are held for leasing, of Shu Xiang Men Di amounted to approximately 8,114 sq.m. and 17, respectively, as at 30 June 2007. Based on the Valuation Report, the valuation of the unsold portion of Shu Xiang Men Di amounted to HK$75 million.

(b) Appreciate Europe

This property is a residential estate located at 皇姑區長江街134號 (134 Chang Jiang Street, Huang Gu District), Shenyang, the PRC. Appreciate Europe, being erected on a land parcel with site area of approximately 94,872 sq.m., is a residential development completed in 2006 and comprises residential units, commercial units and car bays. The aggregate gross floor area of unsold residential portion, which is held for sale, and number of car bays, which are held for leasing, of Appreciate Europe amounted to approximately 19,791 sq.m. and 315, respectively, as at 30 June 2007. Based on the Valuation Report, the valuation of the unsold portion of Appreciation of Europe amounted to HK$91 million.

II. Reasons for and benefits of the Acquisition

(i) The positive outlook of the real estate industry in Shenyang

As referred to in the 2006 Annual Report, the Group would capitalize on the advantages from scale of economy and reasonably allocate resources, so as to identify projects with development potential in second tier cities in the PRC of growth potential.

Shenyang, being a city lying in the heart of the north-eastern PRC, is the first city in which the Group implements its strategic move outside Shanghai. As advised by the Directors, under the plan of revitalizing the north-eastern PRC, it is a strategy of the State Council of the PRC to attract foreign investments in Shenyang.

Based on the statistics published on the official website of Shenyang Municipal Bureau of Statistics (瀋陽市統計局), the PRC, the Gross Domestic Product of Shenyang in the first quarter of 2007 amounted to approximately RMB53.95 billion, representing an increase of approximately 16% as compared with the that in the first quarter of 2006. In the first quarter of 2007, Shenyang witnessed a rapid economic growth.

As referred to in the DTZ Report,

(i) the investment in real estate market in Shenyang amounted to approximately RMB2.9 billion in the first quarter of 2007, representing an increase of approximately 30.9% as compared with that in the first quarter of 2006;

(ii) the total value of commercial housing sold in Shenyang in the first quarter of 2007 amounted to approximately RMB3.9 billion in the first quarter of 2007, representing an increase of approximately 7.0% as compared with that in the first quarter of 2006; and

(iii) the average residential price of Shenyang amounted to approximately RMB3,192 per sq. m., representing an increase of approximately 5.2% as compared with that in the first quarter of 2006.

As advised by the Directors, the real estate industry in Shenyang is still in its early phase of rapid growth, as demonstrated by increasing demand in the property market, which has caused the increases in prices and transaction amounts of properties as demonstrated above. We concur with the Directors' view that, given its rapid growth in economy and increases in the demand for and prices of properties, Shenyang is a suitable city for the Group to carry out its geographical expansion.

(ii) The intentions of the Vendor

As advised by the Directors, following Completion, there will be no change in the control or management of the Group and the core business of the Group will be continued. Moreover, the Vendor does not intend to make any significant and immediate changes to the business, management and staff employment of the Group or any significant redeployment of the fixed assets of the Group, save for those which are in the ordinary and usual course of business of the Group. The Group will continue to devote in the implementation of overall development strategy as to transform itself from a residential property developer into an integrated real estate operator that develops and leases residential properties, shopping malls, hotels and office spaces.

In view of the growth in the economy and real estate market in Shenyang, and the fact that the Acquisition would allow the Group to secure a real estate development project in that city, we concur with the Directors view that the Acquisition is in the interests of the Group and the Shareholders as a whole.

III. Principal terms of the Acquisition Agreement

(i) Basis of the Consideration

As referred to in the Letter from the Board, the Consideration of HK$1,600 million will be satisfied at Completion by the Company issuing 526,315,789 Consideration Shares at the Issue Price of HK$3.04 per Consideration Share, credited as fully paid-up, to the Vendor or as it may direct.

As referred to in the Letter from the Board, the Consideration of HK$1,600 million was arrived at after arm's length negotiations between the parties to the Acquisition Agreement, and was determined with reference to, among other things, (i) the Vendor Consideration; (ii) the location of the Land and the Properties; (iii) the draft Valuation; (iv) the market potential of the property market in the city of Shenyang, the PRC; and (v) the assets and liabilities as well as financial position of the Subject Company.

(a) Assets and liabilities of the Subject Group

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to acquire from the Vendor and the Vendor has conditionally agreed to sell to the Purchaser the Sale Share representing the entire issued share capital of the Subject Company, which owns a 70% equity interest in the PRC Subsidiary. The PRC Subsidiary in turn owns the Land and the Properties.

The assets and liabilities of the Subject Company principally comprise its investment in the PRC Subsidiary and a shareholder's loan due to Mr. Wong, being the then sole shareholder of the Subject Company (which amounted to HK$10,505,842 as at the date of the Acquisition Agreement). Pursuant to the Acquisition Agreement, the Purchaser has agreed to acquire the Sale Share on the basis that the PRC subsidiary will not be entitled to the assets of the PRC subsidiary at Completion save for the units in either of the Properties that remained unsold on 30 June 2007. The Vendor has undertaken to the Purchaser that it shall bear all liabilities of the PRC Subsidiary of any nature at Completion, and the Subject Company will continue to bear the shareholder's loan amounting to HK$10,505,842 as at the date of the Acquisition Agreement upon Completion.

Set out below is the computation of the aggregate market value of the Properties and the Land, based on information as set out in the Valuation Report:

Item		**Amount** *(HK$ million)*
Market value of Shu Xiang Men Di as at 31 July 2007	*(a)*	75.0
Market value of Appreciate Europe as at 31 July 2007	*(b)*	91.0
Market value of the Land as at 31 July 2007 *(Note)*	*(c)*	2,135.0
Total market value of the Properties and the Land: (a) + (b) + (c)	*(d)*	2,301.0
Interest of the Properties and the Land attributable to the Subject Company		70%
Total market value of the Properties and the Land attributable to the Subject Company: (d) * 70%		1,610.7

Note: Based on the Valuation Report, the Land had no commercial value as at 31 July 2007 as the land use rights certificate of the Land is not obtained yet. Based on the Valuation Report, the market value of the Land as at 31 July 2007 amounted to HK$2,135 million, which is higher than the Purchase Price of RMB1,192,680,960 at the auction held on 3 August 2007. We have discussed with the Independent Valuer and were informed that the market value of the Land as at 31 July 2007 of HK$2,135 million, which was arrived at based on the market comparables of other land sites in Shenyang, was a better representation of the actual market value of the Land than the Purchase Price.

As set out above, the total market value of Properties and the Land as at 31 July 2007 attributable to the Subject Company was approximately HK$1,610.7 million. The total liabilities which will not be undertaken by the Vendor amounted to HK$10,505,842 as at the date of Acquisition Agreement. As a result, the Consideration of HK$1,600 million is based on the amount of approximately HK$1,600.2 million, being the difference between (i) the attributable interest of 70% of the total market value of the Properties and the Land as at 31 July 2007, which amounted to HK$1,610.7 million; and (ii) the total liabilities which will not be undertaken by the Vendor (which amounted to HK$10,505,842 as at the date of Acquisition Agreement).

Based on the foregoing, we concur with the Directors that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the Acquisition Agreement is under normal commercial terms and in the interests of the Group and the Shareholders as a whole.

(b) Valuation methodology of the Properties and the Land

In assessing the fairness and reasonableness of the valuation of the Properties and the Land, we have reviewed the Valuation Report as set out in Appendix 2 to the Circular. We have also discussed with the Independent Valuer on the methodology adopted and assumptions used in arriving at its valuation of Properties and the Land in the Valuation Report. The Independent Valuer has valued the Properties and the Land on an open market basis by the comparison approach by assuming sale in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market, and that appropriate adjustments have been made to account for the differences between the properties and the comparables in terms of time, location and other relevant factors. As advised by the Independent Valuer, the above approach is in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors. In light of the above, we are of the opinion that the valuation methodology adopted by the Independent Valuer is in line with normal market practice.

(ii) Issue of the Consideration Shares

As advised by the Directors, they have considered other alternatives of payment for the Consideration other than the issue of the Consideration Shares. However, the Directors consider that issue of new Shares is the most appropriate means for satisfying the payment of the Consideration, given that (i) debt financing such as bank borrowings or issue of debt securities would increase the gearing and finance costs of the Group, which may adversely affect the earnings of the Group; and (ii) the making of cash payment to the Vendor would reduce the Group's cash and bank balances, which in turn would hinder the development of the Group's other property development projects in the PRC. Based on the audited consolidated balance sheet of the Group as at 31 December 2006 as set out in the 2006 Annual Report, the Group had cash and bank balances of approximately HK$1,025.9 million as at 31 December 2006. On this basis, the Group would not have sufficient internal financial resources to satisfy the Consideration of HK$1,600 million if it were to be settled entirely in cash.

Since the Consideration will be satisfied by way other than cash payment, the Acquisition will have no impact on the cash and bank position of the Group immediately after Completion, save for the possible payment of the Difference. On the other hand, the issue of the Consideration Shares will strengthen the capital base and financial position of the Group. In light of the above, we are of the view that it is in the interests of the Group and the Shareholders as a whole to settle the Consideration by the issue of the Consideration Shares.

As stated in the Letter from the Board, the Consideration shall be satisfied by issue of the Consideration Shares at the issue price of HK$3.04 per Consideration Share, which was determined after arm's length negotiation between the Company and the Vendor, with reference to the average closing price of the Shares for the last 10 trading days up to and including the Last Trading Day. The Issue Price represents:

(i) a discount of approximately 6.17% to the closing price of HK$3.24 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a premium of approximately 10.55% over the closing price of HK$2.75 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a premium of approximately 3.40% over the closing price of HK$2.94 per Share as quoted on the Stock Exchange on the Last Full Trading Day;

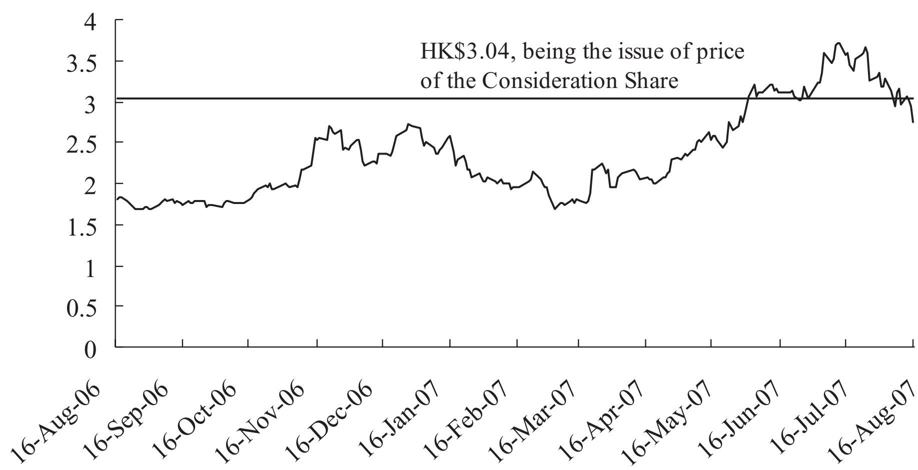
(iv) a premium of approximately 0.33% over the average closing price of approximately HK$3.03 per Share, as quoted on the Stock Exchange for the last five trading days up to and including the Last Full Trading Day;

(v) a discount of approximately 6.75% to the average closing price of approximately HK$3.26 per Share as quoted on the Stock Exchange for the last 20 trading days up to and including the Last Full Trading Day;

(vi) a discount of approximately 9.52% to the average closing price of approximately HK$3.36 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Full Trading Day; and

(vii) a premium of approximately 149.18% over the Group's consolidated audited net asset value per Share (excluding minority interest) as at 31 December 2006 of approximately HK$1.22 (the "**Audited NAV Per Share**") (based on 2,145,060,000 Shares in issue as at 31 December 2006).

The chart below shows the daily closing prices of the Shares traded on the Stock Exchange from 16 August 2006 (being one year immediately prior to the Last Trading Day) up to and including 16 August 2007, the Last Trading Day (the "**Review Period**"):



Source: the website of the Stock Exchange

During the Review Period, the Shares were traded with closing prices in the range of HK$1.68 per Share to HK$3.70 per Share, with an average of closing prices of approximately HK$2.36 per Share for the Review Period. As indicated from the chart above, the Issue Price, which was determined by reference to the average price of the last 10 trading days up to and including the Last Trading Day, is within the range of the closing prices of the Shares traded during the Review Period.

(iii) Comparison of the issue price of the Consideration Shares with comparable companies

In evaluating the fairness and reasonableness of the Issue Price, to the best of our knowledge and information, we have identified the following companies, being all companies whose shares are listed on the Main Board of the Stock Exchange (the "Comparable Companies") which (i) are principally engaged in property development or investment in the PRC with an emphasis on residential properties, which was comparable to the Group's principal business activities; and (ii) the market capitalisation of which (based on the closing price of the Comparable Companies as quoted on the Stock Exchange as at the Latest Practicable Date) were over HK$2 billion. Set out below is the comparison of the market capitalisation of the Comparable Companies as at the Latest Practicable

Date (based on the closing price of the Comparable Companies as quoted on the Stock Exchange as at the Latest Practicable Date) with their respective underlying net asset values as reported in their latest published financial reports or results announcements (other than those set out in listing prospectus):

Issuer	Principal business	Market capitalisation as at the Latest Practicable Date	Consolidated net asset value attributable to shareholders based on the latest published financial reports or results announcements	Premium/ (discount) of the market capitalisation of the Comparable Companies as at the Latest Practicable Date as compared with their latest published consolidated net asset values
		(HK$' million)	*(HK$' million)*	
Country Garden Holdings Company Limited (stock code: 2007)	Property development, construction and decoration, property management and hotel operation	209,408.0	16,936.7	1,136.42%
Greentown China Holdings Limited (stock code: 3900)	Develop quality residential properties targeting middle to higher income residents in the PRC	26,521.0	4,505.0	488.70%
Guangzhou R&F Properties Co., Ltd. *(Note 2)* (stock code: 2777)	Property development and investment in the PRC	110,366.1	8,518.2	1,195.64%
Hopson Development Holdings Limited (stock code: 754)	Investment holding, property development, property investment and property management	34,649.9	7,837.7	342.09%
Shanghai Forte Land Co., Ltd. *(Note 2)* (stock code: 2337)	Development and sale of high quality private residential properties in Shanghai, the PRC.	12,191.3	4,631.6	163.22%
Shimao Property Holdings Limited (stock code: 813)	Property development, property investment and hotel operation in the PRC	67,907.1	17,401.2	290.24%
Shui On Land Limited (stock code: 272)	Development, sale, leasing, management and the long term ownership of high quality residential, office, retail, entertainment and cultural properties in the PRC	33,652.2	14,370.4	134.18%
The Comparable Companies	**Highest**			**1,195.64%**
	Lowest			**134.18%**
	Simple average			**535.79%**
The Company	**Based on the comparison between the Issue Price and the Audited NAV Per Share**			**149.18%**
	Based on the comparison between the closing price of the Shares as quoted on the Stock Exchange as at the Latest Practicable Date and the Audited NAV Per Share			**165.57%**

Source: the website of the Stock Exchange

Notes:

1. For companies with underlying net asset values denominated in RMB in their accounts, the figures are translated into HK$ under the translation rate of RMB1.00 = HK$1.03.

2. Based on total number of domestic shares and H shares in issue.

In respect of a comparison of price-earnings multiples based on the closing price of the Comparable Companies as quoted on the Stock Exchange as at the Latest Practicable Date, we consider that such comparison is not meaningful and would not provide useful information to the Independent Shareholders, as the market capitalisation of listed companies which are principally engaged in property investment or property development are believed to be more related to, among other things, their land reserves, their completed but unsold properties as well as their properties under development, instead of their latest reported earnings.

The Issue Price was at a premium of approximately 149.18% over the audited consolidated net asset value of the Group attributable to the Shareholders as at 31 December 2006 of approximately HK$1.22 (based on 2,145,060,000 Shares in issue as at 31 December 2006) (the "**Issue Price Premium**"). We have compared the Issue Price Premium with the premiums of the market capitalisation of the Comparable Companies as at the Latest Practicable Date over their latest published consolidated net asset values. We noted that (i) the market capitalisation of all the Comparable Companies as at the Latest Practicable Date were traded at premiums over their latest published consolidated net asset values; (ii) the premiums of the market capitalisation of the Comparable Companies over their latest published consolidated net asset values range between approximately 134.18% and 1,195.64% (the "**Range of Premiums**"); and (iii) the simple average of the premiums of the market capitalisation of the Comparable Companies over their latest published consolidated net asset values was approximately 535.79%.

Based on the above, we noted that (i) it is common for companies engaged in property investment or property development in the PRC to be valued at a premium over their underlying net asset values; (ii) the Issue Price Premium was within the Range of Premiums, but was near to its lower end; and (iii) the Issue Price Premium was below the simple average of the premiums of the market capitalisation of the Comparable Companies over their latest published consolidated net asset values (which amounted to approximately 535.79%).

Notwithstanding the fact that the Issue Price Premium was (i) below the simple average of the premiums of the market capitalisation of the Comparable Companies over their latest published consolidated net asset values; and (ii) near to the lower end of the Range of Premiums, we consider that the Issue Price is fair and reasonable, taking into account:

(i) the Issue Price was at premiums of approximately 10.55% and 3.40% over the closing prices of the Shares as quoted on the Stock Exchange on the Last Trading Day and the Last Full Trading Day, respectively; and

(ii) the Issue Price was at a premium of approximately 0.33% over the average closing price of the Shares as quoted on the Stock Exchange for the last five trading days up to and including the Last Full Trading Day.

In light of the above, we consider that the Issue Price Premium is favourable as far as the Independent Shareholders are concerned. As such, we consider that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned, and is in the interests of the Group and the Shareholders as a whole.

(iv) Other principal terms of the Acquisition Agreement

Payment of the Purchase Price

As referred to in the Letter from the Board, the Purchase Price is inclusive of demolition and relocation costs but will be subject to adjustments (i) according to planning and the actual site area specified in the land use rights certificate to be issued by the State Land Administration Authority of the PRC; and (ii) additional relocation cost mainly related to the relocation of the existing residents on the Land in excess of the current estimate, if any, and is payable by the PRC Subsidiary, being the purchaser of the Land.

As the PRC Subsidiary is the contractual party liable to pay the Purchase Price and such payment is expected to be incurred after Completion, the Vendor has undertaken to pay to the PRC Subsidiary before the due date for payment of the Purchase Price an amount up to RMB1,192,680,960. The PRC Subsidiary is obliged to pay the Difference (being the difference between the Purchase Price of RMB1,192,680,960 and the actual amount of the consideration payable in respect of the Land as a result of the aforesaid adjustments) on its own account. As advised by the Directors, they expect that the PRC Subsidiary will be able to obtain sufficient working capital through various means, including, but not limited to, bank financing to settle for the Difference. Nevertheless, if the PRC Subsidiary is unable to obtain financing for such purpose, the Vendor has further undertaken that it will make loans at an amount representing the

Difference to the PRC Subsidiary. We consider that such arrangement is acceptable, given that the actual amount of the consideration payable in respect of the Land may be subject to adjustments.

Undertaking by the Vendor as to the obtaining of the land use rights certificate of the Land

Completion is expected to take place before the land use rights certificate in respect of the Land is obtained by the PRC Subsidiary. The Vendor has undertaken to the Company that if the PRC Subsidiary fails to obtain the land use rights certificate of the Land on or before 30 June 2009, the Vendor will pay the Consideration in cash to the Company on or before 31 December 2009.

As advised by the Directors, as at the Latest Practicable Date, they were not aware of any obstacles or impediments, whether legal or operational or otherwise, in relation to the obtaining of the land use rights certificate of the Land on or before 30 June 2009, subject to fulfillment and of procedures and formalities as required under the relevant laws and regulations. However, if the land use rights certificate of the Land cannot be obtained on or before 30 June 2009, the Group would not be able to develop the Land, and the Vendor will pay the Consideration in cash to the Company on or before 31 December 2009.

We concur with the Directors' view that the aforesaid arrangements are acceptable, given that (i) as Completion would take place before the land use rights certificate in respect of the Land is obtained by the PRC Subsidiary, the refund of the Consideration in cash by the Vendor to the Company would effectively represent the purchase consideration payable by the Vendor for the Consideration Shares to be issued by the Company; and (ii) the six-month period after 30 June 2009 allows sufficient time for the parties to the Acquisition Agreement to make sure that any legal, operational or other obstacles or impediments in relation to the refund of the Consideration by the Vendor to the Company could be cleared in an appropriate manner.

The Vendor to bear liabilities of the PRC Subsidiary at Completion

The Vendor has undertaken to the Purchaser that it shall bear all liabilities of the PRC Subsidiary of any nature at Completion, and to reimburse the Purchaser, the Subject Company or the PRC Subsidiary (as the Purchaser may direct) the relevant amounts payable in respect of all such liabilities to the extent they have not been paid for by Mr. Wong and/or the shareholder who holds the remaining 30% equity interest in the PRC Subsidiary. We consider that such arrangement is fair and reasonable so far as the Independent Shareholders are concerned.

The Purchaser to pay or deliver the assets of the Subject Group at Completion

The Purchaser is purchasing the Sale Share on the basis that the PRC Subsidiary will not be entitled to the assets of the PRC Subsidiary at Completion save for the units in either of the Properties that remained unsold on 30 June 2007, which shall belong to the PRC Subsidiary upon Completion. The Purchaser has agreed to procure the PRC Subsidiary to pay, deliver or assign such assets (including accounting receivables, other receivables and fixed assets) or an amount equal to such assets on or after Completion to Mr. Wong to the extent such assets or amount have not already been paid to Mr. Wong and/or the shareholder who holds the remaining 30% equity interest in the PRC Subsidiary prior to Completion.

We consider that such arrangement is fair and reasonable so far as the Independent Shareholders are concerned, given that (i) the underlying assets to be effectively acquired by the Group pursuant to the Acquisition Agreement are the Properties and the Land; and (ii) the Consideration is based on the difference between 70% of the total market value of the Properties and the Land as at 31 July 2007 and the total liabilities which will not be undertaken by the Vendor upon Completion.

IV. Potential dilution effect on the shareholding interests of the Independent Shareholders upon Completion

The issue of the Consideration Shares would dilute the interest of the Independent Shareholders in the issued share capital of the Company. Set out below is the shareholding structure of the Company as at the Latest Practicable Date and immediately after Completion (assuming that there is no other change in the issued share capital of the Company save for the issue of the Consideration Shares between the Latest Practicable Date and the date of Completion) as set out in the Letter from the Board:

	As at the Latest Practicable Date		**Immediate after Completion**	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*
The Vendor *(Note 1)*	676,545,379	30.59	1,202,861,168	43.93
The shareholders of Vendor				
– Mr. Shi Jian and his spouse *(Notes 3 and 4)*	2,078,961	0.09	2,078,961	0.08
– Mr. Li Yao Min *(Note 4)*	2,147	0.00	2,147	0.00
– Mr. Yu Hai Sheng *(Note 4)*	1,065,914	0.05	1,065,914	0.04
– Mr. Shi Jian Dong *(Note 2)*	2,147	0.00	2,147	0.00
– Mr. Sze Sin Chi *(Note 2)*	2,147	0.00	2,147	0.00
– Mr. Chen Zheng Liang *(Note 2)*	2,147	0.00	2,147	0.00
Subtotal of the Vendor and the concert parties acting with it	**679,698,842**	**30.73**	**1,206,014,631**	**44.05**
Other public Shareholders	1,531,829,490	69.27	1,531,829,490	55.95
Total	**2,211,528,332**	**100.00**	**2,737,844,121**	**100.00**

Notes:

1. The Vendor is mainly held as to 32% by Mr. Shi Jian, 30% by Md. Si Xiao Dong, the spouse of Mr. Shi Jian, 5% by Mr. Li Yao Min, 5% by Mr. Yu Hai Sheng, and 1% by Mr. Jiang Xu Dong. Each of Mr. Shi Jian, Mr. Li Yao Ming, Mr. Yu Hai Sheng and Mr. Jiang Xu Dong is a Director. The other shareholders of the Vendor include relatives of Mr. Shi Jian as well as unrelated individuals.

2. Both Mr. Shi Jian Dong and Mr. Sze Sin Chi are close relatives of Mr. Shi Jian, a Director, and Mr. Chen Zheng Liang is a shareholder of the Vendor.

3. The number of Shares held by Mr. Shi Jian includes those held by Md. Si Xiao Dong.

4. Mr. Shi Jian, Mr. Li Yao Min and Mr. Yu Hai Sheng are also the Directors.

Based on the above, the shareholding interest of the existing Independent Shareholders will be diluted from approximately 69.27% to approximately 55.95% as a result of the issue of the Consideration Shares.

Although the aggregate percentage shareholding of the Independent Shareholders will be diluted as a result of the issue of the Consideration Shares, it should be noted that there would be favorable impact on the financial performance of the Group as the Properties, being the underlying assets of the PRC Subsidiary, are expected to generate new income stream to the Group. Having considered the above, we consider that the dilution on the Independent Shareholders' shareholding interest in the Company is acceptable.

V. Financial effects of the Acquisition Agreement

As stated in the Letter from the Board, immediately after Completion, the Company will be indirectly interested in the entire issued share capital of the Subject Company and therefore, the results of the Subject Group will be consolidated into the accounts of the Group. Set out below are the financial effects of the Acquisition on the Group:

(i) Earnings

The Group recorded an audited consolidated net profit attributable to the Shareholders of approximately HK$252.4 million for the year ended 31 December 2006. Upon Completion, the earnings of the Group, on a consolidated basis, will be entitled to account for 70% of that of the PRC Subsidiary.

(ii) Net asset value

The audited consolidated net asset value of the Group attributable to the Shareholders and the net asset value per Share as at 31 December 2006 were approximately HK$2,624 million and approximately HK$1.22 (based on 2,145,060,000 Shares in issue as at 31 December 2006), respectively. The Directors expect that the consolidated net asset value of the Group would increase immediately after Completion.

(iii) Gearing

The gearing ratio (being total liabilities expressed as a percentage of capital and reserves attributable to the Shareholders) of the Group as at 31 December 2006 was approximately 275%. The Directors expect that the gearing ratio of the Group would improve immediately after Completion.

(iv) Working capital

Since the Consideration will only be satisfied by the issue of the Consideration Shares, the Directors expect that there will be no material adverse impact on the Group's working capital position immediately after Completion.

Having considered the various factors as detailed above, we are of the view that the Acquisition Agreement (including the issue of the Consideration Shares) is on normal commercial terms, is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Group and the Shareholders as a whole.

(B) THE WHITEWASH WAIVER

I. Background

As at the Latest Practicable Date, the Vendor, together with the parties acting in concert with it, hold a total of 679,698,842 Shares, representing approximately 30.73% of the voting rights of the Company.

Upon Completion (assuming that no further Shares, other than the Consideration Shares, are to be issued by the Company between the Latest Practicable Date and the date of Completion), the interest of the Vendor and parties acting in concert with it in the voting rights of the Company will increase from approximately 30.73% to 44.05%. Accordingly, the Vendor will be obliged to make an unconditional mandatory general offer for all the issued Shares not already owned or agreed to be acquired by the Vendor and parties acting in concert with it under Rule 26.1 of the Takeovers Code, unless a Whitewash Waiver is obtained from the Executive.

An application has been made by the Vendor to the Executive for the Whitewash Waiver pursuant to the Takeovers Code. The Executive has indicated that he will grant the Whitewash Waiver subject to, among other things, the approval of the Independent Shareholders at the SGM by way of poll. The Vendor and parties acting in concert with it, their respective associates and those involved or interested in the Acquisition and the Whitewash Waiver (including Mr. Shi Jian, Md. Si Xiao Dong, Mr. Li Yao Min, Mr. Yu Hai Sheng, Mr. Shi Jian Dong, Mr. Sze Sin Chi and Mr. Chen Zheng Liang) will abstain from voting at the SGM in respect of the resolution for approving the Whitewash Waiver.

II. The Whitewash Waiver as a condition of the Acquisition Agreement

Shareholders should note that the Acquisition Agreement is conditional on, among other things, (i) the passing of the resolution by the Independent Shareholders at the SGM approving the Whitewash Waiver; and (ii) the Executive granting to the Vendor the Whitewash Waiver. The approval of the Whitewash Waiver by the Independent Shareholders, therefore, will be necessary for the Acquisition Agreement to proceed to Completion and for the Group and the Shareholders to enjoy the benefits of the Acquisition Agreement as outlined above. If the Whitewash Waiver is not approved by the Independent Shareholders, the Acquisition Agreement will not proceed to

Completion, which could hinder the development of the Group's business, and the Shareholders will not benefit from the Acquisition, which is expected by the Directors to contribute to the continuing growth of the Group.

Given that the condition of the Whitewash Waiver cannot be waived pursuant to the Acquisition Agreement, the Vendor will not make a mandatory general offer even if the Whitewash Waiver is not approved by the Independent Shareholders at the SGM. On the other hand, if the Whitewash Waiver is not approved by the Independent Shareholders at the SGM, the Group and the Shareholders will not enjoy the benefits of the Acquisition Agreement as outlined above.

III. The Vendor and parties acting in concert with it shall remain as the largest group of Shareholders

As at the Latest Practicable Date, the Vendor, together with the parties acting in concert with it, hold a total of 679,698,842 Shares, representing approximately 30.73% of the total issued share capital of the Company.

Upon Completion (assuming that no further Shares, other than the Consideration Shares are issued by the Company between the Latest Practicable Date and the date of Completion), the beneficial shareholding interest of the Vendor and parties acting in concert with it in the Company will increase from approximately 30.73% to 44.05%. On such basis, Independent Shareholders should note that the Vendor and parties acting in concert with it shall remain as the largest group of Shareholders upon Completion.

Based on our analysis of the principal terms as well as and the reasons for and benefits of the Acquisition as set out above, we consider that the Acquisition Agreement is under normal commercial terms, is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Group and the Shareholders as a whole. If the Whitewash Waiver is not granted by the Executive or the Whitewash Waiver is not approved by the Independent Shareholders, the Acquisition Agreement shall lapse, and the Group will then lose all the expected benefits which is envisaged to arise from Completion. Hence, we are of the view that the approval of the Whitewash Waiver by the Independent Shareholders is in the interests of the Group and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION AND CONCLUSION

Having considered the principal factors and reasons as set out above, we are of the opinion that (i) the Acquisition Agreement (including the issue of the Consideration Shares) is under normal commercial terms, is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Group and the Shareholders as a whole; and (ii) the Whitewash Waiver is in the interests of the Group and the Shareholders taken as a whole and is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we would therefore advise (i) the Independent Shareholders to vote in favour of the resolution approving the Acquisition Agreement and the issue of the Consideration Shares at the SGM; and (ii) the Independent Shareholders to vote in favour of the resolution approving the Whitewash Waiver at the SGM.

Yours faithfully,
For and on behalf of
China Merchants Securities (HK) Co., Ltd.
Tony Wu
Executive Director

1. SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the audited consolidated results and assets and liabilities of the Group for the three years ended 31 December 2004, 2005 and 2006 as extracted from the audited consolidated financial statements of the Group *(Note 1)*:

	Year ended 31 December		
	2006	**2005**	**2004**
	HK$'M	*HK$'M*	*HK$'M*
		(Restated)	(Restated)
Turnover	2,621	1,309	601
Cost of sales	(1,474)	(849)	(464)
Gross profit	1,147	460	137
Other gains – net	478	40	13
Selling and marketing costs	(121)	(28)	(35)
Administrative expenses	(117)	(70)	(50)
Operating profit	1,387	402	65
Finance costs	(12)	(23)	(1)
Gain from dissolution of a subsidiary	–	–	–
Share of results of associates	(74)	162	52
Profit before income tax	1,301	541	116
Income tax expenses	(731)	(167)	(24)
Profit for the year	570	374	92
Dividends	44	69	47
Attributable to:			
Equity holders of the company	252	301	90
Minority interests	318	73	2
	570	374	92
Earnings per share *(Note 2)*			
– Basic	13.63 cents	20.24 cents	6.49 cents
– Diluted	12.27 cents	17.68 cents	5.95 cents
Dividends per Share	2.00 cents	4.30 cents	3.30 cents

	As at 31 December		
	2006	**2005**	**2004**
	HK$'M	*HK$'M*	*HK$'M*
		(Restated)	(Restated)
Total assets	10,244	6,083	4,550
Total liabilities	7,223	4,457	3,421
Net assets	3,021	1,626	1,129
Cash reserves	1,026	1,396	984
Shareholders' funds	2,624	1,445	1,007

Notes:

1. The audited consolidated financial statements of the Group for the three years ended 31 December 2004, 2005 and 2006 were audited by PricewaterhouseCoopers, Certified Public Accountants. No qualified opinion had been issued by PricewaterhouseCoopers in respect of the aforementioned audited consolidated financial statements of the Group.

2. Please refer to note 37 to the audited consolidated financial statements of the Group on pages 113-114 of this circular.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE TWO YEARS ENDED 31 DECEMBER 2005 AND 2006

The following information is extracted from the audited consolidated financial statements of the Group as set out in the annual report of the Company for the year ended 31 December 2006:

Balance Sheet
As at 31 December 2006
(Amounts expressed in Hong Kong dollars unless otherwise stated)

		Group		Company	
		2006	**2005**	**2006**	**2005**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Non-current assets					
Property, plant and equipment	*6*	1,142,028	485,048	2,158	2,441
Investment properties	*7*	765,328	48,927	–	–
Leasehold land	*8*	244,827	124,329	–	–
Properties under development for long-term investment	*9*	277,325	65,423	–	–
Intangible assets	*10*	75,512	–	–	–
Investments in subsidiaries	*11(a)*	–	–	2,027,472	510,902
Advances to subsidiaries	*11(b)*	–	–	1,576,330	608,948
Interests in associated companies	*12*	549,647	558,814	–	233,325
Financial assets at fair value through profit or loss	*13*	550,014	–	–	–
Amount due from a related company	*43(c)*	–	274,624	–	–
Deferred tax assets	*24*	8,122	19,085	–	–
		3,612,803	1,576,250	3,605,960	1,355,616

		Group		Company	
		2006	2005	2006	2005
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current assets					
Leasehold land	*8*	2,588,791	836,348	–	–
Properties held or under development for sale	*14*	2,375,308	1,641,784	–	–
Contracts work-in-progress		8,200	8,784	–	–
Inventories, at cost		748	427	–	–
Dividends receivable from subsidiaries		–	–	493,131	194,071
Amount due from related companies	*43(c)*	266,194	23,597	3,605	3,067
Prepayments and other current assets	*15*	65,979	119,714	–	–
Other receivables	*16*	252,789	414,885	55,963	47,327
Accounts receivable, net	*17*	20,186	10,587	–	–
Prepaid income tax	*35*	26,718	54,512	–	–
Cash and bank balances	*18*	1,025,904	1,395,817	61,306	381,696
		6,630,817	4,506,455	614,005	626,161
Total assets		10,243,620	6,082,705	4,219,965	1,981,777
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital and premium	*19*	1,871,130	859,071	1,871,130	859,071
Other reserves	*20*	155,307	145,510	48,887	28,458
Retained earnings					
– Proposed final dividends		44,000	69,000	44,000	69,000
– Others		553,130	371,401	926	3,263
		2,623,567	1,444,982	1,964,943	959,792
Minority interest		396,981	180,228	–	–
Total equity		3,020,548	1,625,210	1,964,943	959,792

		Group		Company	
		2006	2005	2006	2005
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
LIABILITIES					
Non-current liabilities					
Long-term borrowings	*21*	1,175,053	830,554	144,895	301,860
Guaranteed notes	*22*	1,535,167	–	1,535,167	–
Convertible bonds	*23*	–	333,746	–	333,746
Deferred tax liabilities	*24*	283,169	4,384	–	–
		2,993,389	1,168,684	1,680,062	635,606
Current liabilities					
Short-term borrowings	*21*	356,676	20,000	75,000	20,000
Convertible bonds, current portion	*23*	106,560	202,366	106,560	202,366
Derivative financial liabilities	*25*	243,638	28,186	243,638	28,186
Advances received from the pre-sale of properties under development	*26*	963,755	1,996,548	–	–
Accounts payable	*27*	860,701	361,027	–	–
Other payables and accruals	*28*	933,070	60,702	3,403	6,759
Current income tax liabilities	*35*	528,350	153,471	–	–
Amount due to related companies	*43(c)*	1,464	1,370	1,464	368
Long-term borrowings, current portion	*21*	235,469	465,141	144,895	128,700
		4,229,683	3,288,811	574,960	386,379
Total liabilities		7,223,072	4,457,495	2,255,022	1,021,985
Total equity and liabilities		10,243,620	6,082,705	4,219,965	1,981,777
Net current assets		2,401,134	1,217,644	39,045	239,782
Total assets less current liabilities		6,013,937	2,793,894	3,645,005	1,595,398

The notes on pages 59 to 123 are an integral part of these consolidated financial statements.

Consolidated Income Statement
For the year ended 31 December 2006
(Amounts expressed in Hong Kong dollars unless otherwise stated)

	Note	2006 HK$'000	2005 HK$'000
Revenue	29	2,621,460	1,309,273
Cost of sales	32	(1,474,377)	(849,064)
Gross profit		1,147,083	460,209
Selling and marketing costs	32	(120,816)	(28,520)
Administrative expenses	32	(117,673)	(70,113)
Other income	30	10,818	30,118
Other gains-net	31	467,248	10,291
Operating profit	32	1,386,660	401,985
Finance income		115,674	10,536
Finance costs		(126,673)	(32,567)
Finance costs-net	34	(10,999)	(22,031)
Share of results of associated companies	12	(74,278)	161,515
Profit before income tax		1,301,383	541,469
Income tax expense	35	(730,965)	(167,372)
Profit for the year		570,418	374,097
Attributable to:			
Equity holders of the Company		252,371	301,173
Minority interest		318,047	72,924
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in Hong Kong Dollar per share)			
– Basic	37	13.63 cents	20.24 cents
– Diluted	37	12.27 cents	17.68 cents
Dividends	38	44,000	69,000

The notes on pages 59 to 123 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2006

(Amounts expressed in Hong Kong dollars unless otherwise stated)

	Attributable to equity holders of the Company					
	Share capital and premium	**Other reserves**	**Retained earnings**	**Total**	**Minority interest**	**Total Equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 19)	*(Note 20)*				
Balance at 1 January 2005	**731,571**	**77,019**	**198,345**	**1,006,935**	**121,879**	**1,128,814**
Fair value gain, net of tax						
– Certain assets held by an associated company	–	35,946	–	35,946	–	35,946
Currency translation differences	–	24,783	–	24,783	4,521	29,304
Net income recognised directly in equity	–	60,729	–	60,729	4,521	65,250
Profit for the year	–	–	301,173	301,173	72,924	374,097
Total recognised income for 2005	**–**	**60,729**	**301,173**	**361,902**	**77,445**	**439,347**
Employee share option scheme:						
– value of employee services	–	248	–	248	–	248
– proceeds from shares issued	22,030	–	–	22,030	–	22,030
Issue of shares upon conversion of convertible bonds-equity component	74,571	(8,269)	–	66,302	–	66,302
Issue of convertible bonds-equity component, net of tax	–	3,852	–	3,852	–	3,852
Minority interest arising on capital contribution from minority shareholders of subsidiaries	–	–	–	–	2,411	2,411
Appropriations	–	11,931	(11,931)	–	–	–
Dividends relating to 2004						
– Cash dividends *(Note 38)*	–	–	(16,287)	(16,287)	–	(16,287)
– Share dividends *(Note 19)*	30,899	–	(30,899)	–	–	–
Dividends declared by subsidiaries	–	–	–	–	(21,507)	(21,507)
	127,500	7,762	(59,117)	76,145	(19,096)	57,049
Balance at 31 December 2005	**859,071**	**145,510**	**440,401**	**1,444,982**	**180,228**	**1,625,210**

	Attributable to equity holders of the Company					
	Share capital and premium	Other reserves	Retained earnings	Total	Minority interest	Total Equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 19)	*(Note 20)*				
Balance at 1 January 2006	**859,071**	**145,510**	**440,401**	**1,444,982**	**180,228**	**1,625,210**
Fair value loss, net of tax						
– Certain assets held by an associated company	–	(18,300)	–	(18,300)	–	(18,300)
Revaluation reserve transfer arising from disposal of interest in an associated company	–	(3,626)	3,626	–	–	–
Depreciation transfer on certain assets held by an associated company	–	(2,008)	2,008	–	–	–
Currency translation differences	–	39,796	–	39,796	20,581	60,377
Net income recognised directly in equity	–	15,862	5,634	21,496	20,581	42,077
Profit for the year	–	–	252,371	252,371	318,047	570,418
Total recognised income for 2006	**–**	**15,862**	**258,005**	**273,867**	**338,628**	**612,495**
Employee share option scheme:						
– proceeds from shares issued	1,300	–	–	1,300	–	1,300
Issue of shares upon conversion of convertible bonds-equity component	471,356	(27,235)	–	444,121	–	444,121
Issuance of ordinary shares	502,218	–	–	502,218	–	502,218
Transaction with minority shareholder of a subsidiary *(Note 16 (b))*	–	–	–	–	(178,279)	(178,279)
Minority interest arising on business combination *(Note 42)*	–	–	–	–	211,672	211,672
Minority interest arising on step acquisition of an associated company *(Note 11(a)(i))*	–	–	–	–	1,523	1,523
Minority interest arising on capital contribution from minority shareholders of subsidiaries	–	–	–	–	57,421	57,421
Decrease of minority interest arising from dissolution of a subsidiary *(Note 11(a)(ii))*	–	–	–	–	(29,602)	(29,602)
Appropriations	–	21,170	(21,170)	–	–	–
Dividends relating to 2005						
– Cash dividends *(Note 38)*	–	–	(42,921)	(42,921)	–	(42,921)
– Share dividends *(Note 19)*	37,185	–	(37,185)	–	–	–
Dividends declared by subsidiaries	–	–	–	–	(184,610)	(184,610)
	1,012,059	(6,065)	(101,276)	904,718	(121,875)	782,843
Balance at 31 December 2006	**1,871,130**	**155,307**	**597,130**	**2,623,567**	**396,981**	**3,020,548**

The notes on pages 59 to 123 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement
For the year ended 31 December 2006
(Amounts expressed in Hong Kong dollars unless otherwise stated)

	Note	2006 HK$'000	2005 HK$'000
Cash flows from operating activities			
Cash (used in) generated from operations	39	(970,283)	421,506
Interest paid		(184,905)	(67,677)
Income tax paid		(127,119)	(108,970)
Net cash (used in) generated from operating activities		(1,282,307)	244,859
Cash flows from investing activities			
Purchases of property, plant and equipment	6	(426,240)	(274,840)
Increase in properties under development for long-term investment		(133,476)	(23,479)
Proceeds from disposal of property, plant and equipment		429	47,249
Acquisition of subsidiaries, net of cash acquired	42	(432,241)	–
Dissolution of a subsidiary		(7,230)	–
Earnest money paid for acquisition of additional beneficial interest in a subsidiary	16	–	(288,378)
Increase in investments in associated companies	12(b)	(430,706)	(12,016)
Dispose interest in an associated company		6,288	–
Dividends received from an associated company		–	1,883
Loans (granted to)/received from third parties	16	(60,491)	12,597
Loans granted to associated companies	43(b)	(288,643)	(163,414)
Loans repayments received from associated companies	43(b)	348,363	152,539
Interest received		50,311	15,273
Net cash used in investing activities		(1,373,636)	(532,586)

	Note	2006 HK$'000	2005 HK$'000
Cash flows from financing activities			
Net proceeds from issuance of ordinary shares upon exercise of share options	19	1,300	22,030
Net proceeds from placement of new shares	19	502,218	–
Net proceeds from issuance of guaranteed notes	22	1,549,828	–
Net proceeds from issuance of convertible bonds		–	366,189
Guarantee deposit for derivative financial liabilities	16	(53,272)	–
Periodical settlement of derivative financial liabilities held for trading	25	21,491	–
Decrease in pledged bank deposits	18	1,262	121,658
Net proceeds from/(repayments of) short-term borrowings		318,760	(65,808)
Proceeds from long-term borrowings		1,109,378	1,032,397
Repayments of long-term borrowings		(1,025,206)	(613,673)
Cash received from capital injection in subsidiaries by minority shareholders		57,421	2,411
Dividends paid to minority interests		(179,731)	(21,507)
Dividends paid to the Company's shareholders	38	(42,921)	(16,287)
Net cash generated from financing activities		2,260,528	827,410
Net (decrease)/increase in cash and cash equivalents		(395,415)	539,683
Effect of foreign exchange rate changes		30,372	(12,368)
Cash and cash equivalents, beginning of year	18	1,375,786	848,471
Cash and cash equivalents, end of year	18	1,010,743	1,375,786

The notes on pages 59 to 123 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

(Amounts expressed in Hong Kong dollars unless otherwise stated)

1. ORGANISATION

Shanghai Real Estate Limited (the "Company") was incorporated in Bermuda with limited liability on 11 August 1999 as an exempted company under the Companies Act 1981 of Bermuda. Pursuant to a group reorganisation (the "Reorganisation") in connection with the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "SEHK"), the Company became the ultimate holding company of the other companies comprising the Group on 12 November 1999. Further details of the Reorganisation are set out in the Company's prospectus dated 30 November 1999. The shares of the Company were listed on the SEHK on 10 December 1999. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company and its subsidiaries (together the "Group") are mainly engaged in real estate development in the People's Republic of China (the "PRC").

These consolidated financial statements are presented in thousands of units of Hong Kong Dollars (HK$'000), unless otherwise stated. These consolidation financial statements have been approved for issue by the Board of Directors on 30 March 2007.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of Shanghai Real Estate Limited have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative instruments) and property, plant and equipment, as well as investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

During the year ended 31 December 2006, the Group had a negative operating cash flow of approximately HK$1,282 million (2005: positive operating cash flow of approximately HK$245 million). As at 31 December 2006, the Group's liquidity ratio is 39% (2005: 61%), and the Group is expected to have significant operating cash outflows in the year ending 31 December 2007, as most of its development projects are still under development.

Subsequent to 31 December 2006, the Group has successfully renewed some of its banking facilities and obtained additional facilities of approximately HK$995 million. In addition, the directors are currently implementing a plan to raise additional funds through disposing certain of the Group's property assets. Having considered the above factors, the directors believe the Group has the ability to the meet its future working capital and other financing requirements, and have prepared these consolidated financial statements on a going concern basis accordingly.

(a) Amendments to published standards effective in 2006

HKAS 19 (Amendment), Employee Benefits, is mandatory for the Group's accounting periods beginning on or after 1 January 2006. It introduces the option of an alternative recognition approach for actuarial gains and losses. As the Group has no such employer plans, adoption of this amendment has no impact on the Group's consolidated financial statements.

(b) Standards early adopted by the Group

HKFRS 7, Financial instruments: Disclosures, and the complementary Amendment to HKAS 1, Presentation of Financial Statements-Capital Disclosures, were early adopted in 2006. HKFRS 7 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification and valuation of the Group's financial instruments.

(c) Interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 May 2006 or later periods that the Group has not early adopted:

- HK(IFRIC)-Int 8, Scope of HKFRS 2 (effective for annual periods beginning on or after 1 May 2006). HK(IFRIC)-Int 8 requires consideration of transactions involving the issuance of equity instruments-where the identifiable consideration received is less than the fair value of the equity instruments issued-to establish whether or not they fall within the scope of HKFRS 2. The Group will apply HK(IFRIC)-Int 8 from 1 January 2007, but it is not expected to have any impact on the Group's consolidated financial statements;

- HK(IFRIC)-Int 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). HK(IFRIC)-Int 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply HK(IFRIC)-Int 10 from 1 January 2007, but it is not expected to have any impact on the Group's consolidated financial statements.

(d) Interpretation to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 May 2006 or later periods but are not relevant for the Group's operations:

- HK(IRFIC)-Int 7, Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006). As none of the group entities have a currency of a hyperinflationary economy as its functional currency, HK(IFRIC)-Int 7 is not relevant to the Group's operations;

- HK(IFRIC)-Int 9, Reassessment of embedded derivatives (effective for annual periods beginning on or after 1 June 2006). HK(IFRIC)-Int 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment if required. As none of the group entities have changed the terms of their contracts, HK(IFRIC)-Int 9 is not relevant to the Group's operations.

(e) Standards, amendments and interpretations effective in 2006 but not relevant for the Group's operations

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group's operations:

- HKAS 21 Amendment – New Investment in a Foreign Operation;

- HKAS 39 Amendment – Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- HKAS 39 Amendment – The Fair Value Option;
- HKAS 39 and HKFRS 4 Amendment – Financial Guarantee Contracts;
- HKFRS 6, Exploration for and Evaluation of Mineral Resources;
- HKFRS 1 Amendment – First-time Adoption of International Financial Reporting Standards and HKFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources;
- HK(IFRIC)-Int 4, Determining whether an Arrangement contains a Lease;
- HK(IFRIC)-Int 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and
- HK(IFRIC)-Int 6, Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Groups' share of the identifiable net assets acquired is recorded as goodwill (Note 2.7). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.8). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(ii) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(iii) Associated companies

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (see Note 2.7).

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in associated companies are stated at cost less provision for impairment losses (Note 2.8). The results of associated companies are accounted for by the Company on the basis of dividend received and receivable.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company and its subsidiaries' functional currency is RMB Yuan, as the major revenues are derived from operation in mainland China. Considering the Company is listed in Hong Kong Stock Exchange, HK dollars is chosen as the presentation currency to present the consolidated financial statements.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as investments classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Property, plant and equipment

Hotel properties and golf course are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the assets. All other property, plant and equipment, other than construction in progress, are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of hotel properties and golf course are credited to "other reserves" in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are expensed in the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset expensed in the income statement and depreciation based on the asset's original cost is transferred from "other reserves" to retained earnings.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Hotel properties	Building 40 years, equipment 10 years, fixture and fitting 8 years
Golf course	Course 40 years, club building 40 years, club equipment 10 years, club fixture and fitting 8 years
Buildings	30 years
Leasehold improvements	Over the remaining period of the lease
Furniture, fixtures and office equipment	5-10 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Construction-in-progress represents buildings under construction and is stated at cost less accumulated impairment losses. Cost includes the costs of construction and acquisition. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

2.6 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property comprises land held under operating leases and related buildings.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statement as part of the other gains/(expenses)-net.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as properties under development for long-term investment and stated at cost until construction or development is complete, at which time it is reclassified and accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

2.7 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate entity at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates and is tested annually for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

2.8 Impairment of assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

If a contract contains one or more embedded derivatives, an entity may designate the entire hybrid contract as a financial assets through profit or loss upon initial recognition. Assets in this category are classified as current assets if they are expected to be realised within 12 months of the balance sheet date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet (Note 2.13).

(c) Held-to-maturity financial investments

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. During the year, the Group did not hold any investments in this category.

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial investments are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement within other gains/(expenses)-net, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, or other appropriate pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

2.10 Accounting for derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designed as a hedging instrument, and if so, the nature of the item being hedged.

The Group's derivative instruments do not qualify for hedge accounting and are accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement within other gains/(expenses)-net.

2.11 Properties held or under development

Properties held or under development for sale are included in current assets at the lower of cost and net realisable value. Properties under development for long-term investment are stated at cost less any accumulated impairment losses (Note 2.8).

The costs of properties held or under development consist of construction expenditures and borrowing costs directly attributable to the construction of such properties and other direct costs. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs.

No depreciation is provided on properties held or under development for sale.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within selling and marketing costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling and marketing costs in the income statement.

2.14 Cash and cash equivalent

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.16 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings (including guaranteed notes) are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

The fair value of early redemption option of a convertible bond is determined using appropriate valuation technicals, and is recorded as a derivative financial instrument at fair value thought profit and loss (Note 2.10). The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. The conversion option is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.18 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.19 Employee benefits

(a) Pension obligations (defined contribution plan)

Pursuant to PRC laws and regulations, contributions to the basic old age insurance for the Group's local staff have been made monthly to a government agency based on 28.5% of the standard salary set by the provincial government, of which 22.5% is borne by the Group and the remainder is borne by the staff. The government agency is responsible for the pension liabilities relating to such staff on their retirement. In addition, the Company participates in the Mandatory Provident Fund Scheme, under which contributions of 5% of the Hong Kong employee's monthly salary are made by the employer and the Hong Kong employee. The provision and contributions have been included in the accompanying consolidated income statement upon incurrence. The Group has no obligation for the payment of pension benefits beyond the contributions described above.

The Group provides no retirement or termination benefits other than those described above.

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become vested. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.20 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.21 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities, net of value-added tax, sales tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(a) Sales of properties

Revenue from sale of properties is recognised upon completion of sale agreement, which refers to the time when properties are completed and delivered to the buyers. Deposits and instalments received on properties sold prior to completion of the respective sale agreements are included as advance received from pre-sale of properties under development.

(b) Sale of goods

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(c) Construction of infrastructure for intelligent network

Revenue from the construction of infrastructure for intelligent network is recognised in accordance with accounting policies for construction contracts in progress.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised when incurred.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised over the period of the contract, respectively, as revenues and expenses. The Group uses the percentage of completion method to determine the appropriate amount of revenue and costs to be recognised in a given period; the stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total costs for the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(d) Operating rental income

Operating rental income is recognised on a straight-line basis.

(e) Property management revenue

Property management revenue is recognised in the accounting period in which the services are rendered.

(f) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(g) Dividend income

Dividend income is recognised when the right to receive payment is established.

(h) Sale of land infrastructure

Shanghai Golden Luodian Development Co., Ltd. ("Golden Luodian"), a significant associate company of the Group, has been given the right to carry out construction and preparation works in respect of the infrastructure of land plots and public facilities within the district of Luodian New County owned by the local government. The completed land plots are sold by the government to land buyers through public auction, tender or listing procedures from time to time, upon which Golden Luodian is entitled to receive a proportion of revenue proceeds.

Golden Luodian provides land buyers certain construction works, including the infrastructure of land plots and surrounding public facilities. As public facilities are separately identifiable from the infrastructure of land plots, which must be completed when the plots are sold to land buyers by the government, certain public facilities may not be completed at the time of the sale. Total revenue proceeds are allocated between the completed and the outstanding construction works based on their fair value.

The revenue attributable to the completed infrastructure is recognised upon the transfer of risks and rewards in connection of land plots, which refers to the time when the land plots are sold to the buyers by the government through public land auction, tender or listing procedures. The deferred revenue of outstanding construction works are recognised when the related construction works are completed.

In prior years, Golden Luodian adopted HKAS 11 – construction contracts, to recognise revenue, costs and attributable profits arising from sales of land infrastructure using the percentage of completion method during land development process, regardless of whether the land plots were sold out or not by government to land buyers. In 2006, management of Golden Luodian reassessed the business model, and considered the risks and rewards of land infrastructure are transferred when the land plots are sold out by the government through public land auction procedures. Therefore management considers HKAS 18-revenue, rather than HKAS 11, could result in the financial statements providing more reliable and relevant information for such transaction.

The change of accounting policy is applied retrospectively by Golden Luodian and the previously disclosed revenue and cost of Golden Luodian is revised accordingly (see Note 12). The change of accounting policy has no impact to Golden Luodian's net profit attributable to the Group.

2.23 Operating leases (as a lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

The Group made upfront payments to obtain operating leases of land use rights on which properties will be developed. The upfront payments of the land use rights are recorded as assets and amortised over the lease periods. The amortisation during the period of construction of the properties is capitalised as the cost of properties under development. The amortisation during the period before the commencement and after the completion of the construction of the properties is expensed in consolidated income statement. The unamortised upfront payments are recognised as cost of sales when the relevant properties are sold or transferred to the cost of investment properties upon completion of the relevant properties under development for long-term investment.

2.24 Borrowing cost

Borrowing costs that are directly attributable to the construction of any qualified assets that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.26 Comparatives

Certain comparative figures have been reclassified in accordance with the new presentation and disclosure requirements and also to conform with current year's presentation.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign currency risk

The functional currency of the Company and its subsidiaries is RMB Yuan. Foreign exchange risk arises when the future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the functional currency.

In April 2006, the Company issued United States Dollars ("US$") 200 million guaranteed notes due in April 2013 (Note 22). The Group is exposed to foreign exchange risk arising from the exposure of RMB against US$. To manage the foreign exchange risk arising from this recognised liability, the Company entered into fixed to fixed cross currency swaps, transacted with external bankers (Note 25).

(ii) Cash flow and fair value interest rate risk

Except for loans to associated companies (Note 43), short-term deposits (Note 18) and term-loan (Note 16) with fixed interest-rate, the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from long-term borrowings, guaranteed notes and convertible bonds. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group has not hedged its cash flow and fair value interest rate risk. The interest rate and terms of repayments of borrowings, guaranteed notes and convertible notes are disclosed in Note 21, Note 22 and Note 23.

(b) Credit risk

The Group's exposure to credit risk is represented by the carrying amount of each financial asset, including receivables and the guarantees provided for customers' purchase of property, prior to the submission of property title to the lender banks.

The Group has no significant concentration of credit risk with any single counterparty or group of counterparties having similar characteristics. For the sale of developed properties to retail customers, consideration would be settled in cash or customers' purchase would be financed by mortgage loans provided by banks. Any recognizable risks are accounted for by adequate allowances on receivables.

(c) Liquidity risk

The Group maintains sufficient liquidity at all times with a financial planning system which is used to recognise the Group's future state of liquidity as is evident from the results of the Group's strategic and planning process. A twelve-month forecast of fund requirements is updated monthly for the latest developments.

Other than properties developed for sale, the Group also develops and holds properties for long-term operation, such as hotel properties and investment properties. Such long-term assets are with an increasing proportion of total assets in recent years, which brings liquidity risk to the Group. In order to mitigate the liquidity risk, the Group adjusted its financing strategy to get more long-term borrowings and increase share capital, through issuance of long-term guaranteed notes, convertible bonds, as well as new shares.

The Group has developed strategic relationship with all the major state-owned banks that will normally provide financing to the Group when relevant approval from government authorities for the commencement of a project is obtained. The Group also seek financing from overseas market through close cooperation with several world-wide bankers.

3.2 Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is usually estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. If financial liabilities are traded in active market, the fair value for disclosure purpose is calculated based on quoted market prices.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimation of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

(b) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(c) Estimation of fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

(d) Estimated of income taxes (including land appreciation tax)

The Group is subject to taxation mainly in Mainland China. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

4.2 Critical judgements in applying the Company's accounting policies

Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as investment property. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

5. BUSINESS SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary and only reporting format. Its operations are mainly organised under five principal business segments in the year ended 31 December 2006: property development, sale of land infrastructure, property leasing, sale of housing-tech products and services and golf course operation.

An analysis by business segment is as follows:

	2006						
	Property development	**Sale of land infrastructure**	**Property leasing**	**Housing technology**	**Golf course operation**	**Other operations**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment results							
External sales	2,571,936	–	14,159	29,608	–	5,757	2,621,460
Segment result	818,407	–	590,720	9,944	–	198	1,419,269
Unallocated corporate expense							(32,609)
Operating/Segment profit							1,386,660
Finance income							115,674
Finance costs							(126,673)
Finance costs – net							(10,999)
Share of net profit/(loss) of associated companies	(7,572)	42,636	(84,007)	1,375	(9,518)	(17,192)	(74,278)
Profit before income tax							1,301,383
Income tax expense							(730,965)
Profit for the year							570,418
Other segment terms included in the income statements							
Depreciation	5,003	–	–	516	–	55	5,574
Impairment of goodwill	–	–	–	2,468	–	–	2,468
Segment assets and liabilities							
Segment assets	7,967,709	398,747	901,891	254,916	21,132	16,443	9,560,838
Interests in associated companies	434,084	39,184	12,788	61,514	2,077	–	549,647
Deferred tax assets	8,122	–	–	–	–	–	8,122
Unallocated assets							125,013
Total assets							10,243,620
Segment liabilities	4,581,604	–	15,114	74,707	–	14,102	4,685,527
Deferred tax liabilities	86,590	–	196,579	–	–	–	283,169
Unallocated liabilities							2,254,376
Total liabilities							7,223,072
Capital expenditure	2,954,644	–	309,811	59	–	952	3,265,466

	Property development HK$'000	Sale of land infrastructure HK$'000	Property leasing HK$'000	2005 Housing technology HK$'000	Golf course operation HK$'000	Other operation HK$'000	Total HK$'000
Segment results							
Total gross segment sales	1,277,351	–	1,321	39,268	–	–	1,317,940
Inter-segment sales	–	–	–	(8,667)	–	–	(8,667)
External sales	1,277,351	–	1,321	30,601	–	–	1,309,273
Segment result	391,001	–	863	14,293	–	–	406,157
Unallocated corporate expense							(4,172)
Operating/Segment profit							401,985
Finance income							10,536
Finance costs							(32,567)
Finance costs – net							(22,031)
Share of net profit/(loss) of associated companies	(8,585)	(26,208)	193,470	5,467	(2,629)	–	161,515
Profit before income tax							541,469
Income tax expense							(167,372)
Profit for the year							374,097
Other segment terms included in the income statements							
Depreciation	4,649	–	–	1,051	–	–	5,700
Impairment of goodwill	–	–	–	2,729	–	–	2,729
Segment assets and liabilities							
Segment assets	4,931,944	–	48,927	87,091	–	–	5,067,962
Interests in associated companies	20,261	259,698	193,470	58,692	26,693	–	558,814
Deferred tax assets	19,085	–	–	–	–	–	19,085
Unallocated assets							436,844
Total assets							6,082,705
Segment liabilities	3,388,280	–	–	20,498	–	–	3,408,778
Deferred tax liabilities	–	–	4,384	–	–	–	4,384
Unallocated liabilities							1,044,333
Total liabilities							4,457,495
Capital expenditure	316,474	–	–	193	–	–	316,667

Unallocated costs represent corporate expenses. Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

Segment assets consist primarily of property, plant and equipment, investment properties, leasehold land, properties under development for long-term investment, intangible assets, financial assets at fair value through profit or loss, interests in associated companies, deferred tax assets, properties held or under development for sale, contracts work-in-progress, inventories, prepayments, operating receivables and operating cash. Unallocated assets comprises unallocated corporate receivables and cash. Segment liabilities comprise operating liabilities and deferred tax liabilities. Unallocated liabilities comprises items such as corporate borrowings, convertible bonds, guarantee notes and related derivative financial instruments. Capital expenditure comprised additions to property, plant and equipment, investment properties, leasehold land, properties under development for long-term investment and intangible assets, including additions resulting from acquisitions through business combination.

6. PROPERTY, PLANT AND EQUIPMENT

GROUP

	2006				
	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Construction-in-progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
Beginning of year	1,718	6,818	23,226	469,266	501,028
Acquisition of subsidiaries	–	1,131	3,062	–	4,193
Additions	–	1,204	8,544	633,448	643,196
Disposals	–	(768)	(2,662)	–	(3,430)
Exchange adjustment	61	242	823	16,629	17,755
End of year	1,779	8,627	32,993	1,119,343	1,162,742
Accumulated deprecation					
Beginning of year	1,425	3,847	10,708	–	15,980
Acquisition of subsidiaries	–	528	686	–	1,214
Depreciation charge for the year	173	1,261	4,140	–	5,574
Disposals	–	(592)	(2,030)	–	(2,622)
Exchange adjustment	53	186	329	–	568
End of year	1,651	5,230	13,833	–	20,714
Net book value					
Balance, end of year	128	3,397	19,160	1,119,343	1,142,028
Balance, beginning of year	293	2,971	12,518	469,266	485,048

	2005					
	Buildings	**Leasehold improvements**	**Furniture, fixtures and office equipment**	**Motor vehicles**	**Construction-in-progress**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost						
Beginning of year	47,185	1,701	6,824	22,571	180,379	258,660
Additions	1,375	–	575	1,826	285,108	288,884
Disposals	(50,133)	–	(721)	(1,604)	(278)	(52,736)
Exchange adjustment	1,573	17	140	433	4,057	6,220
End of year	–	1,718	6,818	23,226	469,266	501,028
Accumulated depreciation						
Beginning of year	6,846	1,239	3,008	7,897	–	18,990
Depreciation charge for the year	327	169	1,176	4,028	–	5,700
Disposals	(7,327)	–	(395)	(1,371)	–	(9,093)
Exchange adjustment	154	17	58	154	–	383
End of year	–	1,425	3,847	10,708	–	15,980
Net book value						
Balance, end of year	–	293	2,971	12,518	469,266	485,048
Balance, beginning of year	40,339	462	3,816	14,674	180,379	239,670

Depreciation expenses of approximately HK$1,523,000 (2005: approximately HK$1,351,000) had been expensed in cost of goods sold, approximately HK$168,000 (2005: approximately HK$365,000) in selling and marketing costs and approximately HK$3,883,000 (2005: approximately HK$3,984,000) in administrative expenses.

As of 31 December 2006 and 2005, certain of the Group's construction-in-progress had been pledged as collateral for the Group's bank loans and facilities, see Note 21 for details.

COMPANY

	2006			
	Leasehold improvements	**Furniture, fixtures and office equipment**	**Motor vehicles**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
Beginning of year	943	624	3,333	4,900
Additions	–	33	–	33
Disposals	–	(26)	–	(26)
Exchange adjustment	33	22	119	174
End of year	976	653	3,452	5,081
Accumulated depreciation				
Beginning of year	651	533	1,275	2,459
Depreciation charge for the year	173	41	182	396
Disposals	–	(23)	–	(23)
Exchange adjustment	24	19	48	91
End of year	848	570	1,505	2,923
Net book value				
Balance, end of year	128	83	1,947	2,158
Balance, beginning of year	292	91	2,058	2,441

	2005			
	Leasehold improvements	**Furniture, fixtures and office equipment**	**Motor vehicles**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
Beginning of year	943	589	3,333	4,865
Additions	–	35	–	35
End of year	943	624	3,333	4,900
Accumulated depreciation				
Beginning of year	481	423	1,041	1,945
Depreciation charge for the year	170	110	234	514
End of year	651	533	1,275	2,459
Net book value				
Balance, end of year	292	91	2,058	2,441
Balance, beginning of year	462	166	2,292	2,920

7. INVESTMENT PROPERTIES

GROUP

	2006	**2005**
	HK$'000	*HK$'000*
Beginning of year	48,927	48,245
Transfer from property under development for long-term investment *(Note 9)*	100,227	–
Transfer from leasehold land *(Note 8)*	36,550	–
Fair value gain/(loss) *(Note 31)*	579,540	(2,206)
Dissolution of a subsidiary	(13,994)	–
Exchange adjustment	14,078	2,888
End of year	765,328	48,927

The following amounts have been recognised in the consolidated income statement:

	2006	**2005**
	HK$'000	*HK$'000*
Rental income *(Note 29)*	14,886	1,321
Direct operating expenses arising from investment properties that generate rental income	3,802	–
Direct operating expenses arising from investment properties that did not generate rental income	–	–

The valuations of investment properties are performed by management at each reporting date and reviewed at least annually by external valuer. As at 31 December 2006, investment properties were revalued by BMI Appraisals Limited, an independent and professionally qualified valuer, using discounted cash flow projections.

The Group's interests in investment properties at their net book values are analysed as follows:

	2006	**2005**
	HK$'000	*HK$'000*
In the PRC, held on:		
– Leases of over 50 years	750,398	37,051
– Leases of between 10 to 50 years	14,930	11,876
	765,328	48,927

The investment properties as at 31 December 2006 mainly represent a three-storey shopping mall at town area of Shanghai City with fair value of approximately HK$ 727 million. The period of leases of the shopping mall under operating leases is 3 to 10 years.

The future aggregate minimum rental receivables under non-cancellable operating leases of the shopping mall are as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Not later than 1 year	45,808	–
Later than 1 year and no later than 5 years	163,306	–
Later than 5 years	156	–
	209,270	–

8. LEASEHOLD LAND

GROUP

	2006	**2005**
	HK$'000	*HK$'000*
In the PRC, held on:		
– Leases of over 50 years	2,426,967	893,755
– Leases of between 10 to 50 years	406,651	66,922
	2,833,618	960,677

The Group's interests in leasehold land represent prepaid operating lease payments and their net book values are analysed as follows:

	2006	2005
	HK$'000	*HK$'000*
Beginning of year	960,677	969,716
Additions	517,058	164,416
Acquisition of subsidiaries *(Note 42)*	1,716,910	–
Disposals with the sales of completed properties	(327,566)	(174,577)
Amortisation capitalised as properties under development	(25,148)	(20,690)
Transfer to investment properties *(Note 7)*	(36,550)	–
Exchange adjustment	28,237	21,812
End of year	2,833,618	960,677
Analysed as:		
Non-current: In relation to properties under development for long-term investment	244,827	124,329
Current: In relation to properties held or under development for sale	2,588,791	836,348
	2,833,618	960,677

As of 31 December 2006 and 2005, certain of the Group's leasehold land had been pledged as collateral for the Group's bank loans and facilities, see Note 21 for details.

9. PROPERTIES UNDER DEVELOPMENT FOR LONG-TERM INVESTMENT

	2006	2005
	HK$'000	*HK$'000*
Opening net book amount	65,423	36,812
Additions (including capitalization of interest and amortisation of leasehold land)	135,303	27,783
Acquisition of a subsidiary *(Note 42)*	174,508	–
Transfer to investment properties *(Note 7)*	(100,227)	–
Exchange adjustment	2,318	828
Closing net book amount	277,325	65,423

All properties under development for long-term investment are located in Shanghai City and Shenyang City, the PRC.

As of 31 December 2005, certain of the Group's properties under development for long-term investment had been pledged as collateral for the Group's bank loans and facilities, see Note 21 for details.

10. INTANGIBLE ASSETS

GROUP

Intangible assets comprise goodwill arising from acquisitions (Note 42):

	2006	**2005**
	HK$'000	*HK$'000*
Opening balance	–	–
Goodwill arising from acquisition of a subsidiary *(Note 42)*	75,512	–
Closing balance	75,512	–

11. INVESTMENTS IN AND ADVANCES TO SUBSIDIARIES

COMPANY

(a) Investments in subsidiaries

	2006	**2005**
	HK$'000	*HK$'000*
Unlisted equity interests, at cost	2,027,472	510,902

The following is a list of the principal subsidiaries as at 31 December 2006:

Name	**Place and date of incorporation or establishment**	**Percentage of equity interest attributable to the Group**		**Issued and paid-up capital**	**Authorised share capital**	**Principal activities**
		2006	**2005**			
Shanghai Xin Dong Industry Co., Ltd. ("Xin Dong")	PRC 28 May 1993	98%	98%	US$3,457,729	US$3,457,729	Property leasing and real estate agency
Shanghai Real Estate Property Management Co., Ltd. (formerly known as "Good Property Gain Property Management Co., Ltd.") ("Shangzhi Property Management") *(i)*	PRC 1 September 1995	64.2%	40.33%	RMB5,000,000	RMB5,000,000	Property management
Shanghai Cosco-Xin Dong Real Estate Development Co., Ltd. ("Cosco-Xin Dong") *(ii)*	PRC 16 September 1996	–	49%	RMB50,000,000	RMB50,000,000	Property development
Shanghai Oasis Garden Real Estate Co., Ltd. ("Oasis Garden")	PRC 29 September 1998	98.75%	98.75%	US$19,600,000	US$19,600,000	Property development
Shanghai Wingo Infrastructure Co., Ltd. ("Wingo Infrastructure")	PRC 4 August 1999	98.96%	97.96%	US$20,000,000	US$20,000,000	Development of technology for housing and provision of construction services
Shanghai Zhufu Property Development Co., Ltd. ("Zhufu")	PRC 11 August 2000	50.36%	50.36%	RMB10,000,000	RMB10,000,000	Property development

Name	Place and date of incorporation or establishment	Percentage of equity interest attributable to the Group		Issued and paid-up capital	Authorised share capital	Principal activities
		2006	2005			
Anderson Land (Shanghai) Ltd. ("Anderson Shanghai")	British Virgin Islands ("BVI") 29 September 2001	52%	52%	US$100	US$100	Investment holding
Shanghai Anderson Fuxing Land Co., Ltd. ("Anderson Fuxing")	PRC 16 April 2002	51.48%	51.48%	US$20,000,000	US$20,000,000	Property development
Shanghai Hangtou Govern Real Estate Co., Ltd. ("Hangtou Govern")	PRC 14 June 2002	98%	98%	US$10,000,000	US$10,000,000	Property development
Shanghai Jinwu Real Estate Co., Ltd. ("Shanghai Jinwu")	PRC 12 August 2002	96.80%	96.52%	US$54,962,000	US$54,962,000	Property development
Shanghai Qinhai Real Estate Co., Ltd ("Qinhai") *(iii)*	PRC 28 October 2002	100%	–	RMB700,000,000	RMB700,000,000	Property development
Shanghai Skyway Oasis Garden Hotel and Condominium Co., Ltd. ("Skyway")	PRC 9 December 2002	56%	56%	RMB200,000,000	RMB200,000,000	Property development
Shenyang Huarui Shiji Investment Development Limited ("Huarui Shiji") *(iii)*	PRC 22 December 2004	51%	–	US$62,500,000	US$62,500,000	Property development
Shenyang Huajian Real Estate Co., Ltd ("Shenyang Huajian")	PRC 3 November 2006	100%	–	US$14,500,000	US$25,000,000	Property development

Other than disclosed above, the Company has several investment holding subsidiaries incorporated in BVI with nominal issued shares. All subsidiaries located in the PRC are limited liability entities.

(i) During the year ended 31 December 2006, the Group acquired additional equity interest in Shangzhi Property Management, which increased Group's interest from 40.33% to 64.2%.

(ii) During the year ended 31 December 2006, Cosco-Xin Dong was dissolved.

(iii) During the year ended 31 December 2006, the Group acquired 51% equity interest in Huarui Shiji and 100% equity interest in Qinhai. The details of the business combination are disclosed in Note 42.

(b) Advances to subsidiaries

Except for an unsecured advance amounting to approximately HK$71.5 million (2005: HK$74 million) to Anderson Shanghai which earns interest at 3% (2005: 3%) per annum and without fixed repayment terms, the advances to other subsidiaries were unsecured, interest free and without fixed repayment terms. Details of the advance to Anderson Shanghai are as follow:

As set out in the Company's announcement dated 29 May 2002, the Group acquired a 52% interest in Anderson Shanghai from a third party vendor. According to the shareholders' agreement, the Group and the vendor (who retained the remaining 48% interest) agreed to provide shareholders' loans to Anderson Shanghai on normal commercial terms in proportion to their respective shareholding in Anderson Shanghai, an investment holding company whose sole asset is its 99% equity interest in a property development project. As of 31 December 2006, all shareholders' loans of Anderson Shanghai amounting to approximately HK$71.5 million were provided by the Group.

12. INTERESTS IN ASSOCIATED COMPANIES

GROUP AND COMPANY

	Group		Company	
	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Beginning of the year	558,814	344,116	233,325	233,325
Share of results of associated companies	(74,278)	161,515	–	–
Elimination of unrealised profit arising from down-stream transaction with an associated company	(6,984)	–	–	–
Increase investment in an associated company *(note (b))*	436,582	12,016	–	–
Acquire an associated company *(note (a))*	54,448	–	–	–
Dispose interests in associated companies *(note (a) and (c))*	(415,958)	–	(233,325)	–
Transfer to subsidiary *(Note 11(a))*	(1,068)	–	–	–
Profit distribution	–	(1,883)	–	–
Movements in revaluation reserves *(Note 20)*	(18,300)	44,785	–	–
Impairment of goodwill	(2,468)	(2,729)	–	–
Exchange difference	18,859	994	–	–
End of the year	549,647	558,814	–	233,325

The Groups' interests in its principal associates as at 31 December 2006, all of which are unlisted, were as follows:

Name	Place and date of incorporation or establishment	Percentage of equity interest attributable to the Group		Issued and paid-up capital	Authorised share capital	Principal activities
		2006	2005			
Shanghai Internet Information Technology Co., Ltd. ("Shanghai Internet") *(c)*	PRC 9 January 1995	–	48.98%	RMB20,000,000	RMB20,000,000	Development of information system for intelligent building
Shanghai Housing Industry New Technology Development Co., Ltd. ("New Technology")	PRC 6 May 1997	26%	26%	RMB100,000,000	RMB100,000,000	Research and development of housing technology
Shanghai Orda Opto-electronics Science and Technology Co., Ltd. ("Orda")	PRC 23 March 2000	23.52%	23.52%	RMB11,000,000	RMB11,000,000	Development and sales of photo electron products, computer hardware and software
Shanghai Telecom Broadband Networking Co., Ltd. ("Broadband")	PRC 24 October 2000	39.19%	39.19%	RMB50,000,000	RMB50,000,000	Development and sales of netware and construction of broad band fibre projects
Shanghai Golden Luodian Development Co., Ltd. (formerly known as "Shanghai Golden Luodian Real estate & Development Co., Ltd"). ("Golden Luodian") *(a)*	PRC 26 September 2002	35.59%	45.26%	RMB548,100,000	RMB548,100,000	Land infrastructure development for sale, investment property leasing, hotel operation and golf course operation

Name	Place and date of incorporation or establishment	Percentage of equity interest attributable to the Group		Issued and paid-up capital	Authorised share capital	Principal activities
		2006	2005			
Shanghai Shuo Cheng Real Estate Co., Ltd. ("Shuo Cheng") *(b)*	PRC 29 January 2003	44.53%	44.08%	RMB450,000,000	RMB450,000,000	Property development
China New Town Development Co., Ltd. ("CNTD") *(a)*	BVI 4 January 2006	49%	–	US$50,935,231	US$50,935,231	Investment Holding

(a) During the year ended 31 December 2006, the Group entered into an agreement with another foreign investor of Golden Luodian ("Foreign Investor") and China New Town Development Co., Ltd. ("CNTD") (the "Agreement"). Pursuant to the Agreement, the Group and the Foreign Investor disposed of their respective 45.26% and 27.37% equity interest in Golden Loudian for 4,900 CNTD shares and convertible notes of CNTD with a principal amount of HK$94,712,428.98 and a conversion price of HK$26,792.76 per CNTD share (the "Convertible Notes"), and 5,100 CNTD shares respectively. Unless converted on the earlier of (a) the date when dealings in CNTD shares first commence on a recognised exchange, as defined in the Agreement, and (b) the second anniversary of the date of issue of the Convertible Notes (the "maturity date"), the convertible notes will be redeemed at 100 percent of their principal amount on the maturity date.

Upon completion of the Agreement but prior to conversion of the Convertible Notes, the Group's attributable interest in Golden Luodian decreased from 45.26% to 35.59%.

A gain on disposal of approximately HK$189,098,000 was recorded as "other gains/(expenses)-net" in the consolidated income statement (Note 31). The Convertible Notes were recorded as "financial assets at fair value through profit or loss" in the consolidated balance sheet (Note 13).

(b) On 3 November 2006, the Group entered into a sales and purchase agreement (the "S&P Agreement") with three joint venture partners of Shuo Cheng to purchase their 55% equity interest in Shuo Cheng at total consideration of approximately HK$32.82 million. The acquisition consideration, together the Group's further capital contribution of approximately HK$398 million, were paid to Shuo Cheng by 31 December 2006. The renewed business licence of Shuo Cheng was obtained in January 2007, and approval from the Company's special shareholders' meeting was obtained in January 2007 also. Thereafter Shuo Cheng becomes a subsidiary of the Group.

(c) During the year ended 31 December 2006, the Group disposed its equity interest in Shanghai Internet. A gain on disposal of approximately HK$2,344,000 was recorded as "other gains/(expenses)-net" in the consolidated income statement (Note 31).

Breakdown of interests in associated companies were as follows:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Investments (unlisted), at cost				
– CNTD	54,448	–	–	–
– Golden Luodian	–	233,325	–	233,325
– New Technology	25,878	24,397	–	–
– Shuo Cheng	458,977	21,628	–	–
– Broadband	19,906	19,225	–	–
– Shanghai Internet	–	9,613	–	–
– Orda	7,825	7,756	–	–
– Shangzhi Property Management	–	1,163	–	–
	567,034	317,107	–	233,325
Representing:				
– Share of net assets at time of acquisition	560,107	310,417	–	233,325
– Goodwill on acquisition	6,927	6,690	–	–
	567,034	317,107	–	233,325
Accumulated impairment for goodwill	(5,197)	(2,729)	–	–
Accumulated share of reserves and post acquisition results less distributions	(12,190)	244,436	–	–
	549,647	558,814	–	233,325

The Group's interests in its principal associated companies, all of which are unlisted, were as follows:

(a) Golden Luodian

(i) Summarised consolidated profit and loss account of Golden Luodian

	2006	**2005**
	HK$'000	*HK$'000* (restated)
Turnover	750,092	231,500
(Loss)/profit before taxation	(14,744)	553,976
Taxation	4,958	(183,513)
(Loss)/profit after taxation	(9,786)	370,463
Minority interests	60	102
Net (loss)/profit attributable to owners	(9,726)	370,565
Net (loss)/profit attributable to the Group	(4,402)	167,718

(ii) Summarised consolidated assets and liabilities of Golden Luodian

	2006	2005
	HK$'000	*HK$'000*
		(restated)
Assets		
Non-current assets	2,394,864	1,386,839
Current assets	2,230,393	2,917,345
	4,625,257	4,304,184
Equity and liabilities		
Capital and reserves	1,081,119	1,092,030
Minority interests	–	(60)
Non-current liabilities	2,743,293	2,370,929
Current liabilities	800,845	841,285
	4,625,257	4,304,184

The principal activities of Golden Luodian are development and sales of land infrastructure, the holding of investment properties, the operation of hotel and conference facilities and the operation of a golf course.

As stated in Note 2.22 (h), Golden Luodian changed its revenue recognition policy for sales of land infrastructure in year 2006. This change in accounting policy has been accounted for retrospectively, and the comparative summarised financial information of year 2005 has been restated.

(b) Shuo Cheng

(i) Summarised consolidated profit and loss account of Shuo Cheng

	2006	2005
	HK$'000	*HK$'000*
Turnover	–	–
Loss before taxation	(11,098)	(4,040)
Taxation	(7,016)	1,333
Loss after taxation	(18,114)	(2,707)
Minority interests	65	20
Net loss attributable to owners	(18,049)	(2,687)
Net loss attributable to the Group	(8,122)	(1,209)

(ii) Summarised consolidated assets and liabilities of Shuo Cheng

	2006	2005
	HK$'000	*HK$'000*
Assets		
Non-current assets	64,712	3,281
Current assets	3,033,515	1,754,215
	3,098,227	1,757,496
Equity and liabilities		
Capital and reserves	424,990	43,701
Minority interests	112	172
Non-current liabilities	547,593	951,552
Current liabilities	2,125,532	762,071
	3,098,227	1,757,496

The principal activity of Shuo Cheng is the development of a significant residential property project for sale in the town area of Shanghai City.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

GROUP

Financial assets at fair value through profit or loss represent the Convertible Notes issued by CNTD to the Group (see Note 12(a)).

The Convertible Notes contain one embedded derivative - conversion option. The Group has designated the entire hybrid Convertible Notes as "financial assets at fair value through profit or loss", rather than separating the conversion option from the host contract.

Financial assets at fair value through profit or loss are initially recognised at fair value. As the Convertible Notes are not traded in active market, the Company engaged BMI Appraisals Limited, an independent and professionally qualified valuer, to establish fair value by using valuation techniques.

14. PROPERTIES HELD OR UNDER DEVELOPMENT FOR SALE

GROUP

	2006	2005
	HK$'000	*HK$'000*
At cost		
– In Shanghai City, the PRC	2,115,706	1,641,784
– In Shenyang City, the PRC	259,602	–
	2,375,308	1,641,784

As of 31 December 2006 and 2005, certain of the Group's properties held or under development for sale had been pledged as collateral for the Group's bank loans and facilities, see Note 21 for details.

15. PREPAYMENT AND OTHER CURRENT ASSETS

	Group		Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepaid business tax *(Note 26)*	39,816	82,105	–	–
Prepayments of sales commission to real estate agency	12,116	29,110	–	–
Prepayment for equipment purchase	10,320	4,794	–	–
Others	3,727	3,705	–	–
	65,979	119,714	–	–

16. OTHER RECEIVABLES

	Group		Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Guarantee deposit for derivative liabilities *(a)*	53,272	–	53,272	–
Earnest money to minority shareholder of a subsidiary *(b)*	–	288,378	–	–
Term-loan *(c)*	–	44,031	–	44,031
Amounts due from minority shareholders of subsidiaries *(d)*	168,631	64,110	–	–
Others	30,886	18,366	2,691	3,296
	252,789	414,885	55,963	47,327

(a) A credit support agreement was subscribed by the Group as annex to the derivative financial instruments made with external bankers (Note 25). Under the credit support agreement, the Group was required to pay a guarantee deposit for future settlement of the derivative liabilities, if any, arising from a drop in value of the derivative. As at 31 December 2006, the Group paid guarantee deposit of US$ 6.8 million (equivalent to approximately HK$53.2 million) to bankers pursuant to this credit support annex.

(b) The Group and Lucky Charming Enterprises Limited ("LCE") respectively hold 52% and 48% equity interest in Anderson Shanghai, which in turn owns 99% equity interest in Anderson Fuxing, a property development company responsible for the development of a luxury residential property with shopping mall properties at town area of Shanghai City.

On 10 October 2005, the Group signed a letter of intent with LCE to acquire the latter's 47.52% indirect beneficial interest in the shopping mall of the property development company for a consideration of RMB 300 million (equivalent to approximately HK$288 million). In connection with this acquisition, the Group paid earnest money amounting to RMB300 million on 26 October 2005 to a domestic entity designated by LCE. The earnest money is interest free and upon completion, it will be used for the settlement of acquisition consideration. The acquisition was completed on 10 July 2006 upon getting approval from a special general meeting of the Company. On the acquisition date, LCE's indirect beneficial interest in the shopping mall was approximately HK$178.3 million. After the acquisition, LCE is no longer entitled to any profits, income and dividend and rights upon distribution of assets by Anderson Shanghai and/or Anderson Fuxing of the shopping mall properties.

(c) In May 2004, the Company granted a loan of US$7.26 million (equivalent to approximately HK$56.6 million) to a company for a period of 18 months. The sole director of this company is also the beneficial owner and director of LCE. The loan earns interest at a rate of 10% per annum; the repayment date for the loan balance was extended to 30 June 2006 when it became due for repayment. As at 31 December 2006, the loan principal together with interest charges was fully settled.

(d) Amounts due from minority shareholders of subsidiaries were interests free and without fixed repayment terms. As at 31 December 2006, RMB169 million (equivalent to approximately HK$169 million) was due from LCE.

The amounts due from minority shareholders of subsidiaries were estimated to be settled within one year. The carrying amounts of other receivables approximated their fair value.

17. ACCOUNTS RECEIVABLE

GROUP

	2006	**2005**
	HK$'000	*HK$'000*
Accounts receivable	22,163	10,587
Less: Provision for doubtful accounts	(1,977)	–
	20,186	10,587

An aging analysis of accounts receivable is set out below:

	2006	**2005**
	HK$'000	*HK$'000*
Within 1 year	10,067	10,587
1-2 years	10,119	–
Over 2 years	1,977	–
	22,163	10,587

The carrying amounts of the Group's accounts receivable were denominated in RMB, and approximated their fair value.

There is no concentration of credit risk with respect to accounts receivables, as the Group has a large base of customers. The maximum exposure to credit risk at reporting date is the fair value of trade receivable.

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash in hand	417	138	217	22
Demand deposits	1,010,326	1,025,648	61,089	19,344
Short-term deposits	–	350,000	–	350,000
Cash and cash equivalents	1,010,743	1,375,786	61,306	369,366
Pledged bank deposits *(a)*	11,068	12,330	–	12,330
Restricted bank deposits	4,093	7,701	–	–
Cash and bank balances	1,025,904	1,395,817	61,306	381,696

(a) As at 31 December 2006, bank deposits of approximately HK$11 million were restricted in connection with the issue of bank notes (2005: approximately HK$12.3 million was pledged for short-term bank borrowings, see Note 21).

For the year ended 31 December 2006, the effective interest rates on demand deposits were 0.72% to 2.75% per annum (2005: 0.72% to 3% per annum). For the year ended 31 December 2005, the effective interest rate on short-term deposits was 4.07% per annum. The short-term deposits are with original maturity periods of one to two months.

The carrying amounts of cash and bank balances are denominated in the following currencies:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
HK$	45,330	381,061	45,218	380,971
US$	71,083	79,527	16,088	725
RMB	909,491	935,229	–	–
	1,025,904	1,395,817	61,306	381,696

19. SHARE CAPITAL

GROUP AND COMPANY

	Number of shares	Amount: Ordinary shares	Amount: Share premium	Total
	(thousands)	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2005	1,354,800	135,480	596,091	731,571
Allotment of shares upon exercise of share options *(a)*	51,000	5,100	16,930	22,030
Issue of scrip dividends *(b)*	35,930	3,593	27,306	30,899
Issue of shares upon conversion of convertible bonds	68,100	6,810	67,761	74,571
At 31 December 2005	1,509,830	150,983	708,088	859,071
Allotment of shares upon exercise of share options *(a)*	1,500	150	1,150	1,300
Issue of scrip dividends *(b)*	22,925	2,293	34,892	37,185
Issue of shares upon conversion of convertible bonds *(c)*	398,805	39,880	431,476	471,356
Issue of shares – placement *(d)*	212,000	21,200	481,018	502,218
At 31 December 2006	2,145,060	214,506	1,656,624	1,871,130

The total authorised number of ordinary shares is 4,000 million shares (2005: 4,000 million shares) with a par value of HK$0.10 per share (2005: HK$0.10 per share). All issued shares are fully paid.

(a) Share options

The share option scheme was approved at a special general meeting held on 23 May 2002. According to this share option scheme, the directors may, at their discretion at any time during the ten years from the date of approval of the scheme, invite any executive and/or employee of the Group to take up share options of the Company. The subscription price is determined by the directors and will be determined according to the higher of (i) the average official closing price of the shares on the SEHK for the five trading days immediately preceding the relevant offer date and (ii) the official closing price of the shares on the SEHK on the relevant offer date. Options granted becomes vested immediately and are not conditional on employees' service period. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be notified by the Board to each grantee and unless the Board shall otherwise resolve in relation to any option at the time of grant, such period of time should not exceed 3 years commencing from the expiry of six months after the date on which the option is accepted and expiring on the last day of such period or 11 November 2009, whichever is the earlier.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2006		2005	
	Average exercise price in HK$ per share	Options	Average exercise price in HK$ per share	Options
Beginning of year	0.87	1,500,000	0.43	51,000,000
Granted during the year		–	0.87	1,500,000
Exercised during the year *(i)*	0.87	(1,500,000)	0.43	(51,000,000)
End of year		–	0.87	1,500,000

(i) Share options exercised in 2006 resulted in the issuance of 500,000 shares and 1,000,000 shares (2005: 50,000,000 shares and 1,000,000 shares) at HK$0.94 and HK$0.83 per share respectively (2005: HK$0.43 per share and HK$0.53 per share respectively).

Share options outstanding at the end of year have the following terms:

	Exercise price HK$	Number of options		Vested percentage	
Expiry date	per share	2006	2005	2006	2005
4 March 2008	0.94	–	500,000	–	100%
27 June 2008	0.83	–	1,000,000	–	100%
		–	1,500,000		

(b) Pursuant to a resolution passed at the general meeting on 11 May 2006, the Company offered its shareholders scrip dividend as an alternative to cash dividend; under which the shareholders could elect to receive ordinary shares of par value of HK$0.1 each in lieu of cash dividend (see Note 38). As a result, the following additional shares were issued during the year.

	Number of new ordinary share	Issue price per ordinary shares issued	Issue date
Final dividends for the year ended 31 December 2005	22,925,145	HK$1.622	12 June 2006

(c) During the year ended 31 December 2006, the following convertible bonds issued by the Company have been converted by the bondholders at respective conversion prices and following ordinary shares have been issued:

	CB 1 at conversion price of HK$ 1.116 per ordinary share		CB 2 at conversion price of HK$ 1.35 per ordinary share	
Issue date of ordinary shares	**Face value of convertible bonds**	**Number of new ordinary shares issued**	**Face value of convertible bonds**	**Number of new ordinary shares issued**
January 2006	11,000,000	9,856,630	–	–
February 2006	62,000,000	55,555,551	–	–
March 2006	102,000,000	91,397,842	–	–
April 2006	43,000,000	38,530,464	181,000,000	134,074,071
May 2006	–	–	8,000,000	5,925,925
July 2006	8,000,000	7,168,458	–	–
September 2006	–	–	8,000,000	5,925,925
November 2006	–	–	31,000,000	22,962,961
December 2006	–	–	37,000,000	27,407,406
Total	226,000,000	202,508,945	265,000,000	196,296,288

(d) On 5 December 2006, Good Times Resources Limited, Mr. Shi Jian and the Company entered into the Placing Agreement with the Citigroup Global Markets Hong Kong Futures and Securities Limited (the "Placing Agreement"). Under the Placing Agreement, Good Times Resources Limited has conditionally agreed to subscribe for 212,000,000 new shares, representing approximately 11.12% of the existing issued share capital of the Company and approximately 10.01% of the issued share capital of the Company as enlarged by the subscription. The subscription price for the new shares was HK$2.42 per Share. The issuance cost is approximately HK$10,822,000.

20. OTHER RESERVES

GROUP

	Convertible bonds *HK$'000*	Options *HK$'000*	Golf course and hotel properties revaluation *HK$'000*	Statutory reserve *HK$'000* *(a)*	Exchange translation reserve *HK$'000*	Total *HK$'000*
Balance at 31 December 2004	32,860	–	–	44,793	(634)	77,019
Fair value gain (net of tax) from certain assets held by an associated company	–	–	35,946	–	–	35,946
Appropriations	–	–	–	11,931	–	11,931
Currency translation differences	–	–	–	–	24,783	24,783
Granting of options	–	248	–	–	–	248
Issue of shares upon conversion of convertible bonds-equity components *(Note 23)*	(8,269)	–	–	–	–	(8,269)
Issue convertible bonds-equity component *(Note 23)*	3,852	–	–	–	–	3,852
Balance at 31 December 2005	28,443	248	35,946	56,724	24,149	145,510
Balance at 31 December 2005	28,443	248	35,946	56,724	24,149	145,510
Fair value loss (net of tax) from certain assets held by an associated company	–	–	(18,300)	–	–	(18,300)
Revaluation reserve transfer arising from disposal of interest in an associated company	–	–	(3,626)	–	–	(3,626)
Depreciation transfer on certain assets held by an associated company	–	–	(2,008)	–	–	(2,008)
Appropriations	–	–	–	21,170	–	21,170
Currency translation differences	–	–	–	–	39,796	39,796
Issue of shares upon conversion of convertible bonds-equity components *(Note 23)*	(27,235)	–	–	–	–	(27,235)
Balance at 31 December 2006	1,208	248	12,012	77,894	63,945	155,307

(a) The PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the net profit (after offsetting accumulated losses from prior years) as reported in their respective statutory accounts. All statutory reserves are created for specific purposes.

Companies within the Group, which are registered in the PRC as foreign invested entities, are required to make appropriations from statutory net profits to the reserve fund and the enterprise expansion fund, upon distribution of their post-tax profits of the current year. The percentages to be appropriated to the reserve fund and the enterprise expansion fund are determined by the board of directors of these companies.

Companies within the Group, which are registered in the PRC as domestic invested entities, are required to appropriate 10% of statutory net profits to statutory surplus reserves, upon distribution of their post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. Upon contribution to the statutory surplus reserve using its post-tax profits, a company may make further contribution to the surplus reserve using its post-tax profits in accordance with a resolution of the board of directors.

COMPANY

	Convertible bonds	**Options**	**Exchange translation reserve**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2005	32,860	–	–	(233)	32,627
Granting of options *(Note 19)*	–	248	–	–	248
Issue of shares upon conversion of convertible bonds-equity components *(Note 23)*	(8,269)	–	–	–	(8,269)
Issue convertible bonds-equity component *(Note 23)*	3,852	–	–	–	3,852
Balance at 31 December 2005	28,443	248	–	(233)	28,458
Currency translation differences	–	–	47,664	–	47,664
Issue of shares upon conversion of convertible bonds-equity components *(Note 23)*	(27,235)	–	–	–	(27,235)
Balance at 31 December 2006	1,208	248	47,664	(233)	48,887

21. BORROWINGS

GROUP AND COMPANY

	Group		Company	
	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Short-term bank borrowings				
– Secured	263,760	20,000	–	20,000
– Unsecured	75,000	–	75,000	–
Other short-term borrowings				
– Unsecured	17,916	–	–	–
Total short-term borrowings	356,676	20,000	75,000	20,000
Long-term bank borrowings				
– Secured	1,410,522	1,295,695	289,790	430,560
The long-term bank borrowings are repayable as follows:				
– Within 1 year	235,469	465,141	144,895	128,700
– Between 1 and 2 years	229,497	554,797	144,895	160,680
– Between 2 and 3 years	945,556	275,757	–	141,180
	1,410,522	1,295,695	289,790	430,560
Less: long-term borrowings, current portion	(235,469)	(465,141)	(144,895)	(128,700)
Long-term borrowings	1,175,053	830,554	144,895	301,860

Short-term bank borrowings-secured

As at 31 December 2006, approximately HK$40 million of short-term bank loan (2005: nil) was secured by pledge of the Group's leasehold land.

As at 31 December 2006, approximately HK$224 million of short-term bank loan (2005: nil) was secured by joint guarantee provided by the Company and one subsidiary.

As at 31 December 2005, approximately HK$20 million of short-term bank loan was secured by a standby letter of credit arranged by the Company via the pledge of a fixed deposit of approximately HK$12 million (Note 18).

Other short-term borrowings-unsecured

As at 31 December 2006, approximately HK$18 million of unsecured short-term borrowings were borrowed from an stated-owned assets management company.

Long-term bank borrowings-secured

As at 31 December 2006, long-term bank borrowings of approximately HK$1,120 million (2005: approximately HK$472 million) were secured by pledge of the Group's leasehold land, together with properties held or under development for sale and construction-in-progress.

As at 31 December 2005, long-term bank borrowings of approximately HK$382 million were borrowed by 21 newly established BVI subsidiaries for the purchase of 21 residential apartment units developed by Anderson Fuxing. The mortgage loans were secured by a joint guarantee given by the

Company, the 21 BVI subsidiaries and Mr. Shi Jian, the Chairman of the Company; by pledge of ordinary shares in the 22 BVI subsidiaries (including these 21 BVI subsidiaries) held by the Group, representing approximately HK$303 million of net assets attributable to the Group; and by mortgage of the 21 residential units purchased by the 21 BVI subsidiaries. The interest rate under these loan agreements is 1.85% above the London Inter-bank Offered Rate. During the year ended 31 December 2006, the Group repaid certain guaranteed borrowings, and also disposed one BVI subsidiary and repaid the related mortgaged borrowings. As at 31 December 2006, the balance of such long-term bank borrowings decreased to approximately HK$290 million.

As at 31 December 2005, included in long-term bank borrowings is a loan of approximately HK$394 million borrowed from Shanghai Enterprise Annuity Development Centre, arranged via a bank (entrusted loan). The loan is secured by pledge of the Group's leasehold land, together with certain properties under development for long-term investment. The interest rate under this loan agreement is 6.92% per annum. The Group fully repaid this long-term bank borrowing in year 2006.

As at 31 December 2005, long-term bank borrowings of approximately HK$48 million were borrowed under a syndicate loan facility agreement dated 23 May 2003 and the total loan facility granted was approximately HK$121 million for a period of 3 years from the date of the agreement. The rate of interest under this facility agreement is 1.5% above the Hong Kong Inter-bank Offered Rate. The syndicated loan was secured by pledge of ordinary shares in Super-power.com Ltd. held by the Group, representing approximately HK$178 million of net assets attributable to the Group. The Group fully repaid this long-term bank borrowing in year 2006.

Overall collateral arrangements for bank borrowings

As at 31 December 2006, leasehold land of approximately HK$430 million (2005: approximately HK$504 million) (Note 8), properties under development for long-term investment nil (2005: approximately HK$65 million) (Note 9), and properties held or under development for sale of approximately HK$990 million (2005: approximately HK$460 million) (Note 14), together with construction-in-progress of approximately HK$1,119 million (2005: approximately HK$460 million) (Note 6), were mortgaged as collateral for the Group's short-term bank borrowings, long-term bank borrowings and banking facilities disclosed in the preceding paragraphs.

The effective interest rates for these borrowings at the balance sheet date were as follows:

	2006			**2005**		
	HK$	*US$*	*RMB*	*HK$*	*US$*	*RMB*
Short-term bank borrowings	5.5000%	–	6.1227%	5.5960%	–	–
Other short-term borrowings	–	–	5.5200%	–	–	–
Long-term bank borrowings	–	7.2500%	6.5552%	–	6.2175%	6.3339%

As bank loans are all borrowed at prevailing market interest rate, which would be adjusted in line with the market. The carrying amounts of the bank loans approximate their fair value.

The carrying amounts of borrowings are denominated in the following currencies:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
HK$	75,000	20,000	75,000	20,000
US$	289,789	430,560	289,790	430,560
RMB	1,402,409	865,135	–	–
	1,767,198	1,315,695	364,790	450,560

The Group has the following undrawn borrowing facilities as of the balance sheet date:

	2006	**2005**
	HK$'000	*HK$'000*
Floating rate facilities		
– expiring within 1 year	25,000	67,676
– expiring beyond 1 year	179,158	19,500
	204,158	87,176

22. GUARANTEED NOTES

GROUP AND COMPANY

	2006	
		HK$ equivalent
	US$'000	*HK$'000*
Face value of guaranteed notes	200,000	1,604,718
Less: issuing expenses	(6,841)	(54,890)
Fair value on initial recognition	193,159	1,549,828
Accumulated foreign exchange gain	–	(43,188)
Add: accumulated interest expenses *(Note 34)*	12,282	95,802
Less: accumulated payment of interest expenses	(8,625)	(67,275)
	196,816	1,535,167

On 24 April 2006, the Company issued guaranteed notes maturing on 24 April 2013 (the "Maturity Date"), in the aggregate principal amount of US$200 million with fixed interest rate of 8.625% per annum (the "Guaranteed Notes"). The Guaranteed Notes are guaranteed by all of investment holding subsidiaries of the Company which are not incorporated in the PRC (except Anderson Land (Shanghai) Limited).

Interests of the Guaranteed Notes are payable semi-annually in arrear on 24 April and 24 October in each year commencing on 24 October 2006. Regarding to the principal, the Company has the redemption options of:

a) prior to 24 April 2009, redeem on one or more occasions up to 35% of the aggregate principal amount of the Guaranteed Notes originally issued at a redemption price of 108.625% of principal amount, plus accrued and unpaid interest to the redemption date, with the net cash proceeds of certain equity offerings; or

b) at any time or from time to time prior to the Maturity Date, redeem all or part of the Guaranteed Notes at a redemption price equal to 100% of the principal amount thereof plus an applicable premium plus accrued and unpaid interest to such redemption date

As the fair value of the redemption options is no significant, it is not accounted for separately.

On 25 April 2006, the Guaranteed Notes were listed on The Stock Exchange of Hong Kong Limited for dealing.

As at 31 December 2006, the fair value of the Guaranteed Notes was approximately HK$1,524 million which was calculated based on market bid prices. Interest expenses on Guaranteed Notes are calculated using the effective interest method by applying the effective interest rate of 9.30% per annum.

23. CONVERTIBLE BONDS

GROUP AND COMPANY

On 3 May 2004, the Company issued zero coupon convertible bonds maturing on 3 May 2009 (the "Maturity Date"), in the aggregate principal amount of HK$302 million with a conversion price of HK$1.116 per ordinary share of the Company. Unless previously redeemed, converted or purchased and cancelled, the convertible bonds will be redeemed at 111.63 percent of their principal amount on the Maturity Date ("CB 1").

On 9 November 2005, the Company issued convertible bonds maturing on 9 November 2010 (the "Maturity Date"), in the aggregate principal amount of HK$386 million with an initial conversion price of HK$1.35 per ordinary share of the Company (subject to future one time adjustment on 9 November 2006). The interest rate of this bond is 3.5% per annum, which is paid in advance at the beginning of each anniversary year. In the event of conversion or early redemption, there would be no claw back of such prepayment of interest. Unless previously redeemed, converted or purchased and cancelled, the convertible bonds will be redeemed at 110 percent of their principal amount on the Maturity Date ("CB 2").

The fair value of the written put option (bondholders' early redemption option) and purchased call option (bond issuer's early redemption option), as well as the liability component and the equity conversion component, were determined at issuance of the bonds.

The fair value of the liability component as included in liabilities, was initially calculated using a market interest rate for an equivalent non-convertible bond and subsequently measured at amortisation cost. The fair value of the put option, recorded as derivative financial liability, was revalued annually with the revaluation gain or loss charged to the income statement. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in other reserves (Note 20), net of deferred income taxes.

The convertible bonds recognised in the balance sheet are calculated as follows:

	2006		
	CB 1	**CB 2**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Face value of convertible bonds issued	302,000	386,000	688,000
Issuing expenses	(11,160)	(19,811)	(30,971)
Written put option liabilities	(15,845)	(17,416)	(33,261)
Equity components *(Note 20)*	(32,860)	(3,852)	(36,712)
Liability component on initial recognition upon issuance	242,135	344,921	587,056
Accumulated foreign exchange gain	(874)	(5,929)	(6,803)
Accumulated interest expenses *(Note 34)*	30,732	26,124	56,856
Accumulated prepayment of interest expense	–	(20,125)	(20,125)
Accumulated amount converted to ordinary shares of the Company *(Note 19, 20)*	(271,993)	(238,431)	(510,424)
Liability component at 31 December	–	106,560	106,560
Less: amount included under current liabilities	–	(106,560)	(106,560)
Amount included under non-current liabilities	–	–	–

	2005		
	CB 1	**CB 2**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Face value of convertible bonds issued	302,000	386,000	688,000
Issuing expenses	(11,160)	(19,811)	(30,971)
Written put option liabilities	(15,845)	(17,416)	(33,261)
Equity components *(Note 20)*	(32,860)	(3,852)	(36,712)
Liability component on initial recognition upon issuance	242,135	344,921	587,056
Accumulated interest expenses *(Note 34)*	26,532	2,335	28,867
Prepayment of interest expense	–	(13,510)	(13,510)
Amount converted to ordinary shares of the Company *(Note 19, 20)*	(66,301)	–	(66,301)
Liability component at 31 December	202,366	333,746	536,112
Less: amount included under current liabilities	(202,366)	–	(202,366)
Amount included under non-current liabilities	–	333,746	333,746

For CB 1, the face value of the outstanding bonds at 31 December 2006 was nil (2005: HK$226,000,000). The fair value of the liability component of CB 1 at 31 December 2006 was nil (2005: approximately HK$209,000,000 calculated using cash flows discounted at a rate based on the borrowings rate of 6.045%). Interest expense on CB 1 is calculated using the effective interest method by applying the effective interest rate of 6.822% to the liability component.

For CB 2, the face value of the outstanding bonds at 31 December 2006 amounted to HK$121,000,000 (2005: HK$386,000,000). The fair value of the liability component of CB 2 at 31 December 2006 amounted to approximately HK$106,140,000 calculated using cash flows discounted at rates based on the borrowings rates from 8.891% to 9.045% (2005: approximately HK$367,000,000 with discount rate of 6.045%). Interest expense on CB 2 is calculated using the effective interest method by applying the effective interest rate of 8.125% to the liability component.

Derivative financial instrument – written put option liability

	2006	**2005**
	HK$'000	*HK$'000*
Beginning of year	28,186	15,466
Initial recognition upon issuance of bonds	–	17,417
Fair value gain *(Note 31)*	(17,400)	(4,697)
End of year	10,786	28,186

As the fair value of the purchased call option asset is no significant, it is not accounted for separately.

As at 31 December 2006, the derivative financial instrument was revalued by BMI Appraisals Limited. The fair value of the derivative financial instrument was determined using the Binomial Option Pricing Model.

During the year ended 31 December 2006, CB 1 with a face value HK$226,000,000 (2005: HK$76,000,000) were converted into 202,508,945 ordinary shares (2005: 68,100,354 ordinary shares) of the Company (Note 19).

As at 31 December 2006, CB 2 with a face value HK$265,000,000 (2005: nil) were converted into 196,296,288 ordinary shares (2005: nil) of the Company (Note 19).

As at 31 December 2006, the carrying amount of liability component of CB 2 was recorded under current liabilities, as CB 2 may be redeemed at the option of the relevant holders starting 9 November 2007.

24. DEFERRED INCOME TAX

GROUP

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Deferred tax assets:		
– Deferred tax assets to be recovered after 1 year	–	1,322
– Deferred tax assets to be recovered within 1 year	8,122	17,763
	8,122	19,085

	2006	2005
	HK$'000	*HK$'000*
Deferred tax liabilities:		
– Deferred tax liabilities to be settled after 1 year	(268,243)	(4,384)
– Deferred tax liabilities to be settled within 1 year	(14,926)	–
	(283,169)	(4,384)

The gross movement on the deferred income tax account is as follows:

	2006	2005
	HK$'000	*HK$'000*
Balance, beginning of year	14,701	14,573
Recognised in the income statements *(Note 35)*	(214,594)	(197)
Acquisition of subsidiaries *(Note 42)*	(74,596)	–
Dissolution of a subsidiary	2,813	–
Exchange differences	(3,371)	325
Balance, end of year	(275,047)	14,701

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same jurisdiction, is as follows:

Deferred tax assets:

	Tax losses carried forward	Fair value losses	Tax losses carried forward arising from business combination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2005	18,113	1,293	–	19,406
Recognised in the income statement	(749)	–	–	(749)
Exchange differences	399	29	–	428
At 31 December 2005	17,763	1,322	–	19,085
Recognised in the income statement	(7,210)	(1,345)	–	(8,555)
Acquisition of subsidiaries *(Note 42)*	–	–	4,476	4,476
Exchange differences	502	23	–	525
At 31 December 2006	11,055	–	4,476	15,531

Deferred tax liabilities:

	Fair value gains *HK$'000*	Others *HK$'000*	Fair value gains arising from business combination *HK$'000*	Total *HK$'000*
At 1 January 2005	3,670	1,163	–	4,833
Recognised in the income statement	(728)	177	–	(551)
Exchange differences	81	21	–	102
At 31 December 2005	3,023	1,361	–	4,384
Recognised in the income statement	191,248	14,791	–	206,039
Acquisition of subsidiaries *(Note 42)*	–	–	79,072	79,072
Dissolution of a subsidiary	(2,813)	–	–	(2,813)
Exchange differences	3,586	310	–	3,896
At 31 December 2006	195,044	16,462	79,072	290,578

Deferred tax assets mainly represent the tax effect of temporary differences arising from tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable.

Deferred tax liabilities mainly represent the tax effect of temporary differences arising from revaluation gain of investment properties and business combination.

There was no material unprovided deferred tax as at 31 December 2006.

25. DERIVATIVE FINANCIAL LIABILITIES

GROUP AND COMPANY

	2006 *HK$'000*	2005 *HK$'000*
Written put option liability embedded in convertible bonds *(Note 23)*	10,786	28,186
Fixed to fixed cross currency swaps *(a)*	232,852	–
	243,638	28,186

(a) Fixed to fixed cross currency swaps

	2006 *HK$'000*	2005 *HK$'000*
Beginning of year	–	–
Initial recognition	–	–
Periodical settlement of the swaps	21,491	–
Fair value loss *(Note 31)*	211,361	–
End of year	232,852	–

As at 31 December 2006, the fair value of swap contracts was revalued by the bankers using cash flow discount model.

26. ADVANCES RECEIVED FROM THE PRE-SALE OF PROPERTIES UNDER DEVELOPMENT

GROUP

	2006	**2005**
	HK$'000	*HK$'000*
Advances received from pre-sale of properties under development	963,755	1,996,548

The Group conducts the pre-sale of properties when they are still under development. As contracted with customers, advances amounting to a substantial portion of sales consideration are paid to the Group shortly from the signing of the pre-sales contract. Such amounts held by the Group are non-interest bearing. Business tax, generally calculated at a rate of 5% on advances received, are imposed by the tax authorities and had been recorded in "prepayments and other current assets" *(Note 15)*.

27. ACCOUNTS PAYABLE

GROUP

	2006	**2005**
	HK$'000	*HK$'000*
Accounts payable	860,701	361,027

Accounts payable represents payables arising from property constructions.

An aging analysis of accounts payable is set out below:

	2006	**2005**
	HK$'000	*HK$'000*
Within 1 year	854,779	357,238
1-2 years	5,175	3,789
Over 2 years	747	–
	860,701	361,027

Accounts payable with aging of more than one year generally represent retention moneys held by the Group in connection with various property projects.

The carrying amounts of accounts payable approximated their fair value.

28. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Land premium payable	719,135	–	–	–
Advance from related parties of a minority shareholder	111,092	–	–	–
Deposits received	36,575	16,358	–	–
Business tax and surtaxes payable *(Note 29(a))*	15,880	4,293	–	–
Dividends payable to minority shareholders of subsidiaries	13,186	6,426	–	–
Sales commission payable	1,204	9,921	–	–
Others	35,998	23,704	3,403	6,759
	993,070	60,702	3,403	6,759

The carrying amounts of other payables and accruals approximated their fair value.

29. REVENUE

Revenue recognised during the year are as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Sales of properties held or under development	2,723,347	1,345,903
Revenue from construction of infrastructure for intelligent network	12,107	8,684
Sales of network hardware and installation of intelligent home equipment	18,674	23,565
Revenue from property leasing *(Note 7)*	14,886	1,321
Others	6,081	–
	2,775,095	1,379,473
Less: sales taxes *(a)*	(153,635)	(70,200)
	2,621,460	1,309,273

(a) Sales taxes

Sales taxes represent business tax ("BT") and surtaxes.

The Group is subject to business tax ("BT") at 5% on the revenue from the sale/pre-sale of properties, installation of intelligent home equipment and property leasing. In addition, the Group is also subject to BT at 3% on the revenue less payments to subcontractors from the construction of infrastructure for intelligent network. On top of BT, some subsidiaries are subject to the following surtaxes:

– City development tax, a tax levied at 5% to 7% of BT or Value-Added Tax ("VAT");

– Education supplementary tax, a tax levied at 3% of BT or VAT.

30. OTHER INCOME-NET

	2006	2005
	HK$'000	*HK$'000*
Government grant	–	7,057
Interest income on term-loan *(Note 16 (c))*	1,958	6,244
Interest income on loans to associated companies *(Note 43(b))*	8,860	16,817
	10,818	30,118

31. OTHER GAINS/(EXPENSES)-NET

	2006	2005
	HK$'000	*HK$'000*
Fair value gain/(loss) on investment properties *(Note 7)*	579,540	(2,206)
Derivative financial instruments at fair value through profit or loss:		
– fair value (loss)/gain (realised and unrealised) *(Note 23, 25)*	(193,961)	4,697
(Loss)/gain on disposal of property, plant and equipment, net	(379)	6,490
Gain from disposal of interests in associated companies *(Note 12(a) and (c))*	191,442	–
Loss on dissolution of a subsidiary *(Note 11(a))*	(5,538)	–
Loss on transaction with minority interest *(Note 16(b))*	(118,224)	–
Gain from business combination *(Note 42(a))*	17,266	–
Others	(2,898)	1,310
	467,248	10,291

32. EXPENSES BY NATURE

	2006	2005
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment *(Note 6)*	5,574	5,700
Employee benefit expense – excluding directors' emoluments *(Note 33)*	49,208	30,648
Cost of inventories		
– Cost of properties held or under development for sale	1,442,016	821,270
– Cost of lease of investment properties	377	260
– Cost of construction of infrastructure of intelligent network	12,156	7,520
– Cost of inventory	16,310	20,015
– Others	3,518	–
Operating lease expenses for offices	6,944	6,896
Commission for sale of properties	85,295	1,261
Advertising costs	18,603	15,500
Auditors' remuneration	2,966	2,200
Provisions for maintenance fund	7,926	5,014
Provision for doubtful accounts	1,977	–
Impairment of goodwill *(Note 12)*	2,468	2,729
Net foreign exchange losses	16,752	411
Other expenses	40,776	28,273
Total cost of sales, selling and marketing costs and administrative expenses	1,712,866	947,697

33. EMPLOYEE BENEFIT EXPENSE

	2006	2005
	HK$'000	*HK$'000*
Salaries and wages	38,887	27,038
Pension and other social welfare	10,321	3,362
Share options granted to key management *(Note 43(b))*	–	248
	49,208	30,648
Average number of employee	1,154	813

(a) Directors' and senior management's emoluments

The remuneration of every director for the year ended 31 December 2006 and 2005 is set out below:

	2006			
Name of Director	**Salary**	**Fees**	**Other Benefits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
– Mr. Shi Jian	1,700	–	–	1,700
– Mr. Li Yao Min	1,600	–	–	1,600
– Mr. Yu Hai Sheng	1,500	–	–	1,500
– Mr. Qian Reng Hui	1,500	–	–	1,500
– Mr. Jiang Xu Dong	240	–	–	240
Non-executive directors				
– Mr. Cheung Wing Yui	–	300	–	300
– Mr. Wang Ru Li	–	–	–	–
Independent non-executive directors				
– Mr. Sang Rong Lin	–	–	–	–
– Mr. Yeung Kwok Wing	–	150	–	150
– The Lord Killearn	–	200	–	200
– Mr. Geng Yu Xiu	–	120	–	120
– Mr. E Hock Yap	–	200	–	200

	2005			
Name of Director	Salary	Fees	Other Benefits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
– Mr. Shi Jian	2,000	–	–	2,000
– Mr. Li Yao Min	1,558	–	1,100	2,658
– Mr. Yu Hai Sheng	1,500	–	–	1,500
– Mr. Qian Reng Hui	1,000	–	–	1,000
– Mr. Jiang Xu Dong	970	–	–	970
Non-executive directors				
– Mr. Cheung Wing Yui	–	300	–	300
– Mr. Wang Ru Li	–	–	–	–
Independent non-executive directors				
– Mr. Sang Rong Lin	–	58	–	58
– Mr. Yeung Kwok Wing	–	150	–	150
– The Lord Killearn	–	200	–	200
– Mr. Geng Yu Xiu	–	120	–	120
– Mr. E Hock Yap	–	200	–	200

A car was given to Mr. Li Yao Min during the year ended 31 December 2005 and has been included under the "other benefits" column.

No discretionary bonuses, inducement fees, employer's contribution to pension scheme or compensation for loss of office as directors were given to any of the directors during the year ended 31 December 2006 and 2005.

During the year of 2006, Mr. Wang Ru Li, non-executive director and Mr. Sang Rong Lin, independent non-executive directors, waived to receive emoluments (2005: Mr. Wang Ru Li waived to receive emolument).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2005:four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2005:one) individual during the year are as follows:

	2006	2005
	HK$'000	*HK$'000*
Basic salaries, housing allowances, share options, other allowances and benefits in kind	1,755	1,548
Pension scheme	12	60
	1,767	1,608

The emoluments fell within the following bands:

	Number of individuals	
	2006	**2005**
	HK$'000	*HK$'000*
Emoluments bands		
Nil – HK$1,000,000	–	–
HK$1,000,001 – HK$1,500,000	–	–
HK$1,500,001 – HK$2,000,000	1	1

34. FINANCE COSTS

	2006	**2005**
	HK$'000	*HK$'000*
Interest expense:		
Interest on bank borrowings and other borrowings-wholly repayable within five years	111,015	52,702
Interest on the Guaranteed Notes-wholly repayable beyond five years *(Note 22)*	95,802	–
Interest on CB 1-wholly repayable within five years *(Note 23)*	4,200	15,519
Interest on CB 2-wholly repayable within five years *(Note 23)*	23,789	2,335
Arrangement fee for borrowings	1,025	1,467
Finance income – net foreign exchange gains on financing activities	(67,321)	(3,407)
Finance costs	168,510	68,616
Finance income – interest income on short-term bank deposit	(48,353)	(7,129)
Net finance costs	120,157	61,487
Less: Amount capitalised in properties under development, property under development for long term investment and construction-in-progress	(109,158)	(39,456)
Net finance costs charged into the income statements	10,999	22,031

During the year ended 31 December 2006, the weighted average interest capitalisation rate was 5.92% (2005: 5.27%).

35. INCOME TAXATION

	2006	**2005**
	HK$'000	*HK$'000*
Current taxation		
– Mainland China enterprise income taxation	227,691	130,787
– Mainland China land appreciation taxation	288,680	36,388
	516,371	167,175
Transfer from/to deferred taxation *(Note 24)*		
– Mainland China enterprise income taxation	214,594	197
– Mainland China land appreciation taxation	–	–
	214,594	197
Taxation charge	730,965	167,372

(a) Mainland China enterprise income tax

The Group conducts a significant portion of its business in the PRC and the applicable enterprise income tax ("EIT") rate of its subsidiaries operating in the PRC is generally 33% other than Wingo Infrastructure, a Sino-foreign equity joint venture, which is established within the technological economic development zone of an old urban district of a city, where applicable EIT rate for year 2006 is 27%.

For the pre-sale of properties under development, the tax authorities may impose income tax ahead of the completion of transaction and revenue recognition, based on certain estimations. Prepaid income tax amounted to approximately HK$23 million as of 31 December 2006 (2005: approximately HK$47 million).

(b) Other income tax

The Company is exempted from taxation in Bermuda until 2016.

(c) Mainland China land appreciation tax ("LAT")

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs, business taxes and all property development expenditures. The tax is incurred upon transfer of property ownership.

For the pre-sale of properties under development, the tax authorities may impose LAT ahead of the completion of transaction and revenue recognition, generally based on 1% to 2% on advances received. Prepaid LAT had been recorded in "prepaid income tax" with amount of approximately HK$4 million as of 31 December 2006 (2005: approximately HK$8 million).

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the Group's general taxation rate of 33% as follows:

	2006	2005
	HK$'000	*HK$'000*
Profit before taxation	1,301,383	541,469
Adjust: Losses/(profits) of associated companies	74,278	(161,515)
	1,375,661	379,954
Calculated at a taxation rate of 33% (2005: 33%)	453,968	125,385
Profit not subject to profit tax	(83,557)	–
Effect of losses and expenses not deductible	167,672	10,059
Land appreciation tax deductible for calculation of income tax purpose	(95,264)	(12,008)
Tax losses for which no deferred tax assets recognised	–	9,087
Effect of different taxation rate of a subsidiary	(534)	(1,539)
Mainland China enterprise income tax	442,285	130,984
Mainland China land appreciation taxation	288,680	36,388
Taxation charge	730,965	167,372

36. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company for the year ended 31 December 2006 is dealt with in the accounts of the Company to the extent of approximately HK$52.8 million (2005: approximately HK$76.1 million).

37. EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2006	2005
	HK$'000	*HK$'000*
Profit attributable to equity holder of the Company	252,371	301,173
Weighted average number of ordinary shares in issue *(thousands)*	1,851,898	1,487,900
Basic earnings per share *(HK$ per share)*	13.63 cents	20.24 cents

Diluted

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share options. The convertible bonds are assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense and fair value gain less the tax effect. For the share options, a calculation is done to determine the number of shares that could have been acquired at market price (determined as average annual share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options to determine the ordinary shares deemed to be issued at no consideration ("bonus share"). The "bonus shares" are added to the ordinary shares outstanding but no adjustment is made to net profit.

	2006	**2005**
	HK\$'000	*HK\$'000*
Net profit attributable to equity holders of the Company	252,371	301,173
Written put option at fair value through profit or loss, net of tax *(Note 23)*	(17,400)	(4,697)
Interest expense on convertible bonds, net of tax	19,554	16,801
Profit used to determine diluted earnings per share	254,525	313,277
Weighted average number of ordinary shares in issue *(thousands)*	1,851,898	1,487,900
Adjustments for:		
– assumed conversion of convertible bonds *(thousands)*	221,453	279,346
– share options *(thousands)*	198	4,437
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	2,073,549	1,771,683
Diluted earnings per share *(HK\$ per share)*	12.27 cents	17.68 cents

38. DIVIDENDS

The dividends paid during the year ended 2006 and 2005 were approximately HK\$42,921,000 (HK\$0.043 per share) and approximately HK\$16,287,000 (HK\$0.033 per share) respectively. A dividend in respect of 2006 of HK\$0.020 per share was declared to shareholders whose names appear on the Register of Members of the Company on 27 April 2007, as proposed at the meeting of Board of Directors on 30 March 2007. According to total issued ordinary shares on 30 March 2007 of 2,154,689,921 shares, the dividends declared are approximate HK\$44,000,000. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2007.

	2006	**2005**
	HK\$'000	*HK\$'000*
Proposed final dividend of HK\$0.020 (2005: HK\$0.043) per ordinary share	44,000	69,000

Pursuant to a resolution passed at the general meeting on 11 May 2006, the Company offered to its shareholders scrip dividends as an alternative to cash dividends; under which the shareholders could elect to receive ordinary shares of par value of HK\$0.1 each in lieu of a cash dividend of HK\$0.043 per share. As of 5 June 2006 (date shareholders are required to elect alternatives), shareholders holding a total of 981,912,571 shares elected for cash dividend and cash dividends of approximately HK\$42,921,000 were paid, while shareholders holding a total of 864,757,827 shares elected for scrip dividend resulting in 22,925,145 shares being allotted at the price of HK\$1.622 *(Note 19 (b))*.

39. CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit for the year to net cash inflow generated from operations:

	2006	2005
	HK$'000	*HK$'000*
Profit for the year	570,418	374,097
Adjustments for:		
Tax	730,965	167,372
Depreciation and impairment of property, plant and equipment *(Note 6)*	5,574	5,700
Goodwill impairment expenses *(Note 12)*	2,468	2,729
Provision for doubtful debts *(Note 17)*	1,977	–
Gain arising from business combination *(Note 31)*	(17,266)	–
Gains on disposal of property, plant and equipment	379	(6,490)
Loss from transaction with minority interest *(Note 31)*	118,224	–
Fair value loss on swap contracts *(Note 25)*	211,361	–
Fair value gain on derivative financial liabilities *(Note 23)*	(17,400)	(4,697)
Loss on dissolution of a subsidiary *(Note 31)*	5,538	–
Gain on disposal of interests in associated companies *(Note 31)*	(191,442)	–
Share of results of associated companies	74,278	(161,515)
Fair value (gain)/loss on investment properties *(Note 31)*	(579,540)	2,206
Interest income *(Note 30)*	(10,818)	(23,061)
Net finance costs charged into profit and loss *(Note 34)*	10,999	22,031
Operating profit before working capital changes	915,715	378,372
Decrease/(Increase) in restricted bank deposits *(Note 18)*	3,608	(6,261)
Decrease in leasehold land	51,375	10,161
Increase in properties held or under development for sale	(587,848)	(203,197)
Decrease/(Increase) in contracts in work-in-progress	583	(9,446)
Increase in inventories	(201)	(67)
(Increase)/decrease in amount due from related companies	(2,118)	39,871
Decrease/(increase) in prepayments and other current assets	53,760	(72,333)
Decrease/(increase) in other receivables	4,250	(13,663)
Increase in accounts receivable	(11,577)	(3,143)
Increase in accounts payable	279,842	46,621
Decrease in other payables and accruals	(590,655)	(29,959)
Increase in amount due to related companies	94	390
(Decrease)/increase in advance received from pre-sale of properties under development	(1,087,111)	284,160
Net cash (outflow)/inflow generated from operations	(970,283)	421,506

40. CONTINGENCIES

In connection with the sale of the Group's properties, Oasis Garden, Hangtou Govern and Huarui Shiji provided guarantees to banks prior to the buyers providing title documents to their banks for mortgage purpose. As at 31 December 2006, such outstanding guarantees amounted to approximately HK$58 million (2005: approximately HK$33 million). Part of the Group's bank deposits amounting to approximately HK$3,655,000 (2005: approximately HK$990,000) were restricted in connection with such guarantees.

As of 31 December 2006, the Group provided guarantee for Golden Luodian's bank borrowings proportionally according to its equity interest in Golden Luodian with amount of approximately HK$35 million *(Note 43(b))*.

41. COMMITMENTS

(a) Capital commitment

Capital expenditures at the balance sheet date but not yet incurred is as follows:

	2006	2005
	HK$'000	*HK$'000*
Properties under development for long-term investment		
– Contracted but not provided for	62,627	110,693
– Authorised but not contracted for	448,505	26,641
	511,132	137,334
Properties held or under development for sale		
– Contracted but not provided for	293,743	526,788
– Authorised but not contracted for	954,488	393,868
	1,248,231	920,656
	1,759,363	1,057,990

(b) Operating leases commitment – where the Group is the lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2006	2005
	HK$'000	*HK$'000*
Within 1 year	6,424	3,794
Later than 1 year and not later than 5 years	9,538	6,747
	15,962	10,541

42. BUSINESS COMBINATIONS

(a) On 1 August 2006, the Group completed its acquisition of 51% equity interest in Huarui Shiji, a property development company operating in Shenyang City, the PRC. From acquisition date to 31 December 2006, Huarui Shiji was in property development stage without revenue.

Details of net assets acquired and gain arising from the acquisition of Huarui Shiji were as follows:

	HK$'000
Purchase consideration:	
– Cash paid	203,045
Fair value of net assets of acquiree	
– shown as below	(220,311)
Gain from business combination *(Note 31)*	(17,266)

The assets and liabilities on acquisition date of Huarui Shiji were as follows:

	Fair value	Acquiree's carrying amount
	HK$'000	*HK$'000*
Property, plant and equipment	621	621
Property under development for sale	161,084	161,084
Property under development for long-term investment	174,508	174,508
Leasehold land	914,551	743,214
Deferred tax assets	–	2,404
Other receivables	3,836	3,836
Cash and cash equivalents	3,261	3,261
Trade and other payables	700,013	700,013
Advances received from the pre-sale of properties under development	53,812	53,812
Borrowings	17,916	17,916
Deferred tax liabilities	54,137	–
Net assets	431,983	317,187
Minority interests (49%)	(211,672)	
Net assets acquired	220,311	
Purchase consideration settled in cash	203,045	
Cash and cash equivalents in subsidiary acquired	(3,261)	
Cash outflow on acquisition	199,784	

(b) In December 2006, the Group completed its acquisition of 100% equity interest in Qinhai, a property development company located in Shanghai City, the PRC. Till 31 December 2006, Qinhai was engaged in land demolition and relocation without revenue.

Details of net assets acquired and goodwill arising from the acquisition of Qinhai were as follows:

	HK$'000
Purchase consideration:	
– Cash paid	233,901
Fair value of net assets of acquiree	
– shown as below	(158,389)
Goodwill *(Note 10)*	75,512

The assets and liabilities on acquisition date of Qinhai were as follows:

	Fair value *HK$'000*	Acquiree's carrying amount *HK$'000*
Property, plant and equipment	1,428	1,428
Property under development for sale	61,131	61,131
Leasehold land	802,359	734,084
Deferred tax assets	–	2,072
Other receivables	29,783	29,783
Cash and cash equivalents	1,444	1,444
Trade and other payables	717,297	717,297
Deferred tax liabilities	20,459	–
Net assets acquired	158,389	112,645
Purchase consideration settled in cash	233,901	
Cash and cash equivalents in subsidiary acquired	(1,444)	
Cash outflow on acquisition	232,457	

43. RELATED PARTY TRANSACTIONS

The Group is controlled by Good Time Resources Limited, which owns 31.30% of the Company's shares as at 31 December 2006. The remaining 68.70% of the shares are widely held.

(a) Name of related party and nature of relationship:

Name	Relationship with the Company
Mr. Shi Jian	The major beneficial shareholder and chairman of the Company
CNTD	Associated company
Golden Luodian	Associated company
Shuo Cheng	Associated company
Broadband	Associated company
Shanghai Internet	Associated company
Shangzhi Property Management	Associated company in 2005 and becomes a subsidiary of the Group in 2006 *(Note 11)*

(b) Related party transactions carried out during the year:

i) Sales and purchases

	2006 *HK$'000*	2005 *HK$'000*
Purchase of land plot form Golden Luodian	437,941	–
Construction of infrastructure for intelligent network for Golden Luodian	11,544	17,592
Sales of goods to Broadband	6,750	14,276
Sales to Shuo Cheng	3,912	–

During the year ended 31 December 2006, the Group purchased a piece of land from Golden Luodian through public bidding procedure of which the government is in charge, at a total consideration amounting to approximately HK$438 million, for the purpose of property development. As at 31 December 2006, the Group has paid approximately HK$197 million pursuant to the bidding contract.

ii) Loan guarantee

	2006	2005
	HK$'000	*HK$'000*
Guarantee provided for loans borrowed by Golden Luodian	35,424	43,450
The Group's bank borrowings guaranteed by Mr. Shi Jian *(Note 21)*	289,790	382,200

During the year ended 31 December 2006 and as of 31 December 2006, the Group and other investors of Golden Luodian provided guarantee for Golden Luodian's bank borrowings with an aggregate amount of approximately HK$99 million (2005: HK$96 million), proportionally according to their equity interests in Golden Luodian.

iii) Key management compensation

	2006	2005
	HK$'000	*HK$'000*
Salaries and other short-term employee benefits	8,307	9,428
Share-based payments	–	248
	8,307	9,676

iv) Loans to related parties

	2006	**2005**
	HK$'000	*HK$'000*
Loans to Golden Luodian (*)		
Beginning of the year	–	56,413
Loans advanced during year	69,673	96,126
Loans repayments	(69,673)	(152,539)
Interest income recognised	523	1,901
Interest received	–	(1,901)
End of the year	523	–
Loans and advances to Shuo Cheng (**)		
Beginning of the year	274,624	188,023
Loans advanced during year	218,971	67,288
Loans repayments	(278,690)	–
Interest income recognised	16,124	14,916
Exchange difference	9,731	4,397
End of the year	240,760	274,624
Total loans to related parties		
Beginning of the year	274,624	244,436
Loans advanced during year	288,644	163,414
Loans repayments	(348,363)	(152,539)
Interest income recognised *(Note 30)*	16,647	16,817
Interest received	–	(1,901)
Exchange difference	9,731	4,397
End of the year	241,283	274,624

(*) During the year ended 31 December 2006, the Group provided unsecured loans of approximately HK$70 million to Golden Luodian at interest of 6% per annum (2005: approximately HK$96 million, unsecured and with interest of 6% per annum). Loans to Golden Luodian were fully recovered before year-end of 2006.

(**) On 4 July 2005, the Group entered into a shareholder's loan agreement with Shuo Cheng, pursuant to which the Group advanced shareholder's loan to Shuo Cheng of approximately HK$188 million. This shareholder's loan was for a period of three years and interest would be charged at 6% per annum. On 14 December 2005, the Group entered into another shareholder's loan agreement with Shuo Cheng, pursuant to which the Group advanced additional shareholder's loan to Shuo Cheng with a principal of approximately HK$67 million. This shareholder's loan was for a period of three years and is interest-free.

During the year ended 31 December 2006, the Group provided additional short-term financing to Shuo Cheng with maximum amount of approximately HK$219 million. These short-term financing were free of charge and were fully recovered before year-end of 2006.

(c) The Group had the following material balances with related parties:

	2006	**2005**
	HK$'000	*HK$'000*
Due from associated companies		
– Shuo Cheng *(Note 43(b))*	240,760	274,624
– Golden Luodian	13,378	13,605
– Broadband	12,056	5,541
– Shangzhi Property Management	–	4,451
	266,194	298,221
Less: non-current receivables	–	(274,624)
Current receivables	266,194	23,597
Due to associated companies		
– Shanghai Internet	–	1,002
– Golden Luodian	–	368
– CNTD	1,464	–
	1,464	1,370

As at 31 December 2006, balances with related parties are unsecured and mainly arose from the above related party transactions. Other than the amount due from Shuo Cheng, details of which are described in Note 43(b), the remaining balances are interest free and are without fixed settlement period. The carrying amount of balances with related parties approximated their fair value.

44. EVENTS AFTER THE BALANCE SHEET DATE

(a) Business combination

On 8 January 2007, the Group completed its acquisition of additional 55% equity interests in Shuo Cheng by an approval of the Company's general meeting, thereafter Shuo Cheng becomes a subsidiary of the Group *(Note 12(b))*.

Details of the acquisition were stated in the Company's circular dated on 22 December 2006.

(b) Transactions with related party

In March 2007, the Group purchased another land plot from Golden Luodian at total consideration of approximately HK$350 million.

(c) Restructure of Golden Luodian/CNTD

On 8 February 2007, the Company and other controlling shareholders of CNTD entered into a subscription agreement with several investors, pursuant to which the investors agreed to subscribe for convertible bonds due in February 2010 of an aggregate principal amount of RMB1,239.6 million settled in US$ (the "Bonds"). The Bonds are at the interest rate at 5% per annum, payable semi-annually. The Bonds are convertible on and from the listing date of CNTD shares in a Recognised Exchange until the redemption date or the maturity date at conversion price determined according to a predetermined formula. The details of the Bonds were stated in the announcement made by the Company on 9 February 2007.

The subscription was successfully closed on 13 February 2007.

(d) Change of mainland China enterprise income tax law

On 16 March 2007, the Enterprise Income Tax Law (the "new EIT law") was passed at the Fifth Session of the Tenth National People's Congress of the People's Republic of China. The new EIT law will be effective as of 1 January 2008, and the "Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises" and "Provisional Regulations of the People's Republic of China on Enterprise Income Tax" both of which the Group was originally subjected to will be abrogated simultaneously. The Group has already commenced an assessment of the impact of the new EIT law but is not yet in a position to state the accurate impact on the Group's results of operations and financial position in the future.

45. DATE OF APPROVAL

The accounts were approved by the board of directors on 30 March 2007.

3. STATEMENT OF INDEBTEDNESS

As at 31 July 2007, being the latest practical date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had outstanding borrowings of approximately HK$5,319.5 million, which comprised of secured short term bank loans of approximately HK$1,371 million, secured long term bank loans of approximately HK$2,370 million, unsecured convertible bonds of approximately HK$43.5 million and guaranteed notes of approximately HK$1,535 million.

As at 31 July 2007, the Group's bank borrowings were secured by (a) pledges of certain leasehold land with an aggregate net book value of approximately HK$1,732 million; (b) pledges of certain properties held or under development for sale with an aggregate net book value of approximately HK$3,190 million; (c) pledges of cash in bank with an aggregate net book value of approximately HK$49 million; and (d) pledges of investment properties with an aggregate net book value of approximately HK$730 million.

Other than pledges of properties held for sale, certain short term and long term bank loans of the Group were secured by a joint guarantee given by the Company, 17 BVI incorporated subsidiaries of the Company and Mr. Shi Jian, the Chairman of the Company, as well as by pledges of ordinary shares in 17 BVI subsidiaries of the Group.

The guaranteed notes of the Group were guaranteed by all of the investment holding subsidiaries of the Company (except Anderson Land (Shanghai) Ltd.).

As at 31 July 2007, the Group had contingent liabilities of approximately HK$0.9 million in respect of guarantees to assist home buyers to obtain mortgage loans from banks and complete mortgage procedures.

Save as disclosed in this section and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 31 July 2007 any mortgages, charges, debentures or loan capital issued and outstanding or agreed to be issued, bank loans, and overdrafts or other similar indebtedness, liabilities under acceptances or acceptance credits, hire purchases or finance lease commitments, guarantees or material contingent liabilities.

Save as disclosed in this section, the Directors are not aware of any material adverse change in the Group's indebtedness and contingent liabilities since 31 July 2007.

4. MATERIAL CHANGE

Save as disclosed in the paragraph headed "Additional information on the Company's associated company" in the Letter from the Board set out in this circular regarding CNTD, being an associated company of the Company, the Directors are not aware of any material change in the financial or trading position or outlook of the Group since 31 December 2006, the date to which the latest published audited financial statements of the Group were made up.

The following is the text of a letter, a summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuations as at 31 July 2007 of the properties to be acquired by the Group.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

Suite 11-18, 31/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心3111-18室
Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863
Email電郵：info@bmintelligence.com Website網址：www.bmintelligence.com

7 September 2007

The Directors
SRE Group Limited
36th Floor
Times Tower
391 – 407 Jaffe Road
Wanchai
Hong Kong

Dear Sirs

INSTRUCTIONS

We refer to the instructions from SRE Group Limited (the "Company") to value the properties of Liaoning High School Support Group Property Development Limited (遼寧高校後勤集團房地產開發有限公司) ("Liaoning High School") located in the People's Republic of China ("the PRC") of which 70% interest is to be acquired by the Company and/or its subsidiaries (together referred to as the "Group") through the acquisition by the Group of the entire issued share capital of Konmen Investment Limited (the "Acquisition"). We confirm that we have performed inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 31 July 2007 (the "date of valuation").

BASIS OF VALUATION

Our valuations of the concerned properties have been based on the Market Value, which is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

PROPERTY CATEGORIZATION

In the course of our valuations, the portfolio of properties is categorized into the following groups:

Group I – Properties to be acquired by the Group for sale in the PRC

Group II – Property to be acquired by the Group for future development in the PRC

VALUATION METHODOLOGY

In valuing the properties to be acquired by the Group, we have valued them on an open market basis by the Comparison Approach assuming sale in their existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market. Appropriate adjustments have then been made to account for the differences between the properties and the comparables in terms of time, location and other relevant factors.

TITLE INVESTIGATION

We have been provided with copies of title documents and have been advised by the Group that no further relevant documents have been produced. Moreover, due to the nature of the land registration system in the PRC, we have not been able to examine the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies, handed to us. Therefore, in the course of our valuations, we have relied on the advice and information given by the Group and its PRC legal adviser, Yan Yiming Law Firm, regarding the title of such PRC properties.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the properties are sold in the open market in their existing state without the benefit of deferred terms contract, leaseback, joint venture, management agreement of any similar arrangement which might serve to affect the values of the properties.

In addition, no account has been taken of any option or right of pre-emption concerning or effecting sale of the properties and no forced sale situation in any manner is assumed in our valuations.

In valuing the properties, we have relied on the advice given by the Group that the owners of the properties have valid and enforceable title to the properties which are freely transferable, and has free and uninterrupted right to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

VALUATION CONSIDERATIONS

We have inspected the exterior and wherever possible, the interior of the properties. During the course of our inspections, we did not note any serious defects. However, no structural surveys have been made nor have any tests been carried out on any of the services provided in the properties. We are, therefore, unable to report that the properties are free from rot, infestation or any other structural defects.

We have relied to a considerable extent on the information provided by the Group and have accepted advice given to us by the Group in such matters as approvals or statutory notices, easements, tenure, particulars of occupancy, identification of the properties and other relevant information.

We have not carried out detailed on-site measurements to verify the correctness of the site/floor areas in respect of the properties but have assumed that the site/floor areas shown on the documents handed to us are correct.

Except otherwise stated, all dimensions, measurements and areas included in the valuation certificates is based on the information contained in the documents provided to us by the Group and are therefore approximations.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group and the Group has also advised us that no material facts have been omitted from the information so supplied. We consider that we have been provided with sufficient information for us to reach an informed view.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties or for any expenses or taxation, which may be incurred in effecting a sale or purchase.

Based on the prevailing rules and regulations as at the Latest Practicable Date and the information provided by the Group, we confirm that the properties located in the PRC are subject to various potential tax liability assuming disposals as at the Latest Practicable Date.

For the properties located in the PRC, the potential tax liability includes the business tax ("BT") at 5% on revenue from the sale/pre-sale of properties, installation of intelligent home equipment and property leasing. The Group is also subject to BT at 3% on the revenue less payments to subcontractors from the construction of infrastructure for intelligent network. On top of the BT, some subsidiaries are subject to the following surtaxes:

– City development tax, a tax levied at 5% to 7% of BT or Value-Added Tax ("VAT"); and

– Education supplementary tax, a tax levied at 3% of BT or VAT.

In addition, the Group conducts a significant portion of its business in the PRC and the applicable enterprise income tax ("EIT") rate of its subsidiaries operating in the PRC is generally 33%.

The exact amount of tax payable upon realization of the relevant properties in the PRC will be subject to the formal tax advice issued by the relevant tax authorities at the time of disposal of the relevant properties upon presentation of the relevant transaction documents.

As advised by the Group, for those properties being held by the Group for sale purposes, there is likelihood of potential tax liability crystallizing upon disposal of the relevant properties in the open market whereas for the remaining properties being held by the Group for investment or future development purposes, there is no definite sale plan and there is not any likelihood of potential tax liability crystallizing.

Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Our valuations have been prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

Our valuations have been prepared under the generally accepted valuation procedures and are in compliance with the Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REMARKS

Unless otherwise stated, all money amounts stated are in Hong Kong Dollars (HK$) and no allowances have been made for any exchange transfers. The exchange rate adopted is the average rate as at the date of valuation being HK$1=RMB0.96847. There has been no significant fluctuation in the exchange rate between that date and the date of this report.

Our summary of values and the valuation certificates are attached herewith.

Yours faithfully
For and on behalf of
BMI APPRAISALS LIMITED

Dr. Tony C.H. Cheng
BSc, MUD, MBA, PhD(Hon), SIFM, MHKIS, MCIArb, DBM
Director

Joannau W.F. Chan
BSc. MSc. MRICS MHKIS RPS (GP)
Director

Notes:

Dr. Tony C. H. Cheng is a Chartered Surveyor who has about 15 years' experience in valuations of properties in Hong Kong and the People's Republic of China.

Ms. Joannau W.F. Chan is a Chartered Surveyor who has about 15 years' experience in valuations of properties in Hong Kong and over 9 years' experience in valuations of properties in the People's Republic of China.

SUMMARY OF VALUES

No.	Property	Market Value in existing state as at 31 July 2007 *HK$*	Interest to be acquired by the Group	Value attributable to the Group upon completion of transaction *HK$*
Group I – Properties to be acquired by the Group for sale in the PRC				
1.	Unsold portions of a residential development known as "Shu Xiang Men Di" (書香門第) located at No. 11 Aigong South Street, Tiexi District, Shenyang City, Liaoning Province, the PRC	75,000,000	70%	52,500,000
2.	Unsold portions of a residential development, known as "Appreciate Europe" (建賞歐洲) located at No. 134 Changjiang Street, Huanggu District, Shenyang City, Liaoning Province, the PRC	91,000,000	70%	63,700,000
	Sub-total:	**166,000,000**		**116,200,000**
Group II – Property to be acquired by the Group for future development in the PRC				
3.	A land parcel located on the eastern side of South Main Street, Heping District, Shenyang City, Liaoning Province, the PRC	No Commercial Value	70%	No Commercial Value
	Sub-total:	**Nil**		**Nil**
	Grand Total:	**166,000,000**		**116,200,000**

VALUATION CERTIFICATE

Group I – Properties to be acquired by the Group for sale in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2007 *HK$*
1.	Unsold portions of a residential development known as "Shu Xiang Men Di" (書香門第) located at No. 11 Aigong South Street, Tiexi District, Shenyang City, Liaoning Province, the PRC	"Shu Xiang Men Di" (書香門第) (the "development") is a residential/commercial composite development comprises thirteen residential blocks, with a total gross floor area ("GFA") of approximately 94,895.82 sq.m. which are erected on a land parcel with a site area of approximately 42,710 sq.m. The development was completed in about 2004. The property comprises various commercial units and 17 car parking spaces within the development. The total GFA of the commercial portions of the property under consideration is approximately 8,114 sq.m. The land use rights of the property have been granted for a term of 50 years expiring on 24 February 2054 for cities and towns mixed residential use.	The property is available for sale.	75,000,000 (70% interest attributable to the Group upon completion of transaction: 52,500,000)

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract (國有土地使用權出讓合同), Shen Gui Guo Tu (Tiexi) Chu He Zi (2004) No. 008, entered into between Shenyang City Planning and State-land Resources Bureau – Tiexi Branch (瀋陽市規劃和國土資源局鐵西分局) and Liaoning High School Support Group Property Development Limited (遼寧高校後勤集團房地產開發有限公司) ("Liaoning High School") dated 25 February 2004, the land parcel with a site area of 42,709.69 sq.m. of the property has been granted to the latter party for cities and towns mixed residential use.

2. Pursuant to a State-owned Land Use Rights Certificate (國有土地使用權證), Tie Xi Guo Yong (2004) Di No. 23, issued by Shenyang City Tiexi District People's Government dated 2 March 2004, the land use rights of the property with a site area of 42,710 sq.m. have been granted to Liaoning High School for a term of 50 years expiring on 24 February 2054 for cities and towns mixed residential use.

3. Pursuant to the People's Republic of China Construction Land Planning Permit (中華人民共和國建設用地規劃許可證), Shen Xi Gui Tu Zhen Zi Year 04 No. 006, issued by Shenyang Planning and Land Resources Bureau – Tiexi Branch (瀋陽市規劃和國土資源局鉄西分局) dated 4 February 2004, Liaoning High School is permitted to develop the property with a site area of 50,375 sq.m.

4. Pursuant to the People's Republic of China Construction Works Planning Permit (中華人民共和國建設工程規劃許可證), Shen Xi Gui Jian Zhen Zi Year 04 No. 004, issued by Shenyang Planning and Land Resources Bureau – Tiexi Branch (瀋陽市規劃和國土資源局鉄西分局) dated 8 March 2004, Liaoning High School is permitted to develop the property with a total GFA of 96,250.36 sq.m.

5. Pursuant to a Commodity Flat Pre-Sale Permits (商品房預售許可證), Shen Fang Yu Shou Di No. 04054, dated 14 May 2004, issued by Shenyang City Real Estate Bureau (瀋陽市房產局), Liaoning High School is permitted to pre-sell 648 residential units, 59 commercial units and 250 car parking spaces of the development with a total GFA of 94,895.82 sq.m.

6. Pursuant to a Construction Completion Certificate (建設工程竣工驗收書), issued by Shenyang Town Planning Administrative Legislation Bureau – Tiexi Branch (瀋陽市規劃和國土資源局鉄西分局) dated 15 July 2005, the completion of the property had been approved.

7. As advised by the Company, Liaoning High School is in the process of applying for the Building Ownership Certificate of the property upon receipt of Construction Completion Certificate mentioned in note 6.

8. As advised by the Company, all residential units of the property have been pre-sold in according to the Commodity Flat Pre-Sale Permit and 233 car parking spaces have been leased out subject to various long leases while the remaining commercial units with a total GFA of approximately 8,114 sq.m. and the remaining 17 car parking spaces are available for pre-sell and lease in accordance with the Commodity Flat Pre-Sale Permit.

9. According to the opinion issued by the PRC legal advisor, Yan Yiming Law Firm:

   a. Liaoning High School has legally obtained the State-owned Land Use Rights Certificate in respect of the land parcel of the property with a site area of 42,710 sq.m;

   b. The land premium of the property has been settled in full;

   c. The development of the property carried out by Liaoning High School is legal;

   d. Pursuant to a Residential and 公建 (Gao Xiao – Shu Xiang Men Di) Project Commencement Registration Reply Letter, Liaoning High School is in the process of applying for the Building Ownership Certificate of the property. There exist no substantive legal impediments for the potential buyers to obtain the Building Ownership Certificates for the property upon Liaoning High School has obtained the relevant building ownership registration approval (房屋始初登記的批复) and carried out all the necessary procedures for obtaining Building Ownership Certificates by complying with Legislation of Building Ownership Registration of Shenyang City (瀋陽市城市新建房屋所有權始登記辦法).

   e. Liaoning High School had obtained the Commodity Flat Pre-Sale Permits (商品房預售許可證) for the total GFA of 94,895.82 sq.m. of the development; and

   f. The state-owned land use rights in respect of the property is not subject to mortgage.

10. The status of title and grant of major approvals and licences in accordance with the information provided by the Group is as follows:

State-owned Land Use Rights Grant Contract	Yes
State-owned Land Use Rights Certificate	Yes
The People's Republic of China Construction Land Planning Permit	Yes
The People's Republic of China Construction Works Planning Permit	Yes
Commodity Flat Pre-Sale Permits	Yes
Construction Completion Certificate	Yes

11. We have not taken into account any tax liability in our valuation.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2007 *HK$*
2.	Unsold portions of a residential development, known as "Appreciate Europe" (建賞歐洲) located at No. 134 Changjiang Street, Huanggu District, Shenyang City, Liaoning Province, the PRC	The property comprises 2,121 unsold residential units and 315 car parking spaces within a residential development, known as "Appreciate Europe" (建賞歐洲) (the "development") erected on a land parcel with a site area of approximately 94,871.7 sq.m. The development is expected to be completed by the end of 2007. As advised by the Group, the total gross floor area ("GFA") of the unsold residential units upon completion is approximately 19,790.57 sq.m. The land use rights of the property have been granted for a term of 50 years commencing on 7 November 2005 and expiring on 7 November 2055 for cities and towns mixed residential use and for a term of 40 years commencing on 7 November 2005 and expiring on 7 November 2045 for commercial use.	The construction of the property has been substantially completed and it the relevant Construction Completion Certificate and Building Ownership Certificate are expected to be obtained in about September 2007. As advised by the Company, 1,908 residential units of the development have been pre-sold while there are remaining 66 residential units are available for pre-sale in according to the Commodity Flat Pre-Sale Permits.	91,000,000 (70% interest attributable to the Group upon completion of transaction: 63,700,000)

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract (國有土地使用權出讓合同), Shen Gui Guo Tu Chu He Zi [2005] No. 0160, entered into between Shenyang City State-land Planning and State-land Resources Bureau (瀋陽市規劃和國土資源局) and Liaoning High School dated 7 November 2005, the land use rights in respect of the land parcel with a site area of 94,871.7 sq.m. of the property has been agreed to be transferred to the latter party for cities and towns mixed residential use.

2. Pursuant to a State-owned Land Use Rights Certificate (國有土地使用權證), Shen Yang Guo Yong (2005) Di No. 045, dated 15 November 2005, issued by Shenyang City Planning and Land Resources Bureau (瀋陽市規劃和國土資源局), the land use rights of the property have been granted to Liaoning High School for a term of 50 years commencing on 7 November 2005 and expiring on 7 November 2055 for cities and towns mixed residential use and for a term of 40 years commencing on 7 November 2005 and expiring on 7 November 2045 for commercial use.

3. Pursuant to a Construction Land Planning Permit (建設用地規劃許可證), Shen Gui Tu Zhen Zi Year 2005 No. 0101, issued by Shenyang Planning and Land Resources Bureau (瀋陽市規劃和國土資源局) dated 30 April 2005, Liaoning High School is permitted to develop the land parcel of the property with a site area of 94,871.7 sq.m.

4. Pursuant to 11 Construction Works Commencement Permits (建築工程施工許可證), 210104200604290601, 210104200604280301, 210104200604290101, 210104200604290201, 210104200604290301, 210104200604290501, 210104200604290401, 210104200511220301, 210104200511220401, 210104200511220101 and 210104200511220201, issued by Shenyang City Town and Village Construction Committee (瀋陽市城鄉建設委員會), Liaoning High School is permitted to commence the construction works of the development.

5. Pursuant to 4 Shenyang City Commodity Flat Pre-Sale Permits (商品房預售許可證) issued by Shenyang City Real Estate Bureau (瀋陽市房產局), Liaoning High School is permitted to pre-sell the property with a total GFA of 278,298.53 sq.m. The salient details of the permits are as follows:

Permit No.	**Issue Date**	**Uses**	**Block No.**	**No. of Units**	**Total GFA** *(sq.m.)*
Shen Fang Yu Shou Di No. 05175	24 Nov 2005	Common Residential (普通住宅)	6, 7, 10-14	746	100,103.76
Shen Fang Yu Shou Di No. 06061	22 Apr 2006	Residential (住宅)	5, 8, 9	316	41,243.44
Shen Fang Yu Shou Di No. 06184	6 Sep 2006	Residential (住宅)	1-4, 15-17	912	116,035.48
		Common area/ancillary facilities (公建)	15-19	136	19,432.22
Shen Fang Yu Shou Di No. 06413	26 Dec 2006	Common area/ancillary facilities (公建)	20, 23	11	1,483.63
		Total =	**23**	**2,121**	**278,298.53**

* The total number of residential units can be sold in the market is 1,974 while the remaining 147 units are for re-housing use.

6. As advised by the Company, 1,908 residential units of the development have been pre-sold and 206 car parking spaces have been leased out while there are remaining 66 residential units with a total GFA approximately of 19,790.57 sq.m and 315 car parking spaces are available for pre-sale and lease in accordance with the Commodity Flat Pre-Sale Permits.

7. According to the legal opinion issued by the PRC legal advisor, Yan Yiming Law Firm:

   a. Liaoning High School has legally obtained the State-owned Land Use Rights Certificate in respect of the land parcel of the property with a site area of 94,871.7 sq.m;

   b. The land premium of the property has been settled in full;

   c. As the construction works of the property have not been totally completed, relevant Construction Completion Certificate of the property has not been obtained. However, after the property has obtained the relevant Construction Completion Certificate, There exist no substantive legal impediments for the potential buyers to obtain the Building Ownership Certificates for the property upon Liaoning High School has obtained the relevant building ownership registration approval (房屋始初登記的批复) and carried out all the necessary procedures for obtaining Building Ownership Certificates;

   d. Liaoning High School can legally pre-sell the development; and

   e. There are no legal impediments for the owner of the property to be disposed freely upon Liaoning High School has incurred a capital with not less than 25% of the total development investment together with a prior consent of the exist or potential mortgagee in accordance with the PRC Law.

f. The construction works in progress ("CIP") of the property is subject to a mortgage in favour of China Construction Bank Corporation – Shenyang Zhongshan Branch (中國建設銀行股份有限公司 – 瀋陽中山支行) for a term expiring on 18 January 2008 for an amount of RMB150,000,000.

8. The status of title and grant of major approvals and licences in accordance with the information provided by the Group is as follows:

State-owned Land Use Rights Grant Contract	Yes
State-owned Land Use Rights Certificate	Yes
Construction Land Planning Permit	Yes
Construction Works Commencement Permits	Yes
Shenyang City Commodity Flat Pre-Sale Permits	Yes

Group II – Property to be acquired by the Group for future development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2007 *RMB*
3.	A land parcel located on the eastern side of South Main Street, Heping District, Shenyang City, Liaoning Province, the PRC	The property comprises a land parcel with a site area of approximately 153,696 sq.m. (or about 230.5 mu). The property will be developed into a residential/ commercial development with a total gross floor area ("GFA") of approximately 922,176 sq.m. (or about 9,926,302.46 sq.ft.).	The property is at its early stage of planning and development. As the relevant demolition and relocation works have not been carried out, no construction costs have been incurred in the property.	No Commercial Value (70% interest attributable to the Group upon completion of transaction: No Commercial Value)

Notes:

1. Pursuant to a Heping South Main Street Eastern Land Parcel Auction Transaction Confirmation Letter (和平南大街東地塊拍賣成交確認書) (the "Confirmation Letter"), Shen Tu Jiao Zi [2007] No. 43, dated 3 August 2007 entered into between Shenyang Land Bank Transaction Centre (瀋陽市土地儲備交易中心) and Liaoning High School, Liaoning High School had successfully bid for the property with a site area of 153,696 sq.m. at a consideration of RMB1,192,680,960 inclusive of demolition and relocation costs subject to adjustments.

2. Pursuant to an Application for Amendments of Planning Conditions Report (申請修改規劃的報告), to Shenyang City Heping District People's Government (瀋陽市和平區人民政府), Liaoning High School has applied to increase the plot ratio for the development of the property from 3.5 to 6.

3. In the course of our valuation, we have attributed no commercial value to the property as Liaoning High School has not obtained any proper title certificates for the property. The land parcel is also bounded by South Lake Park and Northeastern University on eastern side, River Wen on southern side, Heping South Main Street on western side and Shenyang Canal on northern side, Heping District of Shenyang City, with a total site area of approximately 153,696 sq.m. In general, State-owned Land Use Rights Certificate will be granted to the land parcel when all the demolition and relocation works have been completed by the local government as well as the full settlement of the land premium in compliance with the aforesaid Confirmation Letter.

4. As per information provided by the Company, the development details of the property are summarized as follows:

Existing stage of development	:	The property is at its early stage of development, which primarily involves the relocation of the existing Liaoning Sports College on the site.
Estimated completion date	:	Demolition and relocation works – October 2008 Construction works and resettlement of dwellings (Phase I) – October 2009 Residential and commercial units (Phase I) – May 2010 Construction works (Phase II) – September 2010 Residential and commercial units (Phase II) – May 2011

Estimated cost of carrying out/ completing the development	:	The estimated building costs for the whole development is about RMB3,742,000,000.
Estimated capital value after completion	:	Based on the proposed development, the capital value after completion is estimated to be approximately RMB5,309,000,000.
Planning or other regulatory consents for development	:	The salient development conditions as stipulated in the Confirmation Letter and the Application for Amendments of Planning Conditions Report are summarized as below: a) Uses: Residential/Commercial; b) Site Area: 153,696 sq.m. c) Plot Ratio: 6 d) Green Land Ratio: Minimum 30% of the total site area e) Commercial Ratio: 20% of the total GFA f) Building Density: 28%

5. For your accounting reference purpose, the market value of the land parcel of the property assuming sale with the benefit of vacant possession and free from all material encumbrances as at the date of valuation is about HK$2,135,000,000.

6. According to the legal opinion issued by the PRC legal adviser, Yan Yiming Law Firm:

   a. The Confirmation Letter is legally binded, the Shenyang Land Bank Transaction Centre (瀋陽市土地儲備交易中心) has no power to change or object the biding result while the Liaoning High School cannot surrender the transaction without indemnity.

   b. According to the terms agreed in Application for Amendments of Planning Conditions Report, the local government is basically agreed on the plot ratio and the commercial ratio increment of the property subject to an amount of premium paid by Liaoning High School.

   c. After full settlement of the land premium by Liaoning High School, Liaoning High School should apply for the relevant Land Use Rights Certificate of the property, there would exist no legal impediments for Liaoning High School to obtain the relevant title certificate by complying all the relevant application procedures according to the PRC Law.

   d. there exist no legal impediment for Liaoning High School to obtain the State-owned Land Use Rights Certificate for the land parcel of the property upon complying with all the relevant legal procedures according to the PRC Laws and regulations.

7. The status of title and grant of major approvals, contracts and permits in accordance with the information provided by the Group are as follows:

Heping South Main Street Eastern Land Parcel Auction Transaction Confirmation Letter	Yes
Application for Amendments of Planning Conditions Report	Yes
State-owned Land Use Rights Grant Contract	No
State-owned Land Use Rights Certificate	No
Building Ownership Certificate	No

The following are the texts of the letter and valuation certificates received from BMI Appraisals Limited in connection with their valuation as at 30 June 2007 of the property interests of the Group and of its associated companies (other than CNTD and its subsidiaries), which have been prepared for the purpose of incorporation into this circular.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

Suite 11-18, 31/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心3111-18室
Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863
Email電郵：info@bmintelligence.com Website網址：www.bmintelligence.com

7 September 2007

The Directors
SRE Group Limited
36th Floor
Times Tower
391 – 407 Jaffe Road
Wanchai
Hong Kong

Dear Sirs

INSTRUCTIONS

We refer to the instructions from SRE Group Limited (the "Company") to value the properties held by the Company and/or its subsidiaries or associates (excluding China New Town Development Company Limited (together referred to as the "Group") located in the People's Republic of China (the "PRC"). We confirm that we have performed inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 30 June 2007 (the "date of valuation").

BASIS OF VALUATION

Our valuations of the concerned properties have been based on the Market Value, which is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

PROPERTY CATEGORIZATION

In the course of our valuations, the portfolio of properties of the Group is categorized into the following groups:–

Group I – Properties held by the Group for investment in the PRC

Group II – Properties held by the Group for sale in the PRC

Group III – Properties held by the Group for investment and sale in the PRC

Group IV – Properties held by the Group for future development in the PRC

VALUATION METHODOLOGY

In valuing the properties held by the Group, we have valued them on the open market basis by the Comparison Approach assuming sale in their existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market. Appropriate adjustments have then been made to account for the differences between the properties and the comparables in terms of age, time, location, floor level and other relevant factors. Whenever applicable, we have also adopted the Investment Approach where appropriate by taking into account the current rents passing of the constituent units of the properties being held under existing tenancies and the reversionary potential of the tenancies if they have been or would be let to tenants.

TITLE INVESTIGATION

We have been provided with copies of title documents and have been advised by the Group that no further relevant documents have been produced. Moreover, due to the nature of the land registration system in the PRC, we have not been able to examine the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies, handed to us. Therefore, in the course of our valuations, we have relied on the advice and information given by the Group and its PRC legal advisers regarding the title of such PRC properties.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the properties are sold in the open market in their existing state without the benefit of deferred terms contract, leaseback, joint venture, management agreement of any similar arrangement which might serve to affect the values of the properties.

In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no forced sale situation in any manner is assumed in our valuations.

In valuing the properties, we have relied on the advice given by the Group that the Group has valid and enforceable title to the properties which are freely transferable, and has free and uninterrupted right to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

VALUATION CONSIDERATIONS

We have inspected the exterior and wherever possible, the interior of the properties. During the course of our inspections, we did not note any serious defects. However, no structural surveys have been made nor have any tests been carried out on any of the services provided in the properties. We are, therefore, unable to report that the properties are free from rot, infestation or any other structural defects.

We have relied to a considerable extent on the information provided by the Group and have accepted advice given to us by the Group in such matters as approvals or statutory notices, easements, tenure, particulars of occupancy, identification of the properties and other relevant information.

We have not carried out detailed on-site measurements to verify the correctness of the site/floor areas in respect of the properties but have assumed that the site/floor areas shown on the documents handed to us are correct.

Except otherwise stated, all dimensions, measurements and areas included in the valuation certificates is based on information contained in the documents provided to us by the Group and are therefore approximations.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group and the Group has also advised us that no material facts have been omitted from the information so supplied. We consider that we have been provided with sufficient information for us to reach an informed view.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties or for any expenses or taxation, which may be incurred in effecting a sale or purchase.

Based on the prevailing rules and regulations as at the Latest Practicable Date and the information provided by the Group, we confirm that the properties located in the PRC are subject to various potential tax liability assuming disposal as at the Latest Practicable Date.

For the properties located in the PRC, the potential tax liability includes the business tax ("BT") at 5% on the revenue from the sale/pre-sale of properties, installation of intelligent home equipment and property leasing. The Group is also subject to BT at 3% on the revenue less payments to subcontractors for the construction of infrastructure of the intelligent network. On top of the BT, some subsidiaries are subject to the following surtaxes:

– City development tax, a tax levied at 5% to 7% of BT or Value-Added Tax ("VAT"); and

– Education supplementary tax, a tax levied at 3% of BT or VAT.

In addition, the Group conducts a significant portion of its business in the PRC and the applicable enterprise income tax ("EIT") rate of its subsidiaries operating in the PRC is generally 33%.

The exact amount of tax payable upon realization of the relevant properties in the PRC will be subject to the formal tax advice issued by the relevant tax authorities at the time of disposal of the relevant properties upon presentation of the relevant transaction documents. We strongly advise that a tax adviser's opinion to be sought in relation to the tax issues.

As advised by the Group, for those properties being held by the Group for sale purposes, there is likelihood of potential tax liability crystallizing upon disposal of the relevant properties in the open market whereas for the remaining properties being held by the Group for investment or future development purposes, there is no definite sale plan and there is not any likelihood of potential tax liability crystallizing.

Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Our valuations have been prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

Our valuations have been prepared under the generally accepted valuation procedures and are in compliance with the Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REMARKS

Unless otherwise stated, all money amounts stated are in Renminbi (RMB).

Our summary of values and the valuation certificates are attached herewith.

Yours faithfully
For and on behalf of
BMI APPRAISALS LIMITED

Dr. Tony C.H. Cheng
BSc, MUD, MBA, PhD(Hon), SIFM, MHKIS, MCIArb, DBM
Director

Joannau W.F. Chan
BSc. MSc. MRICS MHKIS RPS (GP)
Director

Notes:

Dr. Tony C. H. Cheng is a Chartered Surveyor who has about 15 years' experience in valuations of properties in Hong Kong and the People's Republic of China.

Ms. Joannau W.F. Chan is a Chartered Surveyor who has about 15 years' experience in valuations of properties in Hong Kong and about 9 years' experience in valuations of properties in the People's Republic of China.

SUMMARY OF VALUES

No.	Property	Market Value in existing state as at 30 June 2007 *RMB*	Interest attributable to the Group	Value attributable to the Group as at 30 June 2007 *RMB*
Group I – Properties held by the Group for investment in the PRC				
1.	A hotel known as "Oasis Skyway Garden Hotel" (綠洲仕格維花園酒店) located at Lot B & C, 53 Alley, Da Pu Road, Luwan District, Shanghai, the PRC	2,519,000,000	58.34%	1,469,584,600
2.	The retail portion of a development known as "Richgate" (華府天地) located at N0. 39 Jie Fang, 222 Long, Madang Road, Luwan District, Shanghai, the PRC	1,360,000,000	100%	1,360,000,000
	Sub-total:	**3,879,000,000**		**2,829,584,600**

No.	Property	Market Value in existing state as at 30 June 2007 *RMB*	Interest attributable to the Group	Value attributable to the Group as at 30 June 2007 *RMB*
Group II – Properties held by the Group for sale in the PRC				
3.	Unit 2001 on 5th Floor of a development known as "Richgate" (華府天地) located at No. 39 Jie Fang, 222 Long, Madang Road, Luwan District, Shanghai, the PRC	33,100,000	51.48%	17,039,880
4.	The unsold portion of a residential development known as "Beverly Oasis Garden" (綠洲比華利花園) located at 366 Alley on Ming Hua Road of Xinqiao Town, Songjiang District, Shanghai, the PRC	175,500,000	98.75%	173,306,250
5.	The unsold portion of a residential development known as "Long Island Oasis Garden/ Cedar Island Oasis Garden" (綠洲長島花園) located at 1288 Alley on Xin Song Road of Jiuting Town, Songjiang District, Shanghai, the PRC	932,900,000	98.75%	921,238,750
6.	17 villas in Phase I and a villa in Phase II of "Jiang Nan Oasis Garden" (綠洲江南園) located at Nos. 6 and 18-1, Nan Gang Cun, Zhu Jia Jiao Town, Qingpu District, Shanghai, the PRC	180,800,000	50.04%	90,472,645

No.	Property	Market Value in existing state as at 30 June 2007 *RMB*	Interest attributable to the Group	Value attributable to the Group as at 30 June 2007 *RMB*
7.	The unsold portion of a development known as "Thousand Island Oasis Garden" (綠洲千島花園) located at 183 Alley, Heli Xi Road, Xia Sha Town, Nanhui District, Shanghai, the PRC	748,000,000	98%	733,040,000
8.	18 unsold residential apartments of a development known as "Richgate" (華府天地) located at No. 39 Jie Fang, 222 Long, Madang Road, Zizhong Road, Luwan District, Shanghai, the PRC	563,600,000	100%	563,600,000
	Sub-total:	**2,633,900,000**		**2,498,697,525**

No.	Property	Market Value in existing state as at 30 June 2007 *RMB*	Interest attributable to the Group	Value attributable to the Group as at 30 June 2007 *RMB*
Group III – Properties held by the Group for investment and sale in the PRC				
9.	A development known as "Shenyang Richgate" (瀋陽華府天地) located at Huigong Square West, Shenhe District, Shenyang City, Liaoning Province, the PRC	7,172,600,000	51%	3,658,026,000
10.	Albany Oasis Garden (綠洲雅賓利花園) which is bounded by Xi Zhang North Road (the West), Zhong Xing Road (the South), Bao Tong Road (the East) and Tian Tong An Road (the North), Zhabei District, Shanghai, the PRC	2,600,000,000	100%	2,600,000,000
11.	The unsold portion of a development known as "Central-Ring Center" (綠洲中環中心) located at 1698 Alley, Jinshajiang Road, Putuo District, Shanghai, the PRC	1,026,700,000	96.80%	993,845,600
	Sub-total:	**10,799,300,000**		**7,251,871,600**

No.	Property	Market Value in existing state as at 30 June 2007 *RMB*	Interest attributable to the Group	Value attributable to the Group as at 30 June 2007 *RMB*
12.	A land parcel C5-3 located at Luodian North European Town, Luonan Town, Baoshan District, Shanghai, the PRC	No Commercial Value	50.36%	Nil
13.	A land parcel A3-2 located at Luodian North European Town, Luonan Town, Baoshan District, Shanghai, the PRC	No Commercial Value	51.48%	Nil
14.	A parcel of land located to the east of Da Xing Jie (大興街), to the south of Zhong Hua Lu (中華路) and Huang Jia Que Lu (黃家闕路), to the west of Ying Xun Lu (迎勳路) and to the north of Lu Jia Bang Lu (陸家濱路) and within 717-719 Jie Lane (街坊) of Huangpu District, Shanghai, the PRC	No Commercial Value	100%	Nil
	Sub-total:	**Nil**		**Nil**
	Total:	**17,312,200,000**		**12,580,153,725**

VALUATION CERTIFICATE

Group I – Properties held by the Group for investment in the PRC

No.	**Property**	**Description and tenure**	**Particulars of occupancy**	**Market Value in existing state as at 30 June 2007** *RMB*
1.	A hotel known as "Oasis Skyway Garden Hotel" (綠洲仕格維花園酒店) located at Lots B & C, 53 Alley, Da Pu Road, Luwan District, Shanghai, the PRC	The hotel forms part of a development known as "Oasis Skyway Garden" (綠洲仕格維花園), which comprises 18-storey residential tower, a 32-storey residential tower and a 50-storey hotel. The property comprises about 654 rooms plus two restaurant levels, which are erected on two land parcels with a total site area of approximately 26,282 sq.m. The property was completed in early 2007. The total gross floor area ("GFA") of the property is approximately 100,761 sq.m. The land use rights of the property have been granted for a term of 50 years for composite uses.	The property is under operation.	2,519,000,000 (58.34% interest attributable to the Group: 1,469,584,600)

Notes:–

1. Pursuant to a Shanghai Certificate of Real Estate Ownership (上海市房地產權證), Hu Fang Di Shi Zi (2003) Di No. 001626, issued by the Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) dated 10 February 2003, the land use rights of portion of the subject development with a site area of 14,279 sq.m. have been granted to Shanghai Skyway Oasis Garden hotel and Condominium Co., Ltd. (上海綠洲仕格維花園酒店公寓有限公司) ("Shanghai Skyway") for a term of 50 years commencing on 22 July 2002 and expiring on 21 July 2072 for composite uses.

2. Pursuant to a Shanghai Certificate of Real Estate Ownership (上海市房地產權證), Hu Fang Di Lu Zi (2005) Di No. 002638, issued by the Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) dated 21 March 2005, the land use rights of the remaining portion of the subject development with a site area of 12,003 sq.m. and the building ownership rights of portion of the subject development property with a total GFA of 37,069.91 sq.m. have been granted to Shanghai Skyway for a term of 70 years commencing on 6 November 1992 and expiring on 5 November 2062 for residential uses.

3. Pursuant to a Shanghai Certificate of Real Estate Ownership (上海市房地產權證), Hu Fang Di Lu Zi (2007) Di No. 001384, issued by the Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) dated 9 April 2007, the building ownership rights of portion of the subject development with a total GFA of 6,615.1 sq.m. (including basement and upper ground floors) have been granted to Shanghai Skyway for residential uses.

4. Pursuant to three Shanghai Property Pre-sale Permits (上海市商品房預售許可證) issued to Shanghai Skyway, the pre-sale of the residential portion of the development in various stages have been approved. The salient details of the certificates are as follows:

Certificate No.	Date of Issue	Permitted Pre-sale GFA *(sq.m.)*
Lu Wan (2004) Yu Zi No. 002	27 February 2004	8,489
Lu Wan (2004) Yu Zi No. 003	20 March 2004	21,567
Lu Wan (2004) Yu Zi No. 005	20 March 2004	5,340
	Total:	35,396

5. Pursuant to a Construction Land Planning Permit (建設用地規劃許可證) Hu Lu Gui Di (98) No. 15, issued by the Shanghai Luwan District Planning and Land Administration Bureau (上海市盧灣區規劃土地管理局) dated 2 September 1998, Shanghai Skyway was permitted to develop the land parcels of the subject development.

6. Pursuant to four Construction Project Planning Permits (建設工程規劃許可證), the proposed development of the subject development by Shanghai Skyway was approved. The salient details of the certificates are as follows:

Certificate No.	Date of Issue
Hu Lu Jian (2004) No. B008	1 April 2004
Hu Gui Jian (2003) No. 1044	10 December 2003
Hu Lu Jian (2006) No. 03060323F00824	23 March 2006
Hu Lu Jian (2007) No. 03070117F00128	17 January 2007

7. Pursuant to eleven Construction Works Commencement Permits (建設工程施工許可證), Shanghai Skyway were permitted to commence construction works of the subject development. The salient details of the certificates are as follows:

Certificate No.	Date of Issue
031C0038D01310103200301150201	6 June 2003
031C0038D02310103200301150201	20 October 2005
0301LW0038D03310103200301150201	16 September 2003
0301LW0038D04310103200301150201	6 November 2003
0301LW0038D05310103200301150201	11 December 2003
0301LW0038D06310103200301150201	21 June 2004
0301LW0038D07310103200301150201	15 November 2004
0301LW0038D08310103200301150201	13 December 2004
0301LW0038D09310103200301150201	20 October 2005
0301LW0038D10310103200301150201	24 March 2006
0301LW0038D11310103200301150201	14 April 2006

8. Pursuant to a Construction Completion Certificate (上海市建設項目(工程)檔案驗收合格證), Hu Lu Jian Dang (2005) No. 014, the completion of construction works of the property have been approved.

9. The status of title and grant of major approvals and licenses in accordance with the information provided by the Group is as follows:

Shanghai Certificates of Real Estate Ownership	Yes
Shanghai Property Pre-sale Permits	Yes
Construction Land Planning Permit	Yes
Construction Project Planning Permits	Yes
Construction Works Commencement Permits	Yes
Construction Completion Certificate	Yes

10. The opinion of the PRC legal advisor, Yan Yiming Law Firm, to the Group contains, inter alia, the following:

    a. The Group is in possession of a proper legal title to the property and is entitled to transfer, sublet and mortgage the property (except for the portion of the property which is subject to mortgage) with its residual term of land use rights at no extra land premium or other onerous payments payable to the government;

    b. For those buildings of the property which have recently been completed without title documents, there exist no substantive legal impediments for the Group to obtain such title documents for such buildings;

    c. All land premium has been settled in full;

    d. The land planning, development, construction completion and pre-sale procedures are legally valid and in compliance with the relevant government regulations;

    e. The Group has obtained the relevant Pre-sale Permits for the pre-sale of the property and such pre-sale procedures are in compliance with the requirements of the relevant PRC laws; and

    f. The property (except Land Area 1/2 Qiu of Residential Block 84 in Dapuqiao Street, Luwan District) is not subject to mortgage or any other material encumbrances.

11. Shanghai Skyway is an indirect 58.34%-owned subsidiary of the Company.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2007 *RMB*
2.	The retail portion of a development known as "Richgate" (華府天地) located at No. 39 Jie Fang, 222 Long, Madang Road, Luwan District, Shanghai, the PRC	Richgate (the "Development") is a large-scale luxurious residential development erected on a rectangular-shaped leveled site with a site area of approximately 14,651 sq.m. The Development, comprising 5 blocks of high-rise residential buildings erected upon a 2-storey retail podium, was completed in June 2006. As advised by the Company, the property comprises the whole of the retail portion of the Development with a total gross floor area ("GFA") of approximately 11,330.31 sq.m. The land use rights of the property have been granted for a term of 70 years from 28 February 2007 to 27 February 2072 for residential uses.	Portion of the property with a total lettable area of about 9,543.3 sq.m. is subject to various leases with an aggregate monthly rent of about RMB4,602,414.73, and for various terms with the latest expiry date on 31 March 2012. The remaining portion of the property is available for lease.	1,360,000,000 (100% interest attributable to the Group 1,360,000,000)

Notes:–

1. Pursuant to three Shanghai Certificates of Real Estate Ownership (上海市房地產權證), issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局), all dated 9 February 2007, the land use rights and the building ownership rights of the property with a site area of 14,651 sq.m. and a total GFA of 11,330.31 sq.m. have been granted to Shenyang Huajian Real Estate Co. Ltd. (瀋陽華建置業有限公司) ("Shenyang Huajian") for residential uses. The salient details of the certificates are as follows:

Certificate No.	Site Area *(sq.m.)*	Term	Land Use	Portion of the Property	Total GFA *(sq.m.)*
Hu Fang Di Lu Zi (2007) Di No. 001027	14,651	17 January 2007 – 27 February 2072	Residential	Level 1	2,724.24
Hu Fang Di Lu Zi (2007) Di No. 001028	14,651	17 January 2007 – 27 February 2072	Residential	Level 2	3,591.22
Hu Fang Di Lu Zi (2007) Di No. 001029	14,651	17 January 2007 – 27 February 2072	Residential	Basement Level 1	5,014.85
			Total:		11,330.31

2. As advised by the Company, the land use rights of the property were held by Shanghai Anderson Fuxing Land Co., Ltd. (上海安信復興置地有限公司) ("Shanghai Anderson") for a term of 70 years commencing on 28 February 2002. In 2007, the land use rights of the property were transferred to Shenyang Huajian, another subsidiary of the Group.

3. The status of title and grant of major approvals and licences in accordance with the information provided by the Group is as follows:

Shanghai Certificates of Real Estate Ownership	Yes

4. The opinion of the PRC legal advisor, Yan Yiming Law Firm, to the Group contains, inter alia, the following:

   a. The Group is in possession of a proper legal title to the property and is entitled to transfer, sublet and mortgage the property with its residual term of land use rights at no land premium or other onerous payments payable to the government subject to the completion of the required volume of work;

   b. All land premium has been waived;

   c. The land planning, development, construction completion and pre-sale procedures are legally valid and in compliance with the relevant government regulations;

   d. the Group has obtained the relevant Pre-sale Permits for the pre-sale of the property and such pre-sale procedures are in compliance with the requirements of the relevant PRC laws; and

   e. The unsold portion of the property is not subject to mortgage and any other material encumbrances.

5. Shenyang Huajian is an indirect wholly-owned subsidiary of the Company.

Group II – Properties held by the Group for sale in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2007 *RMB*
3.	Unit 2001 on 5th Floor of a development known as "Richgate" (華府天地) located at No. 39 Jie Fang, 222 Long, Madang Road, Luwan District, Shanghai, the PRC	Richgate (the "Development") is a large-scale luxurious residential development erected on a rectangular-shaped leveled site with a site area of approximately 14,651 sq.m. The Development, comprising 5 blocks of high-rise residential buildings erected upon a 2-storey retail podium, was completed in June 2006. As advised by the Company, the property comprises a residential unit within the Development with a gross floor area ("GFA") of approximately 500.78 sq.m. The land use rights of the property have been granted for a term of 70 years from 28 February 2002 to 27 February 2072 for residential uses.	The property is available for sale.	33,100,000 (51.48% interest attributable to the Group: 17,039,880)

Notes:–

1. Pursuant to a Shanghai Certificate of Real Estate Ownership (上海市房地產權證) Hu Fang Di Lu Zi (2006) Di No. 002821 issued by the Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) dated 19 September 2006, the land use rights of the subject Development with a site area of 14,651 sq.m. and the building ownership rights of the unsold portion of the subject Development (as at 19 September 2006) with a total GFA of 68,022.92 sq.m. (including the subject property) have been granted to Shanghai Anderson Fuxing Land Co., Ltd. (上海安信復興置地有限公司) ("Shanghai Anderson") for a term of 70 years from on 28 February 2002 to 27 February 2072 for residential uses.

2. Pursuant to a Joint Venture Contract, Shanghai Anderson is a joint-venture company formed by Anderson Land (Shanghai) Ltd. (安信置地(上海)有限公司) and Shanghai Fuxing Construction and Development Ltd. (上海復興建設發展有限公司).

3. The status of title and grant of major approvals and licenses in accordance with the information provided by the Group is as follows:

Shanghai Certificate of Real Estate Ownership	Yes
Joint Venture Contract	Yes

4. The opinion of the PRC legal advisor, Yan Yiming Law Firm, to the Group contains, inter alia, the following:

    a. The Group is in possession of a proper legal title to the property and is entitled to transfer, sublet and mortgage the property with its residual term of land use rights at no land premium or other onerous payments payable to the government subject to the completion of the required volume of work;

    b. All land premium has been waived;

    c. The land planning, development, construction completion and pre-sale procedures are legally valid and in compliance with the relevant government regulations;

    d. the Group has obtained the relevant Pre-sale Permits for the pre-sale of the property and such pre-sale procedures are in compliance with the requirements of the relevant PRC laws; and

    e. The property is not subject to mortgage and any other material encumbrances.

5. Shanghai Anderson is an indirect 51.48%-owned subsidiary of the Company.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2007 *RMB*
4.	The unsold portion of a residential development known as "Beverly Oasis Garden" (綠洲比華利花園) located at 366 Alley on Ming Hua Road of Xinqiao Town, Songjiang District, Shanghai, the PRC	Beverly Oasis Garden (the "Development") is a large-scale luxurious residential development erected on fifteen land parcels with a total site area of approximately 797,346 sq.m. The Development is divided into two phases (Phase I and Phase II). The Development comprises various blocks of villas. The total gross floor area ("GFA") of the Development is approximately 199,827 sq.m. The Development was completed in various stages between 1999 and 2003. As advised by the Group, the property comprises unsold portion of the Development containing 1 villa in Phase I and 8 villas in Phase II with a total GFA of approximately 6,864.32 sq.m. The land use rights of the property have been granted for a common term of 70 years with the latest term expiring on 11 June 2073 for residential uses.	The property is available for sale.	175,500,000 (98.75% interest attributable to the Group: 173,306,250)

Notes:–

1. Pursuant to twenty-eight Shanghai Certificates of Real Estate Ownership (上海市房地產權證), issued by the Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局), the land use rights and the building ownership rights of the Development (including the property) have been granted to 瀚翔(上海)置業發展有限公司 ("Hanxiang Shanghai") and Shanghai Oasis Garden Real Estate Co., Ltd. (上海綠洲花園置業有限公司) ("Shanghai Oasis") for residential uses. The salient details of the certificates are as follows:

Certificate No.	Date of Issue	Site Area *(sq.m.)*	Term	Land Use	Total GFA *(sq.m.)*	Grantee
Hu Fang Di Song Zi (1999) Di No. 003348	4 Aug 1999	48,444	18 Jun 1998 – 17 Jun 2068	Residential	13,691.71	Hanxiang Shanghai
Hu Fang Di Song Zi (1999) Di No. 004356	10 Oct 1999	53,825	19 Oct 1998 – 18 Oct 2068	Residential	12,732.66	Hanxiang Shanghai

Certificate No.	Date of Issue	Site Area (sq.m.)	Term	Land Use	Total GFA (sq.m.)	Grantee
Hu Fang Di Song Zi (2000) Di No. 005850	20 Sep 2000	2,156	6 Feb 1999 – 5 Jan 2069	Residential	984.65	Hanxiang Shanghai
Hu Fang Di Song Zi (2000) Di No. 005988	26 Sep 2000	31,037	6 Feb 1999 – 5 Jan 2069	Residential	8,948.81	Hanxiang Shanghai
Hu Fang Di Song Zi (2000) Di No. 005989	26 Sep 2000	63,850	28 Jun 1999 – 27 Jun 2069	Residential	17,795.14	Hanxiang Shanghai
Hu Fang Di Song Zi (2001) Di No. 003969	24 May 2001	59,070.66	20 Aug 1999 – 19 Aug 2069	Residential	13,663.63	Hanxiang Shanghai
Hu Fang Di Song Zi (2001) Di No. 006343	19 Jul 2001	53,729	20 Aug 1999 – 19 Aug 2069	Residential	9,067.48	Hanxiang Shanghai
Hu Fang Di Song Zi (2001) Di No. 008829	10 Oct 2001	53,729*	20 Aug 1999 – 19 Aug 2069	Residential	1,124.00	Hanxiang Shanghai
Hu Fang Di Song Zi (2002) Di No. 003137	18 Apr 2002	54,595	20 Aug 1999 – 19 Aug 2069	Residential	12,127.85	Hanxiang Shanghai
Hu Fang Di Song Zi (2002) Di No. 004734	24 May 2002	30,451	20 Aug 1999 – 19 Aug 2069	Residential	8,614.18	Hanxiang Shanghai
Hu Fang Di Song Zi (2002) Di No. 007143	9 Jul 2002	19,038	20 Aug 1999 – 19 Aug 2069	Residential	4,470.00	Hanxiang Shanghai
Hu Fang Di Song Zi (2002) Di No. 008045	27 Jul 2002	36,776	20 Aug 1999 – 19 Aug 2069	Residential	10,661.53	Hanxiang Shanghai
Hu Fang Di Song Zi (2002) Di No. 008046	27 Jul 2002	30,762	20 Aug 1999 – 19 Aug 2069	Residential	7,595.18	Hanxiang Shanghai
Hu Fang Di Song Zi (2002) Di No. 009757	21 Aug 2002	54,595*	20 Aug 1999 – 19 Aug 2069	Residential	286.32	Hanxiang Shanghai
Hu Fang Di Song Zi (2003) Di No. 004408	24 Mar 2003	57,333	9 Feb 2002 – 8 Feb 2072	Residential	15,242.45	Hanxiang Shanghai
Hu Fang Di Song Zi (2003) Di No. 010101	27 May 2003	22,510.70	3 Jul 2002 – 2 Jul 2072	Residential	3,963.28	Hanxiang Shanghai
Hu Fang Di Song Zi (2003) Di No. 010107	27 May 2003	24,096	9 Jul 2002 – 8 Jul 2072	Residential	7,417.68	Hanxiang Shanghai
Hu Fang Di Song Zi (2003) Di No. 013226	18 Jul 2003	45,352	15 Oct 2002 – 14 Oct 2072	Residential	14,856.22	Hanxiang Shanghai
Hu Fang Di Song Zi (2003) Di No. 020098	27 Nov 2003	25,159	10 Mar 2003 – 9 Mar 2073	Residential	8,712.15	Hanxiang Shanghai
Hu Fang Di Song Zi (2003) Di No. 020099	27 Nov 2003	2,573	10 Mar 2003 – 9 Mar 2073	Residential	851.23	Hanxiang Shanghai
Hu Fang Di Song Zi (2003) Di No. 020101	27 Nov 2003	48,987	18 Feb 2003 – 17 Feb 2073	Residential	13,722.34	Hanxiang Shanghai
Hu Fang Di Song Zi (2004) Di No. 027289	15 Dec 2004	86,889	12 Jun 2003 – 11 Jun 2073	Residential	5,542.72	Hanxiang Shanghai
Hu Fang Di Song Zi (2005) Di No. 011513	8 Apr 2005	57,333	9 Feb 2002 – 8 Feb 2072	Residential	661.65	Shanghai Oasis
Hu Fang Di Song Zi (2005) Di No. 011517	12 Apr 2005	48,444	18 Jun 1998 – 17 Jun 2068	Residential	1,433.80	Shanghai Oasis
Hu Fang Di Song Zi (2005) Di No. 011529	8 Apr 2005	25,159	10 Mar 2003 – 9 Mar 2073	Residential	1,867.05	Shanghai Oasis
Hu Fang Di Song Zi (2005) Di No. 011530	8 Apr 2005	48,987	18 Feb 2003 – 17 Feb 2073	Residential	1,430.45	Shanghai Oasis
Hu Fang Di Song Zi (2005) Di No. 011531	8 Apr 2005	86,889	12 Jun 2003 – 11 Jun 2073	Residential	N/A	Shanghai Oasis
Hu Fang Di Song Zi (2005) Di No. 011532	7 Apr 2005	53,729	20 Aug 1999 – 19 Aug 2069	Residential	1,600.74	Shanghai Oasis

* As per the information extracted from the certificates, only common areas have been disclosed.

2. Pursuant to thirty-four Shanghai Property Pre-sale Permits (上海市商品房預售許可證) issued by the Shanghai Songjiang District Building and Land Management Bureau (上海市松江區房屋土地管理局) to Hanxiang Shanghai, the pre-sale of the Development in various stages have been approved. The salient details of the certificates are as follows:

Certificate No.	**Date of Issue**	**Permitted Pre-sale GFA** *(sq.m.)*
Song Fang Di (98) Nei Yu Zi No. 030	11 June 1998	15,000
Song Fang Di (98) Nei Yu Zi No. 050	14 October 1998	9,000
Song Fang Di (99) Nei Yu Zi No. 030	11 June 1999	17,000
Song Fang Di (99) Nei Yu Zi No. 007	27 January 1999	9,000
Song Fang Di (2000) Nei Yu Zi No. 022	8 June 2000	6,700
Song Fang Di (2000) Nei Yu Zi No. 040	21 September 2000	4,200
Song Fang Di (2000) Nei Yu Zi No. 023	8 June 2000	4,330
Song Fang Di (2000) Nei Yu Zi No. 041	21 September 2000	3,900
Song Fang Di (2000) Nei Yu Zi No. 060	28 December 2000	11,520
Song Fang Di (2001) Nei Yu Zi No. 012	22 May 2001	5,945
Song Fang Di (2001) Nei Yu Zi No. 027	3 July 2001	2,227.02
Song Fang Di (2001) Yu Zi No. 004	8 August 2001	512.87
Song Fang Di (2001) Yu Zi No. 018	12 September 2001	8,972.63
Song Fang Di (2001) Yu Zi No. 028	28 September 2001	2,599.08
Song Fang Di (2001) Yu Zi No. 052	13 December 2001	4,501.53
Song Fang Di (2001) Yu Zi No. 044	20 November 2001	2,091
Song Fang Di (2002) Yu Zi No. 039	9 April 2002	5,384.42
Song Fang Di (2002) Yu Zi No. 040	26 April 2002	5,046.25
Song Fang Di (2002) Yu Zi No. 067	24 July 2002	4,782.23
Song Fang Di (2002) Yu Zi No. 090	20 September 2002	4,645.10
Song Fang Di (2002) Yu Zi No. 092	24 September 2002	4,333.27
Song Fang Di (2002) Yu Zi No. 0112	30 October 2002	3,187.17
Song Fang Di (2003) Yu Zi No. 0010	21 January 2003	2,115.16
Song Fang Di (2003) Yu Zi No. 0063	29 April 2003	646.77
Song Fang Di (2003) Yu Zi No. 0011	21 January 2003	7,176.70
Song Fang Di (2003) Yu Zi No. 0064	29 April 2003	4,199.90
Song Fang Di (2003) Yu Zi No. 0159	14 October 2003	949.65
Song Fang Di (2003) Yu Zi No. 0084	2 June 2003	1,045.36
Song Fang Di (2003) Yu Zi No. 0209	22 December 2003	5,616.29
Song Fang Di (2004) Yu Zi No. 0001127	11 April 2005	6,838.93
Song Fang Di (2005) Yu Zi No. 0000888	22 July 2005	9,206.82
Song Fang Di (2003) Yu Zi No. 0031	17 March 2003	9,506.01
Song Fang Di (2002) Yu Zi No. 053	11 June 2002	3,681.15
Song Fang Di (2002) Yu Zi No. 091	20 September 2002	7,663.15
	Total:	**193,523.46**

3. The status of title and grant of major approvals and licenses in accordance with the information provided by the Group are as follows:

Shanghai Certificates of Real Estate Ownership	Yes
Shanghai Property Pre-sale Permits	Yes

4. The opinion of the PRC legal advisor, Yan Yiming Law Firm, to the Group contains, inter alia, the following:

   a. The Group is in possession of a proper legal title to the property and is entitled to transfer, sublet and mortgage the property with its residual term of land use rights at no extra land premium or other onerous payments payable to the government subject to the condition that the property has been developed to not less than 25% of the total investment amount and in accordance with the building covenants and other development conditions as stipulated in the State-owned Land Use Rights Transfer Contract;

b. All land premium has been settled in full;

c. The land planning, development, construction completion and pre-sale procedures are legally valid and in compliance with the relevant government regulations;

d. the Group has obtained the relevant Pre-sale Permits for the pre-sale of the property and such pre-sale procedures are in compliance with the requirements of the relevant PRC laws; and

e. The property is not subject to mortgage and any other material encumbrances.

5. Shanghai Oasis which is now an indirect 98.75%-owned subsidiary of the Company.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2007 *RMB*
5.	The unsold portion of a residential development known as "Long Island Oasis Garden/ Cedar Island Oasis Garden" (綠洲長島花園) located at 1288 Alley on Xin Song Road of Jiuting Town, Songjiang District, Shanghai, the PRC	Long Island Oasis Garden/ Cedar Island Oasis Garden (the "Development") is a large-scale residential development erected on eight land parcels with a total site area of approximately 471,007 sq.m. The Development is divided into three phases (Phase 1, Phase II and Phase III (1), Phase III (2-A, 2-B, 2-C and 2-D). As advised by the Group, Phase I was completed in 2004 whereas the last phase i.e. Phase III (2-D) is scheduled to be completed in 2009. The total gross floor area ("GFA") of the Development is approximately 542,317 sq.m. As advised by the Group, the property comprises unsold portion of the Development with a total GFA of approximately 265,651 sq.m. The land use rights of the property have been granted for a common term of 70 years with the latest term expiring on 9 February 2074 for residential uses.	The property is available for sale.	932,900,000 (98.75% interest attributable to the Group upon completion of transaction: 921,238,750)

Notes:–

1. Pursuant to eight Shanghai Certificates of Real Estate Ownership (上海市房地產權證), issued by the Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局), the land use rights of the Development with a total site area of 471,007 sq.m. have been granted to Hanxiang Shanghai. The salient details of the certificates are as follows:

Certificate No.	Date of Issue	Site Area *(sq.m.)*	Term	Land Use
Hu Fang Di Song Zi (1999) Di No. 003527	20 August 1999	45,700	20 August 1999 – 19 August 2069	Residential

Certificate No.	Date of Issue	Site Area *(sq.m.)*	Term	Land Use
Hu Fang Di Song Zi (1999) Di No. 003528	20 August 1999	45,373	20 August 1999 – 19 August 2069	Residential
Hu Fang Di Song Zi (1999) Di No. 003529	20 August 1999	54,360	20 August 1999 – 19 August 2069	Residential
Hu Fang Di Song Zi (1999) Di No. 003530	20 August 1999	63,688	20 August 1999 – 19 August 2069	Residential
Hu Fang Di Song Zi (1999) Di No. 003531	20 August 1999	64,800	20 August 1999 – 19 August 2069	Residential
Hu Fang Di Song Zi (2004) Di No. 003615	24 February 2004	81,641	10 February 2004 – 9 February 2074	Residential
Hu Fang Di Song Zi (2004) Di No. 003616	6 February 2004	60,148	20 February 2004 – 9 February 2074	Residential
Hu Fang Di Song Zi (2004) Di No. 003617	24 February 2004	55,297	10 February 2004 – 9 February 2074	Residential
	Total:	**471,007**		

2. Pursuant to six Shanghai Certificates of Real Estate Ownership (上海市房地產權證), issued by the Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局), the building ownership rights of the Development (including the property) with a total GFA of 205,109.85 sq.m. have been granted to Hanxiang Shanghai and Shanghai Oasis. The salient details of the certificates are as follows:

Certificate No.	Date of Issue	Grantee	Total GFA *(sq.m.)*	Year of Completion
Hu Fang Di Song Zi (2001) Di No. 003519	14 May 2001	Hanxiang Shanghai	2,576.00	2001
Hu Fang Di Song Zi (2002) Di No. 014879	14 November 2002	Hanxiang Shanghai	96,586.87	N/A
Hu Fang Di Song Zi (2003) Di No. 006236	28 March 2003	Hanxiang Shanghai	45,729.80	N/A
Hu Fang Di Song Zi (2005) Di No. 006563	3 March 2005	Hanxiang Shanghai	23,467.78	N/A
Hu Fang Di Song Zi (2005) Di No. 027370	15 November 2005	Shanghai Oasis	31,241.92	N/A
Hu Fang Di Song Zi (2006) Di No. 004641	30 March 2006	Shanghai Oasis	5,507.48	N/A
	Total:		**205,109.85**	

3. Pursuant to fourteen Shanghai Property Pre-sale Permits (上海市商品房預售許可證) issued by the Shanghai Songjiang District Building and Land Management Bureau (上海市松江區房屋土地管理局), the pre-sale of the Development in various stages have been approved. The salient details of the certificates are as follows:

Certificate No.	Date of Issue	Grantee	Permitted Pre-sale GFA *(sq.m.)*
Song Fang Di (2000) Nei Yu Zi No. 025	16 June 2000	Hanxiang Shanghai	62,431.34
Song Fang Di (2000) Nei Yu Zi No. 042	26 September 2000	Hanxiang Shanghai	9,717.00
Song Fang Di (2000) Nei Yu Zi No. 043	26 September 2000	Hanxiang Shanghai	11,817.00
Song Fang Di (2000) Nei Yu Zi No. 042	26 September 2000	Hanxiang Shanghai	11,817.40
Song Fang Di (2002) Nei Yu Zi No. 062	27 June 2007	Hanxiang Shanghai	27,900.20
Song Fang Di (2002) Nei Yu Zi No. 073	1 August 2002	Hanxiang Shanghai	14,074.10
Song Fang Di (2002) Nei Yu Zi No. 0111	30 October 2002	Hanxiang Shanghai	3,482.88
Song Fang Di (2003) Nei Yu Zi No. 0204	16 December 2003	Hanxiang Shanghai	19,949.86
Song Fang Di (2004) Nei Yu Zi No. 0056	16 May 2004	Hanxiang Shanghai	31,480.87
Song Fang Di (2004) Nei Yu Zi No. 0000749	12 October 2004	Hanxiang Shanghai	51,823.33
Song Fang Di (2005) Nei Yu Zi No. 0001639	30 November 2005	Shanghai Oasis	7,109.30
Song Fang Di (2006) Nei Yu Zi No. 0000526	26 May 2006	Shanghai Oasis	54,654.36
Song Fang Di (2006) Nei Yu Zi No. 0000870	3 August 2006	Shanghai Oasis	9,240.72
Song Fang Di (2006) Nei Yu Zi No. 0001274	21 October 2006	Shanghai Oasis	53,735.35
		Total:	**369,233.71**

4. Pursuant to a Construction Land Planning Permit (建設用地規劃許可證), Hu Gui Song Di (98) No. 294, issued by the Shanghai Songjiang District Planning and Administration Bureau (上海市松江區規劃管理局) dated 5 November 1998, Hanxiang Shanghai was permitted to develop the land parcels of the Development.

5. Pursuant to nine Construction Project Planning Permits (建設工程規劃許可證), the proposed development of Phase III of the subject development by Shanghai Hanxiang and Shanghai Oasis was approved. The salient details of the certificates are as follows:

Certificate No.	Date of Issue
Hu Song Gui Jian (2003) No. 0585	9 December 2003
Hu Song Gui Jian (2004) No. 0090	1 March 2004
Hu Song Gui Jian (2004) No. 0436	9 August 2004
Hu Song Gui Jian (2005) No. 0587	10 June 2005
Hu Song Gui Jian (2005) No. 17051031F02616	31 October 2005
Hu Song Gui Jian (2006) No. 17060307F00606	7 March 2006

Certificate No.	**Date of Issue**
Hu Song Gui Jian (2006) No. 17061030F03384	30 October 2006
Hu Song Gui Jian (2007) No. 17070213F00427	13 February 2007
Hu Song Gui Jian (2007) No. 17070423F01146	23 April 2007

6. Pursuant to eight Construction Works Commencement Permits (建設工程施工許可證), Shanghai Hanxiang and Shanghai Oasis were permitted to commence construction works of the Phase III of the Development. The salient details of the certificates are as follows:

Certificate No.	**Date of Issue**
0301SJ0295D01310227200307182019	11 December 2003
0301SJ0295D02310227200307182019	4 March 2004
0301SJ0295D03310227200307182019	12 August 2004
0301SJ0295D04310227200307182019	13 September 2004
0301SJ0295D051310227200307182019	16 June 2005
0301SJ0295D06310227200307182019	28 June 2005
0301SJ0295D09310227200307182019	24 March 2006
0301SJ0295D010310227200307182019	5 March 2007

7. The status of title and grant of major approvals and licenses in accordance with the information provided by the Group is as follows:

Shanghai Certificates of Real Estate Ownership	Yes
Shanghai Property Pre-sale Permits	Yes
Construction Land Planning Permit	Yes
Construction Project Planning Permits	Yes
Construction Works Commencement Permits	Yes

8. The opinion of the PRC legal advisor, Yan Yiming Law Firm, to the Group contains, inter alia, the following:

   a. The Group is in possession of a proper legal title to the property and is entitled to transfer, sublet and mortgage the property (except for the portion of the property which is subject to mortgage) with its residual term of land use rights at no extra land premium or other onerous payments payable to the government subject to the condition that the property has been developed to not less than 25% of the total investment amount and in accordance with the building covenants and other development conditions as stipulated in the State-owned Land Use Rights Transfer Contract;

   b. All land premium has been settled in full;

   c. The land planning, development, construction completion and pre-sale procedures are legally valid and in compliance with the relevant government regulations;

   d. the Group has obtained the relevant Pre-sale Permits for the pre-sale of the property and such pre-sale procedures are in compliance with the requirements of the relevant PRC laws; and

   e. The property (except Land Area A of Land Area No. 76 in Jiu Ting Town, Song Jiang District) is not subject to mortgage or any other material encumbrances.

   f. 瀚陽(上海)城市建設發展有限公司 (Hangyang Shanghai City Construction Development Company) ("Hangyang Shanghai City") is a JV company formed by 上海新橋經濟聯合總公司 (Shanghai Xinqiao Economy Union Company) (2.5%) and 佳美有限公司 (Wellwide Limited) (97.5%). Wellwide Limited is an indirect 100% owned subsidiary of the Group;

g. Hangxiang Shanghai is formed by 寶華投資有限公司 (Powerland Investment Limited) which is an indirect 100% owned subsidiary of the Group; and

h. Shanghai Oasis was formed by the merging of Hangyang Shanghai City and Hangxiang Shanghai which no longer exist after completion of the merger.

9. Shanghai Oasis which is now an indirect 98.75%-owned subsidiary of the Company.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2007 *RMB*
6.	17 villas in Phase I and a villa in Phase II of "Jiang Nan Oasis Garden" (綠洲江南園) located at Nos. 6 and 18-1, Nan Gang Cun, Zhu Jia Jiao Town, Qingpu District, Shanghai, the PRC	Jiang Nan Oasis Garden (the "Development") is a luxurious residential development erected on two land parcels with a total site area of approximately 259,365 sq.m. The Development is divided into two phases (Phase I and Phase II) and comprises various blocks of villas with a total gross floor area ("GFA") of approximately 59,531 sq.m. Phase I was completed in 2004 and Phase II will be completed by the end of 2007. As advised by the Group, the property comprises 17 villas in Phase I and a villa in Phase II. The total GFA of the villas is approximately 12,952 sq.m. The land use rights of the property have been granted for a common term of 70 years with the latest term expiring on 27 June 2071 for residential uses.	The property is available for sale.	180,800,000 (50.04% interest attributable to the Group upon completion of transaction: 90,472,645)

Notes:

1. Pursuant to two Shanghai Certificates of Real Estate Ownership (上海市房地產權證), issued by the Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局), the land use rights of the Development with a total site area of 259,365 sq.m. and the building ownership rights of the portion of the Development (including the property) have been granted to Shanghai Zhufu Property Development Co., Ltd. (上海住富房地產發展有限公司) ("Shanghai Zhufu") for residential uses. The salient details of the certificates are as follows:

Certificate No.	Date of Issue	Site Area *(sq,m.)*	Term	Land Use	Total GFA *(sq.m.)*
Hu Fang Di Qing Zi (2004) Di No. 000734	7 January 2005	179,369	16 Nov 2000 – 15 Nov 2070	Residential	4,099.12
Hu Fang Di Qing Zi (2007) Di No. 007180	12 July 2007	79,996	28 Jun 2001 – 27 Jun 2071	Residential	20,346.09
	Total:	**259,365**			**24,445.21**

2. Pursuant to three Shanghai Property Pre-sale Permits (上海市商品房預售許可證), Qing Fang Di [2003] Yu Zi Nos. 001, 018 and 047, issued by the Shanghai Qingpu District Building and Land Management Bureau (上海市青浦區房屋土地管理局) dated 13 January 2003, 26 June 2003 and 28 September 2003 respectively, Shanghai Zhufu is permitted to pre-sell the residential portion (Phase I) of the Development with a total GFA of 36,078.36 sq.m.

3. Pursuant to five Shanghai Property Pre-sale Permits (上海市商品房預售許可證), Qing Fang Di [2003] Yu Zi Nos. 0000642, 0000964, 0001631, 0001757 and 0001319, issued by the Shanghai Qingpu District Building and Land Management Bureau (上海市青浦區房屋土地管理局) dated 30 September 2005, 28 November 2005, 22 December 2005, 7 June 2006 and 29 August 2006 respectively, Shanghai Zhufu is permitted to pre-sell the residential portion (Phase I) of the Development with a total upper-ground GFA of 14,589.16 sq.m. and a total below-ground GFA of 5,590.53 sq.m.

4. Pursuant to two Construction Land Planning Permits (建設用地規劃許可證), Hu Qing Di (2000) No. 0174 and (2001) No. 0008, issued by the Shanghai Qingpu District Planning and Administration Bureau (上海市青浦區規劃管理局) dated 28 September 2000 and 5 March 2001 respectively, Shanghai Zhufu was permitted to develop the land parcels of the Development.

5. Pursuant to five Construction Project Planning Permits (建設工程規劃許可證), the proposed development on Phase I and Phase II of the Development by Shanghai Zhufu was approved. The salient details of the certificates are as follows:

Certificate No.	Date of Issue	Grantee
Hu Qing Jian (2002) No. 0280	11 September 2002	Shanghai Zhufu
Hu Qing Jian (2003) No. 0073	19 March 2003	Shanghai Zhufu
Hu Qing Jian (2003) No. 0252	10 June 2003	Shanghai Zhufu
Hu Qing Jian (2006) No. 18060630F01989	29 June 2006	Shanghai Zhufu
Hu Qing Jian (2006) No. 18061128F03691	24 November 2006	Shanghai Zhufu

6. Pursuant to two Construction Works Commencement Permits (建設工程施工許可證), Shanghai Zhufu was permitted to commence construction works of Phase I and Phase II of the Development. The salient details of the certificates are as follows:

Certificate No.	Date of Issue	Grantee
011S0049D01 310229200101180801	26 September 2002	Shanghai Zhufu
04Z1QP0004D01 310229200405131619	22 June 2004	Shanghai Zhufu

7. As advised by the Group, the outstanding construction cost to be expanded for the property as at the date of valuation is about RMB130,000,000.

8. The status of title and grant of major approvals and licences in accordance with the information provided by the Group is as follows:

Shanghai Certificates of Real Estate Ownership	Yes
Shanghai Property Pre-sale Permits	Yes
Construction Land Planning Permits	Yes
Construction Project Planning Permits	Yes
Construction Works Commencement Permits	Yes

9. The opinion of the PRC legal advisor, Yan Yiming Law Firm, to the Group contains, inter alia, the following:

   a. The Group is in possession of a proper legal title to the property and is entitled to transfer, sublet and mortgage the property with its residual term of land use rights at no extra land premium or other onerous payments payable to the government subject to the conditions that the property has been developed to not less than 25% of the total investment amount and in accordance with the building covenants and other development conditions as stipulated in the State-owned Land Use Rights Transfer Contract;

b. All land premium has been settled in full;

c. The land planning, development, construction completion and pre-sale procedures are legally valid and in compliance with the relevant government regulations;

d. The Group has obtained the relevant Pre-sale Permits for the pre-sale of the property and such pre-sale procedures are in compliance with the requirements of the relevant PRC laws;

e. The property is not subject to mortgage and any other material encumbrances; and

10. Shanghai Zhufu is an indirect 50.04%-owned subsidiary of the Company.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2007 *RMB*
7.	The unsold portion of a development known as "Thousand Island Oasis Garden" (綠洲千島花園) located at 183 Alley, Heli Xi Road, Xia Sha Town, Nanhui District, Shanghai, the PRC	Thousand Island Oasis Garden (the "Development") is a large-scale luxurious residential development erected on three land parcels with a total site area of approximately 371,643 sq.m. The Development is divided into three phases (Phase I, Phase II and Phase III), comprising various blocks of villas with a total gross floor area ("GFA") of approximately 102,115 sq.m. As advised by the Group, Phase I was completed in 2005 and were totally sold, Phase II was completed in 2005 and there are only 4 villas available for sale. Phase III is expected to be completed by the end of 2007. As advised by the Group, the total GFA of the property is approximately 56,000 sq.m. The land use rights of the property have been granted for a term of 40 years expiring on 21 June 2045 for commercial uses; and a common term of 70 years with the latest term expiring on 21 June 2075 for residential uses.	The unsold villas of Phase II are available for sale while Phase III is expected to be completed by the end of 2007.	748,000,000 (98% interest attributable to the Group: 733,040,000)

Notes:

1. Pursuant to three Shanghai Certificates of Real Estate Ownership (上海市房地產權證), issued by the Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局), the land use rights of the Development with a total site area of 371,643 sq.m. have been granted to Shanghai Hangtou Govern Real Estate Limited (上海航頭高夫置業有限公司) ("Shanghai Hangtou") for residential uses. The salient details of the certificates are as follows:

Lot No.	Certificate No.	Date of Issue	Site Area *(sq.m.)*	Term	Land Use	Total GFA *(sq.m.)*
906	Hu Fang Di Nan Hui Zi (2003) Di No. 0006036	22 May 2003	101,441	23 May 2003 – 23 May 2073	Residential	–
1160	Hu Fang Di Nan Zi (2004) Di No. 0008445	21 Jun 2004	134,044	8 May 2004 – 7 May 2074	Residential	–
1384	Hu Fang Di Nan Zi (2004) Di No. 015076	20 Oct 2005	136,158	22 Jun 2005 – 21 June 2045 (Commercial), 22 Jun 2005 – 21 June 2075 (Residential)	Commercial/ Residential	3,956 (commercial), 35,605 (residential)
		Total:	**371,643**			

2. Pursuant to two Shanghai Certificates of Real Estate Ownership (上海市房地產權證), issued by the Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局), the building ownership rights of portion of the Development (including the subject property) with a total GFA of 48,915.22 sq.m. have been granted to Shanghai Hangtou. The salient details of the certificates are as follows:

Certificate No.	Date of Issue	Grantee	Total GFA *(sq.m.)*	Year of Completion
Hu Fang Di Nan Zi (2004) Di No. 015260	16 Dec 2004	Shanghai Hangtou	10,648.15	N/A
Hu Fang Di Nan Zi (2006) Di No. 002574	27 Mar 2006	Shanghai Hangtou	38,267.07	N/A
	Total:		**48,915.22**	

3. Pursuant to twelve Shanghai Property Pre-sale Permits (上海市商品房預售許可證) issued by the Shanghai Nanhui District Building and Land Management Bureau (上海市南匯區房屋土地管理局), the pre-sale of the Development in various stages have been approved. The salient details of the certificates are as follows:

Certificate No.	Date of Issue	Grantee	Permitted Pre-sale GFA *(sq.m.)*
Nan Hui Fang Di (2003) Yu Zi No. 067	22 August 2003	Shanghai Hangtou	10,652.30
Nan Hui Fang Di (2003) Yu Zi No. 105	25 November 2003	Shanghai Hangtou	

Certificate No.	Date of Issue	Grantee	Permitted Pre-sale GFA *(sq.m.)*
Nan Hui Fang Di (2004) Yu Zi No. 1170	13 December 2004	Shanghai Hangtou	30,137.42 (upper ground)
Nan Hui Fang Di (2005) Yu Zi No. 0187	6 February 2005	Shanghai Hangtou	8,061.27
Nan Hui Fang Di (2005) Yu Zi No. 0562	30 April 2005	Shanghai Hangtou	(below ground)
Nan Hui Fang Di (2005) Yu Zi No. 0959	5 August 2005	Shanghai Hangtou	
Nan Hui Fang Di (2005) Yu Zi No. 1186	16 September 2005	Shanghai Hangtou	
Nan Hui Fang Di (2006) Yu Zi No. 0883	4 August 2006	Shanghai Hangtou	34,957.53 (upper ground)
Nan Hui Fang Di (2006) Yu Zi No. 1206	8 October 2006	Shanghai Hangtou	18,043.43
Nan Hui Fang Di (2006) Yu Zi No. 1386	17 November 2006	Shanghai Hangtou	(below ground)
Nan Hui Fang Di (2007) Yu Zi No. 0121	9 February 2007	Shanghai Hangtou	
Nan Hui Fang Di (2007) Yu Zi No. 0386	1 May 2007	Shanghai Hangtou	
		Total:	**101,851.95**

4. Pursuant to twelve Shanghai Property Pre-sale Permits (上海市商品房預售許可證), Nan Hui [2003] Yu Zi Nos. 067 and 105, Nan Hui Fang Di [2005] Yu Zi Nos. 0187, 0562, 0959 and 1186, Nan Hui Fang Di [2006] Yu Zi Nos. 0883, 1206 and 1386, Nan Hui Fang Di [2007] 0121, 0386 respectively, Shanghai Hangtou is permitted to pre-sell the property with a total GFA of 36,078.36 sq.m.

5. Pursuant to a Construction Land Planning Permit (建設用地規劃許可證), Hu Hui Di (2002) No. 0267, issued by the Shanghai Nanhui District Planning and Administration Bureau (上海市南匯區規劃管理局) dated 28 November 2002, Shanghai Hangtou was permitted to develop the land parcels of the Development.

6. Pursuant to six Construction Project Planning Permits (建設工程規劃許可證), the proposed development on Phase I to Phase III of the Development by Shanghai Hangtou was approved. The salient details of the certificates are as follows:

Certificate No.	Date of Issue	Grantee
Hu Hui Jian (2003) 0039	13 March 2003	Shanghai Hangtou
Hu Hui Jian (2003) 0201	17 September 2003	Shanghai Hangtou
Hu Hui Jian (2004) 01160	21 July 2004	Shanghai Hangtou
Hu Nan Jian (2005) 19050477F00415	11 April 2005	Shanghai Hangtou
Hu Nan Jian (2005) 19051129F02980	29 November 2005	Shanghai Hangtou
Hu Nan Jian (2006) 19060801F02746	1 September 2006	Shanghai Hangtou

7. Pursuant to four Construction Works Commencement Permits (建設工程施工許可證), Shanghai Hangtou was permitted to commence construction works of the Phase I to Phase III of the Development. The salient details of the certificates are as follows:

Certificate No.	Date of Issue	Grantee
032P0030D01 310225200302180101	8 April 2003	Shanghai Hangtou
0402NH0112D01 310225200406242119	7 September 2004	Shanghai Hangtou
0402NH0112D03 310225200406242119	23 May 2005	Shanghai Hangtou
0502NH0213D01 310225200510081119	2 December 2005	Shanghai Hangtou

8. As advised by the Group, the remaining construction cost of the property to be expanded is about RMB260,000,000.

9. The status of title and grant of major approvals and licenses in accordance with the information provided by the Group is as follows:

Shanghai Certificates of Real Estate Ownership	Yes
Shanghai Property Pre-sale Permits	Yes
Construction Land Planning Permits	Yes
Construction Project Planning Permits	Yes
Construction Works Commencement Permits	Yes

10. The opinion of the PRC legal advisor, Yan Yiming Law Firm, to the Group contains, inter alia, the following:

    a. The Group is in possession of a proper legal title to the property and is entitled to transfer, sublet and mortgage the property with its residual term of land use rights at no extra land premium or other onerous payments payable to the government subject to the conditions that the property has been developed to not less than 25% of the total investment amount and in accordance with the building covenants and other development conditions as stipulated in the State-owned Land Use Rights Transfer Contract;

    b. All land premium has been settled in full;

    c. The land planning, development, construction completion and pre-sale procedures are legally valid and in compliance with the relevant government regulations;

    d. the Group has obtained the relevant Pre-sale Permits for the pre-sale of the property and such pre-sale procedures are in compliance with the requirements of the relevant PRC laws;

    e. The property is not subject to mortgage and any other material encumbrances; and

11. Shanghai Hangtou Govern Real Estate Limited (上海航頭高夫置業有限公司) is an indirect 98%-owned subsidiary of the Company.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2007 *RMB*
8.	18 unsold residential apartments of a development known as "Richgate" (華府天地) located at No. 39 Jie Fang, 222 Long, Madang Road, Luwan District, Shanghai, the PRC	Richgate (the "Development") is a large-scale luxurious residential development erected on a rectangular-shaped leveled site with a site area of approximately 14,651 sq.m. The Development, comprising 5 blocks of high-rise residential buildings erected upon a 2-storey retail podium, was completed in June 2006. As advised by the Company, the property comprises 18 unsold residential apartments within the Development with a total gross floor area ("GFA") of approximately 8,404.51 sq.m. The land use rights of the property have been granted for a term of 70 years from 28 February 2002 to 27 February 2072 for residential uses.	The property is available for sale.	563,600,000 (100% interest attributable to the Group: 563,600,000)

Notes:

1. Pursuant to a Shanghai Certificate of Real Estate Ownership (上海市房地產權證), issued by the Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) dated 19 September 2006, the land use rights of the Development with a site area of 14,651 sq.m. and the building ownership rights of the unsold portion of the Development (as at 19 September 2006) with a total GFA of 68,022.92 sq.m. (including the property) have been granted to Shanghai Anderson for a term of 70 years commencing on 28 February 2002 to 27 February 2072 residential uses.

2. Pursuant to a Joint Venture Contract, Shanghai Anderson is a joint-venture company formed by Anderson Land (Shanghai) Ltd. (安信置地(上海)有限公司) and Shanghai Fuxing Construction and Development Ltd. (上海復興建設發展有限公司).

3. The status of title and grant of major approvals and licenses in accordance with the information provided by the Group is as follows:

Shanghai Certificate of Real Estate Ownership	Yes
Joint Venture Contract	Yes

4. Pursuant to eighteen Shanghai Commodity Flat Pre-sale Contracts (上海市商品房預售合同), entered into between Shanghai Anderson and eighteen BVI companies all dated 7 October 2005, the property were sold to the latter parties. The details of the eighteen residential units are as follows:

Name of BVI Company	Block	Floor	Unit	GFA *(sq.m.)*
Deway Enterprises Limited	6	8/F	901	449.68
Eastpro International Limited	6	7/F	801	449.68
Finecorp Resources Limited	6	6/F	701	449.68
Fujita Investment Limited	1	10/F	1101	462.46
Fullion International Limited	6	5/F	601	449.68
Genpex Investment Limited	6	4/F	501	449.68
Goodtex Resources Limited	6	3/F	301	449.68
Henda Investment Limited	1	12/F	1501	462.46
Jenking Resources Limited	5	3/F	302	298.75
Linhill Investment Limited	1	19/F	2101	749.23
Mecon Investment Limited	3	18/F	2001	472.29
Peterson Enterprises Limited	1	5/F	601	462.46
Ponca Investment Limited	1	6/F	701	462.46
Portnice Investment Limited	1	7/F	801	462.46
Prosogo Investment Limited	3	18/F	2002	472.19
Ranktop Resources Limited	1	8/F	901	462.46
Roberta Resources Limited	1	9/F	1001	462.46
Trimoza Investment Limited	5	18/F	2002	476.75
			Total:	**8,404.51**

5. Pursuant to eighteen Mortgage Agreements entered into between the above eighteen BVI companies and Citic Ka Wah Bank Limited all dated 6 December 2005, the property is subject to various mortgages as at the date of valuation.

6. The status of title and grant of major approvals and licenses in accordance with the information provided by the Group is as follows:

Shanghai Certificates of Real Estate Ownership	Yes
Joint Venture Contract	Yes
Shanghai Commodity Flat Pre-sale Contracts	Yes
Mortgage Agreements	Yes

7. The opinion of the PRC legal advisor, Yan Yiming Law Firm, to the Group contains, inter alia, the following:

   a. The Group is in possession of a proper legal title to the property and is entitled to transfer, sublet and mortgage the property with its residual term of land use rights at no land premium or other onerous payments payable to the government subject to the completion of the required volume of work;

   b. All land premium has been waived;

   c. The land planning, development, construction completion and pre-sale procedures are legally valid and in compliance with the relevant government regulations;

   d. the Group has obtained the relevant Pre-sale Permits for the pre-sale of the property and such pre-sale procedures are in compliance with the requirements of the relevant PRC laws; and

   e. The property is not subject to mortgage and any other material encumbrances.

8. The aforesaid 18 BVI companies are indirectly wholly-owned subsidiaries of the Company.

Group III – Properties held by the Group for investment and sale in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2007 *RMB*
9.	A development known as "Shenyang Richgate" (瀋陽華府天地) located at Huigong Square West, Shenhe District, Shenyang City, Liaoning Province, the PRC	Shenyang Richgate (the "Development") is a residential development erected on various land parcels with a total site area of approximately 165,303.40 sq.m. The Development comprises two phases (Phase I and Phase II). Phase I comprises hotel, office and retail portions while Phase II comprises hotel, commercial portions and car parking spaces with a total gross floor area ("GFA") of approximately 1,901,246 sq.m. upon completion. The land use rights of the property have been granted for a term of 40 years for commercial uses and 50 years for serviced apartment uses.	As advised by the Company, Phase I has been totally pre-sold and is expected to be completed by the end of 2007. The land parcels of Phase II are under planning and development stage. Relevant construction works will commence at the end of 2007.	7,172,600,000 (51% interest attributable to the Group 3,658,026,000)

Notes:

1. Pursuant to a "Transaction Confirmation of Shenyang Beizhan Jinrong Development Zone Land Listing" (Document No. Shen Tu Jiao Zi (2003) No. 54) (瀋陽北站金融開發區地块掛牌交易成交確認書) entered into between Shenyang Huarui Shiji Development Limited (瀋陽華鋭世紀投資發展有限公司) ("Shenyang Huarui") and Shenyang Land Bank Transaction Centre (瀋陽市土地儲備交易中心) dated 15 December 2003, the land use rights of the land parcels with a site area of 165,303.4 sq.m. were transferred to Shenyang Huarui at a consideration of RMB661,213,600.

2. Pursuant to a State-owned Land Use Rights Grant Contract, Shen Gui Guo Tu Chu He Zi [2005] No. 0050 entered into between the Shenyang Planning State-owned Land Resources Bureau (瀋陽市規劃和國土資源局) (the "grantor") and Shenyang Huarui (the "grantee") dated 9 June 2005, the land use rights of eight land parcels with a total site area of 50,000 sq.m. have been transferred to the grantee at a consideration of RMB300,000,000.

3. Pursuant to eight State-owned Land Use Rights Certificates (國有土地使用權證), issued by the People's Government of Shenyang City (瀋陽市人民政府), the land use rights of the Development with a total site area of 49,913.1 sq.m. have been granted to Shenyang Huarui for serviced apartment and commercial uses. The salient details of the certificates are as follows:

Certificate No.	Date of Issue	Site Area *(sq.m.)*	Term expiry date	Land Use
Shen Yang Guo Yung (2005) Di No. 0295	9 August 2005	3,464.1	9 June 2045	Commercial
Shen Yang Guo Yung (2006) Di No. 0311	30 September 2006	4,665.5	9 June 2055	Serviced Apartment
Shen Yang Guo Yung (2006) Di No. 312	30 September 2006	4,625.5	9 June 2055	Serviced Apartment and Commercial
Shen Yang Guo Yung (2005) Di No. 0298	9 Aug 2005	5,850.7	9 June 2045	Commercial
Shen Yang Guo Yung (2006) Di No. 0313	30 September 2006	8,380.4	9 June 2045	Serviced Apartment and Commercial
Shen Yang Guo Yung (2005) Di No. 0300	9 Aug 2005	8,820.1	9 June 2045	Commercial
Shen Yang Guo Yung (2006) Di No. 0310	30 September 2006	5,388.1	9 June 2055	Serviced Apartment
Shen Yang Guo Yung (2006) Di No. 0309	30 September 2006	8,718.7	9 June 2055	Serviced Apartment and Commercial
	Total:	**49,913.1**		

4. Pursuant to a Construction Land Planning Permit (建設用地規劃許可證), No. 2005-352 issued by the Shenyang Planning and State-owned Land Resources Bureau (瀋陽市規劃和國土資源局) dated 17 April 2005, Shenyang Huarui was permitted to develop the land parcels of the Development.

5. Pursuant to a Construction Project Planning Permit (建設工程規劃許可證) dated 3 March 2006, the proposed development on Phase I of the Development by Shenyang Huarui was approved.

6. Pursuant to a Construction Works Commencement Permit (建設工程施工許可證), No. 210102200605240101 dated 24 May 2006, Shenyang Huarui was permitted to commence construction works of the Phase I of the Development.

7. Pursuant to a Property Pre-sale Permit (商品房預售許可證), Shen Fang Yu Shou Di No. 060104 dated 20 June 2006, the pre-sale of Phase I of the Development (comprising 5 blocks with a total GFA of 154,543.94 sq.m.) in various stages have been approved.

8. The status of title and grant of major approvals and licences in accordance with the information provided by the Group is as follows:

State-owned Land Use Rights Grant Contract	Yes
State-owned Land Use Rights Certificates	Yes
Construction Land Planning Permit	Yes
Construction Project Planning Permit	Yes
Construction Works Commencement Permit	Yes
Property Pre-sale Permit	Yes

9. The opinion of the PRC legal advisor, Yan Yiming Law Firm, to the Group contains, inter alia, the following:

   a. The Group is in possession of a proper legal title to the property and is entitled to transfer, sublet and mortgage the property (except for the portion of the property which is subject to mortgage) with its residual term of land use rights at no extra land premium or other onerous payments payable to the government subject to the condition that the property has been developed to not less than 25% of the total investment amount and in accordance with the building covenants and other development conditions as stipulated in the State-owned Land Use Rights Transfer Contract;

   b. The land premium for the land parcels with title documents having a total site area of 49,913.1 sq.m. has been settled in full whereas the land premium for the remaining land parcels have not been settled;

   c. The land planning, development, construction completion and pre-sale procedures are legally valid and in compliance with the relevant government regulations;

   d. The Group has obtained the relevant Pre-sale Permits for the pre-sale of the property and such pre-sale procedures are in compliance with the requirements of the relevant PRC laws;

   e. The construction works in progress ("CIP") of Phase I of the property is subject to a mortgage in favour of Shenyang Binhe Branch, Agricultural Bank of China for a term of 3 years commencing on 20 March 2007 and expiring on 19 March 2010 for an amount of RMB65,000,000; and

   f. Except for the portion of the property which is subject to mortgage, the property is not subject to any other mortgage and material encumbrances.

10. Shenyang Huarui is an indirect 51%-owned subsidiary of the Company.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2007 *RMB*
10.	Albany Oasis Garden (綠洲雅賓利花園), which is bounded by Xi Zhang North Road (the West), Zhong Xing Road (the South), Bao Tong Road (the East) and Tian Tong An Road (the North), Zhabei District, Shanghai, the PRC	The subject development, known as Albany Oasis Garden (the "Development"), is a large-scale mixed residential development project bounded by Xi Zhang North Road on the West, Zhong Xing Road on the South, Bao Tong Road on the East and Tian Tong An Road on the North, with a total site area of approximately 215.955 mu (or about 143,970 sq.m.). As advised by the Group, the Development is divided into several phases with a total planned gross floor area ("GFA") of approximately 480,000 sq.m. upon completion. Details of which are summarized as follows:	Phase I of the property is expected to be completed in September 2007 whilst other phases of the property are at its early stage of development which primarily involve the relocation of the existing residents on the site.	2,600,000,000 (100% interest attributable to the Group 2,600,000,000)

Use	GFA *sq.m.*	Date of Commencement	Expected Completion Date
Residential (Phase I)	75,000	2005/3	2007
Residential (Phase II)	50,000	2006	2008
Residential (Phase III)	205,000	2007	2009
Facilities	10,000	2007	2008
Retail	40,000	2007	2007
Office	50,000	2007	2009
Hotel	50,000	2007	2009
Total:	**480,000**		

The land use rights of Phase I of the property have been granted for a term of 70 years for residential uses.

Notes:

1. In the valuation of this property, we have attributed no commercial value to the land parcels without any title documents and/or all existing structures erected on them, as Shanghai Shuo Cheng Real Estate Limited (上海碩城置業有限公司) ("Shuo Cheng") has not obtained any proper title certificates for these land parcels. These land parcels are also bounded by Xi Zhang North Road (the West), Zhong Xing Road (the South), Bao Tong Road (the East) and Tian Tong An Road (the North), Zhabei District, with a total site area of approximately 66,737 sq.m. State-owned Land Use Rights Certificate(s) will be granted to these land parcels when all the demolition and relocation works have been completed by Shuo Cheng in compliance with the Shanghai State-owned Land Use Rights Grant Contract, Hu Fang Di Zha (2003) Chu Rang He Tong Di No. 092.

2. As advised by the Company, the Development will comprise the following land parcels:

Land Parcel	Certificate No.	Owner	Location	Site Area (sq.m.)
I	Hu Fang Di Zha Zi (2005) Di No. 013983	Shuo Cheng	Bao Shan Lu Jie Road 162Jie Fang 22Qiu	251
II	Hu Fang Di Zha Zi (2005) Di No. 021089	Shuo Cheng	Bao Shan Lu Jie Road 254Jie Fang 15/1Qiu	36,684
III (Phase I)	Hu Fang Di Za Zi (2005) Di No. 024768	Shanghai Albany Oasis Real Estate Ltd. (上海綠洲雅賓利置業有限公司)	Bao Shan Lu Jie Road 253 Jie Fang 18Qiu	22,416
IV	Hu Fang Di Zha Zi (2005) Di No. 006038	Shuo Cheng	Bao Shan Lu Jie Road 162Jie Fang 24 Qiu	17,882
V or subsequent land parcels	N/A	N/A	Adjacent to Land Parcels I – IV in Zhabei District, Shanghai	66,737
			Total:	**143,970**

3. As per information provided by the Group, the development details of the property are summarized as below:

Existing stage of development	:	Residential (Phase 1) of the property is expected to be completed in September 2007 whilst other phases of the property are at its early stage of development which primarily involve the relocation of the existing residents on the site.
Estimated completion date for all the demolition and relocation works	:	30 June 2007
Estimated completion date for the development	:	Residential (Phase I) – 2007 Residential (Phase II) – 2008 Residential (Phase III) – 2009 Facilities – 2008 Retails – 2007, Office – 2009 Hotel – 2009
Estimated cost of carrying out/ completing the development	:	As advised by Shuo Cheng, the total construction costs spent as at the date of valuation is estimated to be approximately RMB2,408,561,000 whilst the estimated cost for the whole property is approximately RMB8,000,000,000.
Estimated capital value after completion	:	Based on the proposed development, the capital value upon completion is estimated to be approximately RMB9,000,000,000.

Planning or other regulatory consents for development	:	The salient development conditions as stipulated in the State-owned Land Use Rights Grant Contract are summarized as below:

- Use: Residential
- Building Covenant: The Development of the property should be completed before June 2008. If the property cannot be completed with a delay of more than 2 years, the bureau will re-enter the land of the property.
- Maximum GFA Not more than 35,000 sq.m. per hectare (the total GFA not more than 503,895 sq.m.)

4. Pursuant to a Shanghai State-owned Land Use Rights Grant Contract (上海市國有土地使用權出讓合同), Hu Fang Di Zha (2003) Chu Rang He Tong Di No. 092, entered into between the Shanghai Zhabei District Building and Land Management Bureau (上海市閘北區房屋土地管理局) (the "Bureau") and Shuo Cheng dated 25 July 2003, the land use rights of the property with a total site area of 143,970 sq.m. have been granted from the Bureau to Shuo Cheng for a term of 70 years for residential uses at a consideration of RMB1,569,806. The salient conditions stipulated in the contract are summarized as below:

i)	Land Lot	:	Several contiguous land parcels located at the West of Xi Zhang North Road, South of Zhong Xing Road, East of Bao Tong Road and North of Tian Tong An Road in Zhabei District, Shanghai, the PRC
ii)	Site Area (sq.m.)	:	143,970 sq.m. (all land parcels of the property)
iii)	Land Use Term	:	70 years for residential use
iv)	Land Use	:	Residential
v)	Plot Ratio	:	Not more than 35,000 sq.m. per hectare (the total GFA not more than 503,895 sq.m.)
vi)	Land Premium Exempted	:	RMB148,200,000 (for a site area of 142,445 sq.m.)
vii)	Land Premium Payable	:	RMB1,569,806 (for a site area of 1,525 sq.m.)
viii)	Other fees	:	The owner of the property should pay an annual rent of RMB1 per sq.m. to the Shanghai Land Fee Management Centre (上海市土地費管理中心)
ix)	Development Period	:	Constructions of the property should be commenced before 30 June 2006, a fine of 20% of the land premium will be charged if the work does not start more than 1 year from 30 June 2006; and All the construction works of the property should be completed before June 2008. If the property cannot be completed with a delay of more than 2 years, the Bureau will take possession of the property.

x)	Other Constraints	:	Shuo Cheng should settle a total amount of RMB1,099,806 to the Bureau within 60 days from 25 July 2003; After the signing of this State-owned Land Use Rights Grant Contract, Shuo Cheng should enter into an agreement with a company for demolition and relocation works. If Shuo Cheng fails to comply with such agreement, the Bureau has the right to take possession of the property and no premium will be reimbursed; After the settlement of all land premium and the costs for the demolition and relocation works, Shuo Cheng can apply for a warrant for the settlements and then proceed to the application procedure of the State-owned Land Use Rights Certificate(s) in Zhabei District Real Estate Registry (閘北區房地產登記處); and During the land use rights term, the Bureau has a right to supervise and examine the use, transfer, leasing, mortgage and termination of the land use rights of the property.

5. Pursuant to a Receipt of the Land Premium issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) dated 29 August 2003, a total of RMB1,569,806 had been settled by Shou Cheng.

6. Pursuant to a Supplementary Shanghai State-owned Land Use Rights Grant Contract (上海市國有土地使用權出讓補充合同), Hu Fang Di Zha (2005) Chu Rang He Tong Bu Di No. 9, dated 8 October 2005 entered into between the Bureau and Shuo Cheng, the property is subject to further conditions. The salient conditions stipulated in the contract are summarized as below:

i)	Agreement	:	The Bureau agreed to transfer the property to Shuo Cheng subject to a land premium
ii)	Total Gross Floor Area	:	The Development of the property will be divided into several phases with a total GFA of 54,499 sq.m.
iii)	Site Area of residential (Phase I)	:	22,416 sq.m.

7. Pursuant to an Agreement of Demolition and Relocation (上海市閘北區中興路舊區改造地块(暫定名)–委託動拆遷包干協議) entered into between Shuo Cheng and the Shanghai Zhabei District Construction and Management Committee (上海市閘北區建設和管理委員會) dated 29 January 2003, Shuo Cheng engaged the latter for the demolition and relocation works of the property with a total site area of 206,344.6 sq.m. (or 309.515 mu) including 62,030 sq.m. (or 93.045 mu) for public utilities for a period from the end of March 2003 to the end of June 2006 at a total cost of RMB1,702,332,500 whereas RMB1,657,332,500 will be settled by Shuo Cheng and the remaining cost will be settled by Shanghai Zhabei District Old District Redevelopment Leading Team (上海市閘北區舊區改造領導小組).

8. Pursuant to an Agreement of Demolition and Relocation (委託動拆遷協議書) entered into between Shuo Cheng and 上海凱成房地產開發有限責任公司 while Shuo Cheng and the Shanghai Zhabei District Construction and Management Committee (上海市閘北區建設和管理委員會) acted as an authenticator dated 20 June 2003, Shuo Cheng engaged the latter for the demolition and relocation works of the property with a total GFA of about 100,422 sq.m. which should be completed on 25 November 2003 at a cost of RMB728,840,000.

9. Pursuant to a Building Demolition and Relocation Permit (房屋拆遷許可證) and a Building Demolition and Relocation Period Extension Notice (房屋拆遷期延長許可證通知), Chai Xu Zi (2003) Di No. 17 and Chai Xu Yan Zi (2006) Di No. 10, issued by the Shanghai Zhabei District Building and Land Management Bureau (上海市閘北區房屋土地管理局) dated 10 October 2003 and 12 June

2006, Shuo Cheng is permitted to demolish and relocate the existing structures on the property including non-residential structures with a GFA of 44,680 sq.m. and residential structures with a GFA of 109,521.9 sq.m. within a period between 10 October 2003 and 30 June 2004 and the period is permitted to be extended until 30 June 2007.

10. Pursuant to a Construction Land Planning Permit (建設用地規劃許可證), Hu Zha Di (2003) No. 20, issued by the Shanghai Zhabei District Town Planning Management Bureau (上海市閘北區城市規劃管理局) dated 17 July 2003, Shuo Cheng is permitted to develop the land with a site area of 152,720 sq.m.

11. Pursuant to a Building Demolition and Relocation Permit (房屋拆遷許可證), Chai Xu Zi (2003) Di No. 17 issued by the Shanghai Zhabei District Building and Land Management Bureau (上海市閘北區房屋土地管理局) dated 10 October 2003, Shuo Cheng is permitted to demolish and relocate the existing structures on the property including non-residential structures with a total GFA of 44,680 sq.m. and residential structures with a total GFA of 109,521.9 sq.m. within a period between 10 October 2003 to 30 June 2004.

12. Pursuant to 4 Buildings Demolition and Relocation Extension Permit Letters (房屋拆遷期延長許可證通知), Chai Xu Yan Zi (2004) Di No. 23, (2004) Di No. 34, (2005) Di No. 10 and (2006) Di No. 10 respectively, all issued by the Shanghai Zhabei District Building and Land Management Bureau (上海市閘北區房屋土地管理局) dated between 28 June 2004 and 12 June 2006, the demolition and relocation works of the existing structures on the property is permitted to be extended until 30 June 2007.

13. Pursuant to a Construction Land Permit (建設用地批准書), Shi (Xian) [2006] Zha Fu Tu Shu Zi Di No. 35 issued by the Zhabei People's Government (閘北人民政府) dated 3 November 2006, the property with a site area of 143,970 sq.m. is permitted for residential development use from November 2006 to October 2007.

14. Pursuant to a Construction Works Commencement Permits (建設工程施工許可證), No.31010820311064019, issued by the Shanghai Construction Industry Administration Office (上海市建設業管理辦公室) dated 8 May 2005, Shuo Cheng is permitted to commence construction works of the residential (Phase I), car park facilities, retails and club house of the property.

15. Pursuant to two Construction Project Planning Permits (建設工程規劃許可證), Hu Zha Jian (2005) 08050901F01957 and Hu Zha Jian (2006) 08060607F01713, issued by the Shanghai Zhabei District City Planning Administration Bureau (上海市閘北區城市規劃管理局) dated 1 September 2005 and 7 June 2006, residential (Phase I), commercial (Phase II) and car park facilities with a total GFA of 75,328.66 sq.m. (including 2,671.22 sq.m. of underground car parking level) and 12,214 sq.m. (including 998.5 sq.m. of commercial (Phase II) on basement level and 8,896 sq.m. of underground car parking level) is permitted to be developed by Shuo Cheng. The salient conditions stipulated in the permits are summarized as below:

Permit No.	**Total Gross Floor Area** *(sq.m.)*	**Residential (Phase I)** *(sq.m.)*	**Car Park on underground** *(sq.m.)*	**Commercial II on basement level** *(sq.m.)*
Hu Zha Jian (2005) 08050901F01957	75,328.66	72,657.44	2,671.22	–
Hu Zha Jian (2006) 08060607F01713	12,214	2,319.5	8,896	998.5

16. Pursuant to a Building Construction Works Transfer Agreement (房屋在建工程轉讓合同), dated 1 September 2005 entered into between Shuo Cheng and Shanghai Albany Oasis Real Estate Ltd. (上海綠洲雅賓利置業有限公司) ("Shanghai Albany Oasis"), the former agreed to transfer the Land Parcel III and all relevant construction works upon it to the latter at a consideration of RMB42,000,000.

17. Pursuant to four Shanghai Certificates of Real Estate Ownership (上海市房地產權證), issued by the Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局), certain land use rights of the property are held by Shuo Cheng or Shanghai Albany Oasis for residential uses. The salient conditions stipulated in the certificates are as below:

Land Parcel	Certificate No.	Issue Date	Owner	Site Area (sq.m.)	Land Use Term From	Land Use Term To
I	Hu Fang Di Za Zi (2005) Di No. 013983	17 June 2005	Shuo Cheng	251	1 October 2003	30 September 2073
II	Hu Fang Di Za Zi (2005) Di No. 021089	23 September 2005	Shuo Cheng	36,684	1 October 2003	30 September 2073
III	Hu Fang Di Za Zi (2005) Di No. 024768	13 December 2005	Shanghai Albany Oasis	22,416	1 October 2003	30 September 2073
IV	Hu Fang Di Za Zi (2005) Di No. 006038	21 April 2006	Shuo Cheng	17,882	1 October 2003	30 September 2073
			Total:	77,233		

18. Pursuant to three Real Estate Highest Amount Mortgage Contracts (房地產最高額抵押合同), dated between 27 December 2004 and 1 June 2006, certain land parcels of the property were collateralized by Shuo Cheng to Shanghai Pudong Development Bank Co., Ltd. – Putuo Branch (上海浦東發展銀行 – 普陀支行) for a total loan of RMB690,000,000.

19. Pursuant to a Mid-long Term Loan Contract (中長期貸款合同), No. 98142006280011, entered into between (上海綠洲雅賓利置業有限公司) and Shanghai Pudong Development Bank Co., Ltd. – Putuo Branch (上海浦東發展銀行 – 普陀支行) dated 24 February 2006, the former has mortgaged the building construction works on Land Parcel III of the property to the latter as securities for a loan amount of RMB350,000,000 for a term of 3 years. The purpose of the bank loan is to develop the residential (phase I) of the property.

20. Pursuant to a Short Term Loan Contract (短期貸款合同), No. 98142006280042, entered into between Shuo Cheng and Shanghai Pudong Development Bank Co., Ltd. – Putuo Branch (上海浦東發展銀行 – 普陀支行) dated 6 June 2006, the former has mortgaged the land use rights of the Land Parcel I of the property to the latter as securities for a loan amount of RMB250,000,000 for a term of 1 year from 29 June 2006 to 28 June 2007.

21. Pursuant to four Certificates of Registration of Real Estate of Shanghai Municipality (上海市房地產登記證明), issued by Shanghai Municipality Registrar of Real Estate, certain land parcels of the property subject to mortgage with Shanghai Pudong Development Bank Co., Ltd. – Putuo Branch (上海浦東發展銀行 – 普陀支行) have been registered. The salient conditions stipulated in the certificates are as below:

Permit No.	Registration Date	Borrower	Location of the Land Parcels	Land Value (RMB)	Highest Loan (RMB)	Effective Date	Collateral
Zha200408031948	27 December 2004	Shuo Cheng	Bao Shan Lu Jie Road 253Jie Fang 18Qiu	400,000,000	280,000,000	27 December 2004 – 26 December 2006	Land Parcel III
Zha200508007950	20 April 2005	Shuo Cheng	Bao Shan Lu Jie Road168Jie Fang15Qiu	233,800,000	160,000,000	21 April 2005 – 20 April 2007	Land Parcel II
Zha200608002572	24 February 2006	Shanghai Albany Oasis	Zhong Hua Xin Road 288Long Nos. 1–4, 6–7 (including basement)	710,741,717	350,000,000	1 March 2006 – 1 March 2009	Building Construction Works on Land Parcel III
Zha200608010330	6 June 2006	Shuo Cheng	Bao Shan Lu Jie Road162 Jie Fang 22Qiu, 24Qiu	420,000,000	250,000,000	1 June 2006 – 1 June 2008	Land Parcel I
			Total:	1,764,541,717	1,040,000,000		

22. As advised by Shuo Cheng, the aforesaid two mortgage documents, Permit Nos. Zha200408031948 and Zha200508007950 had been totally released in 2006.

23. Pursuant to two receipts dated 6 June 2006 and 9 October 2006, a total of RMB50,000,000 had been settled for part of the loans according to the aforesaid loan contracts.

24. Pursuant to four Shanghai Property Pre-sale Permits (上海市商品房預售許可證), Zha Bei Fang Di (2006) Yu Zi Nos. 0000178, 0000447, 0000786 and Zha Bei Fang Di (2007) Yu Zi No. 0000448, dated 12 March 2006, 2 May 2006, 9 July 2006 and 21 May 2007 respectively issued by Shanghai Zhabei District Building and Land Management Bureau (上海市閘北區房屋土地管理局), Shanghai Albany Oasis is permitted to pre-sell the residential (phase I) of the property with a total gross floor area of 72,508.95 sq.m.

25. Pursuant to a Provisional Qualification Certificate (暫定資質證書), Hu Fang Di Zi (Zha Bei) Di No. 0000235 dated 30 August 2005, issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局), Shanghai Albany Oasis is authorized to operate real estate development business and the registered capital is RMB20,000,000 for a term of from 30 August 2005 to 29 August 2006 and is extended to 31 December 2006.

26. As advised by the Company, 546 units of Residential (Phase I) out of 654 units have been sold in according to the Shanghai Property Pre-sale Permits as at 8 January 2007. Mortgages of 546 units have been released while the remaining 108 units are still subject to mortgages.

27. As advised by the Company, there are approximately 4,060 out of 5,451 residential units and 64 out of 72 commercial units were relocated within the land parcels granted with Building Demolition and Relocation Permit as at the 31 October 2006.

28. The status of title and grant of major approvals, contracts and permits in accordance with the information provided by the Group is as follows:

State-owned Land Use Rights Grant Contract and its Supplementary document	Yes
Agreement of Demolition and Relocations	Yes
Construction Land Planning Permit	Yes
Building Demolition and Relocation Permit	Yes
Buildings Demolition and Relocation Extension Permit Letters	Yes
Construction Land Permit	Yes
Construction Project Planning Permits	Yes
Construction Works Commencement Permits	Yes
Shanghai Certificates of Real Estate Ownership (part)	Yes
Certificates of Registration of Real Estate of Shanghai Municipality	Yes
Shanghai Property Pre-sale Permits	Yes
Provisional Qualification Certificate	Yes

29. The opinion of the PRC legal advisor, Yan Yiming Law Firm, to the Group contains, inter alia, the following:

    a. The land use rights of Land Parcels I, II and IV of the property are legally vested in Shuo Cheng and the land use rights of Land Parcel III are legally vested in Shanghai Albany Oasis. Both Shuo Cheng and Shanghai Albany Oasis have obtained all approvals from the relevant government authority for the use and occupation of the relevant land during the lease term and may lease, transfer or mortgage the property (except for the portion of the property which is subject to mortgage) with its residual term of land use rights at no extra land premium or other onerous payments payable to the government;

    b. All land premium has been settled in full;

c. The land planning, development, construction completion and pre-sale procedures are legally valid and in compliance with the relevant government regulations;

d. The Group has obtained the relevant Pre-sale Permits for the pre-sale of the property and such pre-sale procedures are in compliance with the requirements of the relevant PRC laws; and

e. Except for the portion of the property which is subject to mortgage, the property is not subject to any other mortgage and material encumbrances.

30. Shanghai Albany Oasis is a 99%-owned subsidiary of Shuo Cheng and a 1%-owned associate of Shanghai Good Development Investment and Construction Co., Ltd. (上海好發展投資建設有限公司), which are both wholly-owned subsidiaries of the Company.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2007 *RMB*
11.	The unsold portion of a development known as "Central-Ring Center" (綠洲中環中心) located at 1698 Alley, Jinshajiang Road, Putuo District, Shanghai, the PRC	Central-Ring Center (Oasis Trade Port) (the "Development") is a composite development erected on a land parcel with a site area of approximately 75,875 sq.m. The Development comprises residential buildings, service apartments, facilities, retail portion, offices and hotel with a total gross floor area ("GFA") of approximately 321,637 sq.m. The whole Development is expected to be completed in early 2009. The property comprises the unsold portion of the Development, i.e. the service apartment, retail portion, office building and the hotel with a total GFA of approximately 120,048 sq.m. The land use rights of the property have been granted for a term of 50 years expiring on 13 January 2055 for commercial and office uses; and 70 years expiring on 18 December 2074 or residential uses.	Portion of the Development are available for sale, while the hotel portion is under construction and is expected to be completed in early 2009.	1,026,700,000 (96.80% interest attributable to the Group: 993,845,600)

Notes:

1. Pursuant to two Shanghai Certificates of Real Estate Ownership (上海市房地產權證), issued by the Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局), the land use rights of the Development with a total site area of 75,875 sq.m. have been granted to Shanghai Jinwu Real Estate Co., Ltd. (上海金午置業有限公司) ("Shanghai Jinwu") for commercial, office and residential uses. The salient details of the certificates are as follows:

Certificate No.	Date of Issue	Site Area *(sq.m.)*	Term	Land Use
Hu Fang Di Pu Zi (2005) No. 018296	6 April 2005	28,168	9 December 2004 – 8 December 2074	Residential
Hu Fang Di Pu Zi (2005) No. 007569	3 February 2005	47,707	14 January 2005 – 13 January 2055	Commercial and office
	Total:	**75,875**		

2. Pursuant to two Shanghai Certificates of Real Estate Ownership (上海市房地產權證), issued by the Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局), the building ownership rights of portion of the Development with a total GFA of 73,156.40 sq.m. have been granted to Shanghai Jinwu. The salient details of the certificates are as follows:

Certificate No.	Date of Issue	Grantee	Total GFA *(sq.m.)*
Hu Fang Di Pu Zi (2005) No. 007569	3 February 2005	Shanghai Jinwu	54,909.26
Hu Fang Di Pu Zi (2007) No. 009210	9 February 2007	Shanghai Jinwu	18,247.14
	Total:		**73,156.40**

3. Pursuant to a Construction Land Planning Permit (建設用地規劃許可證), Hu Pu Di [2003] No. 0051, issued by the Shanghai Putuo District City Planning Administration Bureau (上海市普陀區城市規劃管理局) dated 3 December 2003, Shanghai Jinwu was permitted to develop the land parcels of the Development.

4. Pursuant to seven Construction Project Planning Permits (建設工程規劃許可證), the proposed development of the property by Shanghai Jinwu was approved. The salient details of the certificates are as follows:

Certificate No.	Date of Issue	Grantee
Hu Pu Jian [2004] No. 0105	30 September 2004	Shanghai Jinwu
Hu Pu Jian [2004] No. 0152	27 December 2004	Shanghai Jinwu
Hu Pu Jian [2005] No. 07050401F90360	30 March 2005	Shanghai Jinwu
Hu Pu Jian [2005] No. 07050824F90723	24 August 2005	Shanghai Jinwu
Hu Pu Jian [2005] No. 07051128F02965	25 November 2005	Shanghai Jinwu
Hu Pu Jian [2007] No. 07070410F00982	9 April 2007	Shanghai Jinwu
Hu Pu Jian [2007] No. 07070509F01273	8 May 2007	Shanghai Jinwu

5. Pursuant to six Construction Works Commencement Permits (建設工程施工許可證), Shanghai Jinwu was permitted to commence construction works of the Phase I and Phase II of the Development. The salient details of the certificates are as follows:

Certificate No.	Date of Issue	Grantee
0301PT0180D01 310107200303200301	10 October 2004	Shanghai Jinwu
0301PT0180D03 310107200303200301	12 April 2005	Shanghai Jinwu
0301PT0180D04 310107200303200301	29 August 2005	Shanghai Jinwu
0301PT0180D05 310107200303200301	29 August 2005	Shanghai Jinwu
0301PT0180D05 310107200303200301	19 December 2005	Shanghai Jinwu
0301PT018D07 310107200303200301	21 June 2007	Shanghai Jinwu

6. The status of title and grant of major approvals and licences in accordance with the information provided by the Group is as follows:

Shanghai Certificates of Real Estate Ownership	Yes
Construction Land Planning Permit	Yes
Construction Project Planning Permits	Yes
Construction Works Commencement Permits	Yes

7. The opinion of the PRC legal advisor, Yan Yiming Law Firm, to the Group contains, inter alia, the following:

   a. The Group is in possession of a proper legal title to the property and is entitled to transfer, sublet and mortgage the property (except for the portion of the property which is subject to mortgage) with its residual term of land use rights at no extra land premium or other onerous payments payable to the government subject to the condition that the property has been developed to not less than 25% of the total investment amount and in accordance with the building covenants and other development conditions as stipulated in the State-owned Land Use Rights Transfer Contract;

   b. All land premium has been settled in full;

   c. The land planning, development, construction completion and pre-sale procedures are legally valid and in compliance with the relevant government regulations in respect of the land use rights and building ownership rights of 1/5 Qiu, 426 Jie Fang, Chang Zheng Town;

   d. The Group has obtained the relevant Pre-sale Permits for the pre-sale of the property and such pre-sale procedures are in compliance with the requirements of the relevant PRC laws; and

   e. Except for the portion of the property in respect of 1/1 Qin, 426 Jie Fang, Chang Zheng Town which is subject to mortgage, the remaining portion of property in respect of the land use rights and building ownership rights of 1/5 Qiu, 426 Jie Fang, Chang Zheng Town is not subject to any other mortgage and material encumbrances.

8. Shanghai Jinwu is an indirect 96.80%-owned subsidiary of the Company.

Group IV – Properties held by the Group for future development in the PRC

No.	**Property**	**Description and tenure**	**Particulars of occupancy**	**Market Value in existing state as at 30 June 2007** *RMB*
12.	A land parcel C5-3 located at Luodian North European Town, Luonan Town, Baoshan District, Shanghai, the PRC	North European New Town is a large-scale comprehensive development project (the "development") located in the northern part of Shanghai with an overall planning area of approximately 6.8 square kilometers. The Development is divided into different function areas comprising generally two 18-hole golf courses, a hotel within the golf course, convention & exhibition centers, town houses, shopping streets, gardens and lakes. The property under consideration is a land parcel nearby the development with a site area of approximately 142,312.3 sq.m (or about 213.47 mu).	The property is currently under a planning and development stage, no concrete development plans have been made.	No commercial value (50.36% interest attributable to the Group: Nil)

Notes:

1. Pursuant to a Shanghai State-owned Land Use Rights Grant Contract, Lu Bao Fang Di (2007) Chu Rang He Tong Di No. 21, entered into between the Shanghai Baoshan District Housing and Land Administration Bureau (上海市寶山區房屋土地管理局) (Party A) and Shanghai Oasis Garden Real Estate Co., Ltd. (上海綠洲花園置業有限公司) (Party B) ("Shanghai Oasis Garden") dated 23 March 2007, the land use rights of the land parcel of the property with a site area of 142,312.3 sq.m. was transferred from Party A to Party B for a term of 70 years for residential use at a consideration of RMB132,000,000.

2. In the valuation of this property, we have attributed no commercial value to the property without any title documents and/or all existing structures erected on them, as Shanghai Oasis Garden has not obtained any proper title certificates for the land parcel of the property. As advised by the Group, Shanghai Oasis is in the process in applying for the relevant Shanghai Certificate(s) of Real Estate Ownership as at the date of valuation.

3. For accounting reference purpose, the market value of the property as at the date of valuation would be RMB440,000,000 assuming all relevant title documents of the property have been granted to Shanghai Oasis Garden. The value attributable to Shanghai Oasis Garden would be 50.36%, i.e. RMB221,595,000.

4. The status of title and grant of major approvals and licences in accordance with the information provided by the Group is as follows:

Shanghai State-owned Land Use Rights Grant Contract	Yes

5. The opinion of the PRC legal advisor, Yan Yiming Law Firm, to the Group contains, inter alia, the following:

   a. All land premium has been settled in full;

   b. The property has not been granted with any State-owned Land Use Rights Certificate and Real Estate Title Certificate(s), however, there exist no legal impediments for Shanghai Oasis to obtain such title documents upon complying with all the relevant procedures to obtain all the requisite certificates, approvals and consents as well as the certification of the completion of the construction on the property under the PRC laws; and

   c. The property is not subject to mortgage and any other material encumbrances.

6. Shanghai Oasis Garden is an indirect 50.36%-owned subsidiary of the Company.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2007 *RMB*
13.	A land parcel A3-2 located at Luodian North European Town, Luonan Town, Baoshan District, Shanghai, the PRC	North European New Town is a large-scale comprehensive development project (the "development") located in the northern part of Shanghai with an overall planning area of approximately 6.8 square kilometers. The Development is divided into different function areas comprising generally two 18-hole golf courses, a hotel within the golf course, convention & exhibition centers, town houses, shopping streets, gardens and lakes. The property under consideration is a land parcel nearby the development with a site area of approximately 120,594.8 sq.m (or about 180.89 mu).	The property is currently under a planning and development stage, no concrete development plans have been made.	No commercial value (51.48% interest attributable to the Group: Nil)

Notes:

1. Pursuant to a Confirmation of Transaction (成交確認書), entered into between the Shanghai Baoshan District Housing and Land Administration Bureau (上海市寶山區房屋土地管理局) (Party A) and Shanghai Anderson dated 25 January 2007, the land use rights of the land parcel of the property with a site area of 120,594.8 sq.m. was transferred from Party A to Party B for a term of 70 years for residential uses at a consideration of RMB350,000,000.

2. In the valuation of this property, we have attributed no commercial value to the property without any title documents and/or all existing structures erected on them, as Shanghai Anderson has not obtained any proper title certificates for the subject land. As advised by the Group, Shanghai Anderson is in the process in applying for the relevant Shanghai Certificate(s) of Real Estate Ownership as at the date of valuation.

3. As advised by the Group, a total land premium of RMB245,000,000 have been settled as at the date of valuation in compliance with the aforesaid Confirmation of Transaction.

4. For accounting reference purpose, the market value of the property as at the date of valuation would be RMB350,000,000 assuming all relevant title documents of the property have been granted to Shanghai Anderson. The value attributable to Shanghai Anderson would be 51.48%, i.e. RMB180,180,000.

5. The status of title and grant of major approvals and licences in accordance with the information provided by the Group is as follows:

Confirmation of Transaction (成交確認書)	Yes

6. The opinion of the PRC legal advisor, Yan Yiming Law Firm, to the Group contains, inter alia, the following:

   a. According to the Group, all land premium has been settled in full, however, the Group has not yet received the receipt of payment from the relevant government authority;

   b. The property has not been granted with any State-owned Land Use Rights Certificate and Real Estate Title Certificate(s), however, there exist no legal impediments for Shanghai Anderson to obtain such title documents upon complying with all the relevant procedures to obtain all the requisite certificates, approvals and consents as well as the certification of the completion of construction on the property under the PRC laws; and

   c. The property is not subject to mortgage and any other material encumbrances.

7. Shanghai Anderson is an indirect 51.48%-owned subsidiary of the Company.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2007 *RMB*
14.	A parcel of land located to the east of Da Xing Jie (大興街), to the south of Zhong Hua Lu (中華路) and Huang Jia Que Lu (黃家闕路), to the west of Ying Xun Lu (迎勳路) and to the north of Lu Jia Bang Lu (陸家濱路) and within 717-719 Jie Lane (街坊) of Huangpu District, Shanghai, the PRC	The property comprises a parcel of land with a site area of approximately 37,129 sq.m. It is currently intended that the property will be developed into a residential estate with a total planned gross floor area ("GFA") of approximately 118,813 sq.m.	The property is currently at its early stage of development, which primarily involves the relocation of the existing residents on the site. As the property is currently under planning and development stage, no concrete development plans have been made.	No commercial value (100% interest attributable to the Group: Nil)

Notes:

1. Pursuant to a Shanghai State-owned Land Use Rights Grant Contract (上海市國有土地使用權出讓合同), Hu Fang Di Huang (2004) Chu Rang He Tong Di No. 47, entered into between the Shanghai Huangpu District Industrial and Commercial Administration Bureau (上海市黃浦區工商行政管理局) (Party A) and Shanghai Qinhai Real Estate Co., Ltd. (上海琴海置業有限公司) ("Shanghai Qinhai") (Party B) dated 23 August 2004, the land use rights of the property with a site area of 37,129 sq.m. have been granted by Party A to Party B for a term of 70 years for residential uses at a consideration of RMB32,822,000. The salient conditions stipulated in the contract are summarized as below:

i)	Land Lot	:	A parcel of land located to the east of Da Xing Jie (大興街) of Huangpu District (黃浦街) in Shanghai, to the south of Zhong Hua Lu (中華路) and Huang Jia Que Lu (黃家闕路), to the west of Ying Xun Lu (迎勳路) and to the north of Lu Jia Bang Lu (陸家濱路) and within 717-719 Jie Lane (街坊) of Huangpu District, Shanghai, the PRC
ii)	Site Area (sq.m.)	:	37,129 sq.m.
iii)	Land Use Term	:	70 years for residential (40 years for commercial)
iv)	Land Use	:	Residential
v)	Plot Ratio	:	Not exceeding 32,000 sq.m./hectare
vi)	Gross Floor Area (sq.m.)	:	Upper ground structures not exceeding 118,812.80 sq.m.
vii)	Ancillary Uses	:	Car Parking Spaces

viii)	Development Constraints	:	Party B should commence the construction works of the property before 31 December 2005 and the relevant works should be completed before 30 June 2008. Maximum extension period for the commencement of the construction works is 1 year. If Party B would like to postpone the commencement date, notice should be served to Party A within 30 days before the deadline of the commencement date with reasons. Upon completion of the demolition and relocation works of the property, Party Bcan apply to Shanghai Huangpu District Real Estate Registry (上海市房地產登記處) for State-owned Land Use Rights Certificate for the property.
ix)	Other liabilities	:	Party B is responsible for all demolition and relocation costs.
x)	Land Premium	:	RMB32,822,000 (Party B is exempted to pay the land premium and only a land use fee of RMB1 per sq.m. per annum should be paid by Party B to Party A.

2. Pursuant to a Construction Land Planning Permit (建設用地規劃許可證), Hu Gui Di (2003) No. 432, issued by the Shanghai Town Planning Management Bureau (上海市城市規劃管理局) dated 5 March 2003, Shanghai Qinhai is permitted to develop the land with a site area of 37,130 sq.m

3. Pursuant to a Building Demolition and Relocation Permit (房屋拆遷許可證), Hu Huang Fang Di Chai Xu Zi (2003) Di No. 9 issued by the Huangpu District Building and Land Management Bureau (黃浦區房屋土地管理局) dated 27 June 2003, Shanghai Qinhai is permitted to demolish and relocate the existing structures on the property including non-residential structures with a GFA of 14,000 sq.m. and residential structures with a GFA of 29,161 sq.m. within a period between 27 June 2003 and 31 December 2003.

4. Pursuant to four Building Demolition and Relocation Extension Permit Letters (房屋拆遷期延長許可證通知), Hu Huang Fang Di Chai Xu Yan Zi (2004) Di No. 26, (2004) Di No. 65, (2005) Di No. 16 and (2006) Di No. 10 respectively, all issued by the Huangpu District Building and Land Management Bureau (黃浦區房屋土地管理局) dated between 31 December 2003 and 29 December 2005, the demolition and relocation works of the existing structures on the property are permitted to be extended until 30 December 2006. As advised by the Group, the relevant demolition and relocation works have reached about 40% of the completion as at the date of circular and the Group intends to apply for an extension.

5. Pursuant to a Construction Land Permit (建設用地批准書), Shanghai [2005] Huang Di Zi Di No. 37 issued by the Huangpu District Housing and Land Bureau (黃浦區房地局) dated 16 November 2005, the property is permitted for residential development use from 23 August 2005 to 22 August 2006. As advised by the Group, the Group has applied for a new Construction Land Permit (建設用地批准書) and they have received an Application Acceptance Note (上海市黃浦區房屋土地管理局業務受理單) issued by the Huangpu District Housing and Land Bureau (黃浦區房地局) dated 24 October 2006 under which the new permit is expected to be issued on 7 November 2006 as informed by the aforesaid bureau.

6. Pursuant to an Agreement of Demolition and Relocation (委託動拆遷協議書) entered into between Shanghai Qinhai and 上海新法房屋動拆遷有限公司 dated 2 June 2006, Shanghai Qinhai engaged the latter for the demolition and relocation works on the property for the period from 1 June 2006 to 31 May 2007. Any extension of the allotted time is negotiable between the two parties and is subject to the demolition and relocation plan set by Shanghai Qinhai.

7. Pursuant to a Building Demolition and Relocation Qualification Certificate (房屋拆遷資格證書), Hu Fang Di Zi Cha Huang Zi Zi Di No. 08, issued by the Shanghai Land Resources Management Bureau (上海市房屋土地資源管理局) dated 30 April 2004, 上海新法房屋拆遷有限公司 (Shanghai Xinfa Buildings Demolition Co., Ltd.) is qualified to carry out the demolition and relocation works of the property until to 31 December 2006.

8. The status of title and grant of major approvals and licences in accordance with the information provided by the Group is as follows:

State-owned Land Use Rights Grant Contract	Yes
Shanghai Certificate of Real Estate Ownership	No
Construction Land Planning Permit	Yes
Building Demolition and Relocation Permit	Yes
Building Demolition and Relocation Extension Permit Letters	Yes
Construction Land Permit	Yes
Agreement of Demolition and Relocation	Yes

9. The opinion of the PRC legal advisor, Yan Yiming Law Firm, to the Group contains, inter alia, the following:

   a. The development of the property has been approved by the relevant government authority and is in compliance with the planning regulations;

   b. Upon compliance with certain legal procedures, the land premium of the property can be waived;

   c. The property has not been granted with any State-owned Land Use Rights Certificate and Real Estate Title Certificate(s), however, there exist no legal impediments for Shanghai Qinhai to obtain such title documents upon complying with all the relevant procedures to obtain all the requisite certificates, approvals and consents as well as the certification of the completion of construction on the property under the PRC laws; and

   d. The property is not subject to mortgage and any other material encumbrances.

10. As the demolition and relocation works have not been completed, the Shanghai Certificate of Real Estate Ownership of the property has not been obtained by Shanghai Qinhai, we have attributed no commercial value to the property in our valuation. For reference purpose, we are of the opinion that the market value of the property as at the date of valuation, assuming that all demolition works and relocation works of the existing structures on the property have been completed, the relevant Shanghai Certificate of Real Estate Ownership(s) has been obtained and the property is ready for development, would be in the sum of RMB1,049,000,000.

11. Shanghai Qinhai is an indirect wholly-owned subsidiary of the Company.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular (other than that in respect of the Vendor and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than that in respect of the Vendor and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts (other than that in respect of the Vendor and parties acting in concert with it) not contained herein, the omission of which would make any statement herein misleading.

The information contained in this circular relating to the Vendor and parties acting in concert with it has been supplied by the directors of the Vendor who collectively and individually accept full responsibility for the accuracy of the information contained in this circular relating to the Vendor and parties acting in concert with it only and confirm, having made all reasonable enquiries that to the best of their knowledge, opinions expressed in this circular relating to the Vendor and parties acting in concert with it only have been arrived at after due and careful consideration and there are no other facts not contained herein, the omission of which would make any statement herein misleading.

2. SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE BONDS

(1) Share capital

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

Authorised:

4,000,000,000	Shares	HK$400,000,000

Issued and fully paid up or credited as fully paid up:

2,211,528,332	Shares	HK$221,152,833.20

All of the Shares rank pari passu in all respects, including as to dividends, voting and capital.

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

There has been no alteration to the authorised share capital of the Company since the end of its last financial year, being 31 December 2006 and the issued share capital of the Company has been increased by 57,468,039 Shares since 31 December 2006 and up to the Latest Practicable Date.

(2) Share options

The Company adopted a share option scheme on 23 May 2002. Pursuant to such scheme, the maximum number of Shares upon which options may be granted when aggregated with those granted under any other share option scheme of the Company in issue may not exceed 82,963,000 Shares, representing approximately 3.75% of the issued share capital of the Company as at the Latest Practicable Date. As at the Latest Practicable Date, there were no outstanding options to subscribe for Shares.

(3) Convertible bonds

The Company had on 9 November 2005 issued the 3.5% convertible redeemable bonds due 2010 in the aggregate principal amount of HK$386 million. As at the Latest Practicable Date, the outstanding amount of such convertible bonds was HK$43,500,000 which was convertible into a maximum of 32,222,222 Shares based on the current conversion price.

Save as disclosed in this section, there were no options, warrants or conversion rights affecting the Shares outstanding as at the Latest Practicable Date.

3. MARKET PRICES OF SHARES

The closing prices of the Shares quoted on the Stock Exchange (i) at the end of each of the calendar months during the 6 months immediately preceding 17 August 2007, being the date of the Announcement and ending on the Latest Practicable Date; (ii) on the Last Full Trading Day; and (iii) on the Latest Practicable Date were as follows:

Date	Closing price of the Shares
28 February 2007	HK$1.94
30 March 2007	HK$1.95
30 April 2007	HK$2.32
31 May 2007	HK$2.84
29 June 2007	HK$3.03
31 July 2007	HK$3.34
Last Full Trading Day	HK$2.94
Latest Practicable Date	HK$3.24

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the period commencing 6 months preceding 17 August 2007, being the date of the Announcement, and ending on the Latest Practicable Date were HK$3.70 on 12 and 13 July 2007 and HK$1.69 on 5 March 2007.

4. DISCLOSURE OF INTERESTS

(a) As at the Latest Practicable Date, the interests and short positions of each Director and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in the Listing Rules, to be notified to the Company and Stock Exchange; or (iv) which were required to be disclosed in this circular pursuant to the requirements of the Takeovers Code, were as follows:

Long positions in Shares

	Capacity				
Director	**Beneficial owner**	**Interest of spouse**	**Interest in controlled corporation**	**Total**	**Approximate percentage of total issued Shares**
Shi Jian	2,076,814	2,147 *(Note 1)*	676,545,379 *(Note 2)*	678,624,340	30.68%
Li Yao Min	2,147	–	–	2,147	0.0001%
Yu Hai Sheng	1,065,914	–	–	1,065,914	0.05%

Notes:

1. These Shares were held by Md. Si Xiao Dong, the spouse of Mr. Shi Jian.

2. These Shares were held by the Vendor in which Mr. Shi Jian and his spouse, Md. Si Xiao Dong, together beneficially own 62% of its issued share capital. The remaining 38% interest in the Vendor were held by other management staff of the Company including but not limited to Mr. Yu Hai Sheng, Mr. Li Yao Min and Mr. Jiang Xu Dong.

(b) So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) or corporations had an interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in Shares

Name of Shareholder	**Capacity**	**Number of Shares**	**Approximate percentage of total issued Shares**
Si Xiao Dong	Beneficial owner, interest of spouse and interest in controlled corporation	678,624,340 *(Note 1)*	30.68%
Vendor *(Note 2)*	Beneficial owner	676,545,379	30.59%
Newton Investment Management Ltd.	Investment manager	196,878,526	8.90%
Henderson Global Investors Limited	Investment manager	130,210,000	5.88%
Value Partners Limited	Investment manager	129,566,000	5.85%
Cheah Cheng Hye	Interest in controlled corporation	129,566,000	5.85%

Notes:

(1) This block of 678,624,340 Shares in which Md. Si Xiao Dong, the spouse of Mr. Shi Jian, is interested in comprise (i) 2,147 Shares being personal interest held by Md. Si Xiao Dong; (ii) 676,545,379 Shares being interest held by the Vendor in which Md. Si Xiao Dong and her spouse, Mr. Shi Jian together beneficially own 62% of its issued share capital; and (iii) 2,076,814 Shares being personal interest of Mr. Shi Jian.

(2) Mr. Shi Jian and Mr. Li Yao Min, both being executive Directors, are also directors of the Vendor.

The Vendor, Mr. Shi Jian and Md. Si Xiao Dong are also interested in the Consideration Shares which may be issued to the Vendor under the Acquisition Agreement.

(c) So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following persons (other than a Director, chief executive of the Company or a member of the Group) were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interest in such securities, together with particulars of any options in respect of such capital, were as follows:

Name of member of the Group	Name of shareholder	Approximate %
Anderson Land (Shanghai) Ltd.	Lucky Charming Enterprises Limited	48%
上海安信復興置地有限公司 (Shanghai Anderson Fuxing Land Co., Ltd.)	Anderson Land (Shanghai) Ltd.	48.52%
上海綠洲仕格維花園酒店公寓有限公司 (Shanghai Skyway Oasis Garden Hotel and Condominium Co., Ltd.)	中國長城資產管理公司 (Great Wall Asset Management Company)	35%
上海住富房地產發展有限公司 (Shanghai Zhufu Property Development Co., Ltd.)	上海海展投資管理有限公司 (Shanghai Haizhan Investment and Management Company Limited)	49%
沈陽華銳世紀投資發展有限公司 (Shenyang Huarui Shiji Real Estate Co., Ltd.)	Elegant Parkview Limited (遠景投資有限公司)	49%

(d) Save as disclosed above, as at the Latest Practicable Date:

(i) none of the Directors nor the chief executive of the Company or their associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in the Listing Rules, to be notified to the Company and Stock Exchange; or (iv) which were required to be disclosed in this circular pursuant to the requirements of the Takeovers Code; and

(ii) none of the Directors nor the chief executive of the Company was aware of any other person (other than a Director or chief executive of the Company) or corporation who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who/which was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or any options in respect of such capital.

(e) Mr. Cheung Wing Yui, a non-executive Director, is a consultant of Woo, Kwan, Lee & Lo, the Company's legal advisers on Hong Kong law in relation to the Acquisition and the Whitewash Waiver. Woo, Kwan, Lee & Lo will receive normal fees for professional services rendered in connection therewith.

5. SHAREHOLDINGS AND DEALINGS

(a) In relation to the Vendor

(i) As at the Latest Practicable Date, the Company did not own or control any shares of the Vendor.

(ii) As at the Latest Practicable Date, the interests of the Directors in the shares, underlying shares of the Vendor which were required to be disclosed in this circular pursuant to the requirements of the Takeovers Code were as follows:

Director	Number of shares in the Vendor	Approximate %
Shi Jian	32	32%
Li Yao Min	5	5%
Yu Hai Sheng	5	5%
Jiang Xu Dong	1	1%

(iii) During the period starting 6 months prior to 17 August 2007 (being the date of the Announcement) and ending on the Latest Practicable Date (the "Relevant Period"):

(1) the Company had not dealt for value in the shares of the Vendor; and

(2) no Directors had dealt for value in the shares of the Vendor;

(b) In relation to the Company

(i) Save as disclosed in the section headed "Disclosure of Interests" in paragraph 4 of this Appendix, none of the Vendor, its concert parties and any of their respective directors owned or controlled any shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date, and none of them had dealt for value in any such securities during the Relevant Period.

(ii) Save as disclosed in the section headed "Disclosure of Interests" in paragraph 4 of this Appendix, none of the Directors was interested in any Shares, convertible securities, warrants, options or derivatives in respect of securities which carry voting rights of the Company as at the Latest Practicable Date and none of them had dealt for value in any such securities during the Relevant Period.

(iii) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company, the Vendor or parties acting in concert with it or with any person who is an associate of the Company or of the Vendor by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code.

(iv) During the period starting 6 months prior to 17 August 2007 (being the date of the Announcement) and ending on the Latest Practicable Date:

(1) no pension funds of the Group had dealt for value in or owned or controlled any securities of the Company or any of its subsidiaries;

(2) no fund managers connected with the Company had owned or managed any securities of any member of the Group on a discretionary basis; and

(3) none of the advisers to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code (excluding exempt principal traders) had dealt for value in or owned or controlled any securities of any member of the Group.

6. VOTING ON THE WHITEWASH WAIVER

(a) As at the Latest Practicable Date, no person had, prior to the posting of this circular, irrevocably committed themselves to vote for or against the Whitewash Waiver.

(b) As at the Latest Practicable Date, Mr. Shi Jian, Mr. Li Yao Min and Mr. Yu Hai Sheng were the only Directors who hold Shares, and they will abstain from voting on the resolution to be proposed at the SGM to approve the Whitewash Waiver.

(c) The Vendor and parties acting in concert with it, their respective associates and those involved or interested in the Acquisition and the Whitewash Waiver (including Mr. Shi Jian, Md. Si Xiao Dong, Mr. Li Yao Min, Mr. Yu Hai Sheng, Mr. Shi Jian Dong, Mr. Sze Sin Chi and Mr. Chen Zheng Liang) will abstain from voting at the SGM in respect of the resolution to approve the Whitewash Waiver in respect of such Shares.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, each of the following Directors had entered into a service contract with the Company on 1 July 2007, the terms and conditions of which are set out below:

Director	Term of Service Contract	Fixed Annual Remuneration *(in HK$)*	Compensation for termination
Executive Director			
Shi Jian	1 July 2007 to 30 June 2010	2,000,000	6 months' salary
Li Yao Min	1 July 2007 to 30 June 2010	1,500,000	6 months' salary
Yu Hai Sheng	1 July 2007 to 30 June 2010	2,500,000	6 months' salary
Jiang Xu Dong	1 July 2007 to 30 June 2010	2,000,000	6 months' salary
Non-executive Director			
Jing Bing Rong	1 July 2007 to 30 June 2008	300,000	1 month's salary
Independent non-executive Director			
Yeung Kwok Wing	1 July 2007 to 30 June 2008	150,000	1 month's salary
Geng Yu Xiu	1 July 2007 to 30 June 2008	120,000	1 month's salary
E Hock Yap	1 July 2007 to 30 June 2008	200,000	1 month's salary

Each Director is entitled to an annual bonus under the relevant service contract, the amount of which is to be determined by the Board from time to time (which shall not be more than 10% of the Company's profit after taxation and minority interests in any event). All of the above service contracts can be terminated during their respective terms of service with prior notice.

Save as disclosed above, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group (excluding contracts expiring or determinable by relevant member of the Group within one year without payment of compensation, other than statutory compensation), nor has any of the Directors entered into any service contract with any member of the Group or associated companies which are in force and which have more than 12 months to run or which are continuous contracts with a notice period of 12 months or more, or which has been entered into or amended within 6 months prior to 17 August 2007, being the date of the Announcement.

8. LITIGATION

So far as the Directors were aware, as at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claims of material importance and no litigation, arbitration or claims of material importance was pending or threatened against any member of the Group.

9. COMPETING INTEREST

So far as the Directors are aware, as at the Latest Practicable Date, none of the Directors or their respective associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

10. INTEREST IN ASSETS AND OTHER INTERESTS

As at the Latest Practicable Date, save as disclosed in the Letter from the Board of this circular regarding the Acquisition, none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2006, being the date to which the latest published audited accounts of the Group were made up.

11. INTEREST IN CONTRACTS OF THE COMPANY

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

12. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group after the date of two years preceding the date of the Announcement and up to and including the Latest Practicable Date and which are or may be material:

(a) The purchase agreement dated 29 October 2005 entered into between the Company and Morgan Stanley & Co. International Limited, OZ Asia Master Fund Limited, OZ Master Fund Limited, and UBS Limited (collectively the "2005 Bonds Purchasers") in relation to the purchase of the 3.5% convertible redeemable bonds in the aggregate principal amount of HK$386 million ("2005 Bonds") issued by the Company.

(b) The agreement dated 14 December 2005 entered into between 上海好發展投資建設有限公司 (Shanghai Good Development Investment Construction Company Limited) ("Shanghai Good Development") and 上海永高建設有限公司 (Shanghai Wingo Infrastructure Co., Ltd.) in relation to the acquisition of 5% interest in 上海碩誠置業有限公司 (Shanghai Shuo Cheng Real Estate Limited) ("Shuo Cheng") for the consideration of RMB2.5 million.

(c) The acquisition agreement dated 21 March 2006 entered into between Ms. Ji Hong and Shunlink Investment Limited ("Shunlink"), a wholly-owned subsidiary of the Company, in relation to the acquisition of 40% interest in 上海琴海置業有限公司 (Shanghai Qinhai Real Estate Company Limited) ("Qinhai") for the consideration of RMB40 million.

(d) The subscription agreement dated 10 April 2006 entered into between the Company and Deutsche Bank AG, Singapore Branch and Morgan Stanley & Co. International Limited in relation to the 8.625% guaranteed notes in the aggregate principal amount of US$200 million issued by the Company.

(e) The transfer agreement dated 22 May 2006 entered into between Shanghai Chengfu Enterprise Management Company Limited and Shunlink in relation to the acquisition of 30% interest in Qinhai for the consideration of RMB105 million.

(f) The agreement dated 1 June 2006 entered into between Lucky Charming Enterprises Limited ("Lucky Charming"), Shanghai Oasis Garden Real Estate Company Limited ("Shanghai Oasis"), a 98.75%-owned indirect subsidiary of the Company, and Kolsun Enterprises Limited, a wholly-owned subsidiary of the Company, in relation to the 47.52% indirect proportionate interest in the shopping mall properties transferred by Lucky Charming to Shanghai Oasis for the consideration of RMB300 million.

(g) The transfer agreement dated 30 July 2006 entered into between 沈陽華鋭房地產開發有限公司 (Shenyang Huarui Real Estate Development Limited), Ding Renhua and Starweb Investment Limited, a wholly-owned subsidiary of the Company, in relation to the acquisition of 51% interest in 沈陽華鋭世紀投資發展有限公司 (Shenyang Huarui Shiji Investment Development Limited) for the total consideration of RMB204 million.

(h) The transfer agreement dated 4 October 2006 entered into between 上海誠福企業管理有限公司 (Shanghai Chengfu Enterprise Management Co. Ltd.) and Gaken Investment Limited, a wholly-owned subsidiary of the Company, in relation to the acquisition of 30% interest in Qinhai for the consideration of RMB90 million.

(i) The sale and purchase agreement dated 3 November 2006 entered into between 上海其方實業有限公司, Shanghai Good Development and 上海良事實業有限公司 and Mayson Resources Limited, a wholly-owned subsidiary of the Company, in relation to the acquisition of 55% interest in Shuo Cheng for the total consideration of RMB33.48 million.

(j) The placing, underwriting and subscription agreement dated 5 December 2006 entered into between the Vendor, Mr. Shi Jian, the Company and Citigroup Global Markets Hong Kong Futures and Securities Limited in relation to the placing of 342,000,000 existing Shares and the subscription of 212,000,000 new Shares by the Vendor at the placing price of HK$2.42 per Share.

(k) The agreement dated 20 December 2006 entered into between Sinopower Investment Limited ("Sinopower"), a wholly-owned subsidiary of the Company, Grand Wealth Resources Limited ("Grand Wealth") and CNTD in relation to (i) the disposal of the entire issued share capital of Meeko Investment Limited by Sinopower and (ii) the disposal of the entire issued share capital of Weblink International Limited and loan in the principal amount of HK$147,195,000.55 due from Weblink International Limited by Grand Wealth for the consideration of US$15,738,387.93 and US$3,735.20 respectively, to be satisfied by (1) the allotment and issue of 4,900 CNTD shares to Sinopower and the issue by CNTD to Sinopower of a convertible note in the principal amount of US$12,173,833.93 and (2) the allotment and issue of 5,099 CNTD shares to Grand Wealth.

(l) A conditional transfer agreement dated 29 June 2007 entered into between 上海海展投資管理有限公司 (Shanghai Haizhan Investment and Management Company Limited) and Wellton Resources Limited, a wholly-owned subsidiary of the Company, in relation to the acquisition of 49% equity interest in 上海住富房地產發展有限公司 (Shanghai Zhufu Property Co., Ltd.) for the consideration of RMB70 million.

(m) The Acquisition Agreement.

13. PROCEDURES FOR DEMANDING A POLL

Pursuant to the existing bye-law 66 of the bye-laws of the Company, a resolution put to the vote of a general meeting shall be decided on a show of hands unless a poll is taken as may from time to time be required under the Listing Rules or unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:

(a) the chairman of the meeting;

(b) at least three Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorized representative) or by proxy for the time being entitled to vote at the meeting;

(c) a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorized representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting;

(d) a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorized representative) or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right; or

(e) if required by the rules of the Stock Exchange, by any Director or Directors who, individually or collectively, holds proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

14. MATERIAL ADVERSE CHANGE

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

15. QUALIFICATIONS AND CONSENTS OF EXPERTS

(a) The following are the qualifications of the experts who have given opinion or advice which is contained or referred to in this circular:

Name	**Qualification**
China Merchants Securities (HK) Co., Ltd.	a licensed corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts) type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under SFO
BMI Appraisal Limited	property valuer
Yan Yiming Law Firm	PRC lawyers

(b) As at the Latest Practicable Date, none of the Independent Financial Adviser, the Independent Valuer or Yan Yiming Law Firm had any direct or indirect shareholding interest in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

(c) As at the Latest Practicable Date, none of the Independent Financial Adviser, the Independent Valuer or Yan Yiming Law Firm had a direct or indirect interest in any asset which had been acquired, or disposed of by or leased to any member of the Group since 31 December 2006 (being the date to which the latest published audited accounts of the Group were made up), or which were proposed to be acquired or disposed of by or leased to any member of the Group.

(d) Each of the Independent Financial Adviser, the Independent Valuer and Yan Yiming Law Firm has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, reports, opinions and/or valuation certificates (as the case may be) and references to its name in the form and context in which it is included.

16. GENERAL

(a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its Hong Kong office is situated at 36th Floor, Times Tower, 391-407 Jaffe Road, Wanchai, Hong Kong.

(b) The Company's branch registrar and transfer office in Hong Kong is Tengis Limited, Share Registration situated at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(c) The secretary and qualified accountant of the Company is Ms. Lee Wai Yee, who is a member of the Hong Kong Institute of Certified Public Accounts and the Association of Chartered Certified Accountants.

(d) The Vendor is a controlling Shareholder beneficially interested in approximately 30.59% of the issued share capital of the Company as at the Latest Practicable Date. The registered office of the Vendor is at Pasea Estate, Road Town, Tortola, British Virgin Islands. The directors of the Vendor are Mr. Shi Jian, Md. Si Xiao Dong, Mr. Shi Jian Dong and Mr. Li Yao Min and its controlling shareholders are Mr. Shi Jian and Md. Si Xiao Dong holding 32% and 30% interests in the Vendor respectively.

(e) Principal members of the Vendor and the parties acting in concert with it are Mr. Shi Jian, Md. Si Xiao Dong, Mr. Li Yao Min, Mr. Yu Hai Sheng, Mr. Shi Jian Dong, Mr. Sze Sin Chi and Mr. Chen Zheng Liang.

(f) It is the current intention of the Vendor to continue to carry on the business of the Company and to continue the employment of the management and employees of the Group. The Vendor has no current intention to redeploy the fixed assets of the Group. The Vendor does not intend to introduce any changes to the current business of the Group.

(g) As at the Latest Practicable Date, there was no agreement or arrangement existed between any Director and any other person which is conditional on or dependent upon the outcome of the Whitewash Waiver or otherwise connected therewith.

(h) No benefit will be given to any Director as compensation for loss of office or otherwise in connection with the Whitewash Waiver (other than statutory compensation).

(i) As at the Latest Practicable Date, there was no material contract entered into by the Vendor which any Director has a material personal interest.

(j) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Vendor or any parties acting in concert with it and any of the Directors or recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Whitewash Waiver.

(k) The registered office of the Independent Financial Adviser is situated at 48th Floor, One Exchange Square, Central, Hong Kong.

(l) The principal place of business of Somerley Limited is situated at 10th Floor, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong.

(m) The principal place of business in Hong Kong of Commerzbank is situated at 21st Floor, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong.

(n) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

(o) There will not be any change in the composition of the Board as a result of Completion.

17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at (i) 36th Floor, Times Tower, 391-407 Jaffe Road, Wanchai, Hong Kong during normal business hours on any weekday, except public holidays, (ii) on the website of the Company at www.sre.com.cn and (iii) on the website of SFC at www.sfc.hk from the date of this circular up to and including 28 September 2007:

(a) the memorandum of association and bye-laws of the Company;

(b) the memorandum and articles of association of the Vendor;

(c) the letter from the Acquisition IBC, the text of which is set out in this circular;

(d) the letter from the Whitewash IBC, the text of which is set out in this circular;

(e) the letter from the Independent Financial Adviser, the text of which is set out in this circular;

(f) the letters and valuation certificates from the Independent Valuer, the text of which are set out in Appendices 2 and 3 of this circular;

(g) the service contracts referred to in the section headed “Directors’ Service Contracts” in paragraph 7 of this Appendix;

(h) the contracts referred to in the section headed “Material Contracts” in paragraph 12 of this Appendix;

(i) the written consents referred to in the section headed "Qualifications and Consents of Experts" in paragraph 15 of this Appendix;

(j) the audited accounts of the Group for each of the two financial years ended 31 December 2005 and 2006;

(k) the Vendor Acquisition Agreement; and

(l) the Acquisition Agreement.

SRE GROUP LIMITED
上 置 集 團 有 限 公 司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 1207)

NOTICE OF THE SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "SGM") of SRE Group Limited (the "**Company**") will be held at Chater Room II, Function Room Level, The Ritz-Carlton, Hong Kong on Monday , 24 September, 2007 at 10 a.m. for the purposes of considering and, if thought fit, passing, with or without modification, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**

(a) the conditional sale and purchase agreement between Good Time Resources Limited as vendor (the "Vendor"), Goldfull Enterprises Limited as purchaser (the "Purchaser") and the Company dated 17 August 2007 (the "Acquisition Agreement", a copy of which is produced to the meeting marked "A" and initialed by the chairman of the meeting for the purpose of identification) and all transactions contemplated thereunder and in connection therewith be and are hereby approved, confirmed and ratified;

(b) the acquisition by the Purchaser of the entire issued share capital of Konmen Investment Limited as at the completion of the Acquisition Agreement (the "Acquisition") and the allotment and issue to the Vendor of 526,315,789 shares of HK$0.10 each in the capital of the Company (the "Consideration Shares") at HK$3.04 per share, credited as fully paid-up as consideration for the Acquisition in accordance with the terms and conditions of the Acquisition Agreement be and is hereby approved; and

(c) any one director of the Company or any other person authorized by the board of directors of the Company from time to time, or any two directors of the Company if the affixation of the common seal is necessary, be and is hereby authorized for and on behalf of the Company to execute all such other documents and agreements and do such acts or things as he or she or they may in his or her or their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement or give effect to the Acquisition Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares) or to be incidental to,

* *For identification purpose only*

ancillary to or in connection with the matter contemplated under the Acquisition Agreement (including the issue of the Consideration Shares), including agreeing and making any modifications, amendments, waivers, variations or extensions of the Acquisition Agreement and the transactions contemplated thereunder."

2. "**THAT** subject to and conditional on the passing of resolution no.1 as set out in the notice of this meeting, the waiver granted or to be granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission (the "SFC") or any delegate thereof pursuant to Note 1 of the Notes on Dispensations from Rule 26 of the Code on Takeovers and Mergers to the Vendor and parties acting in concert with it to make a mandatory offer for all the securities of the Company not already owned or agreed to be acquired by them as a result of the Vendor being allotted and issued the Consideration Shares (as defined in resolution no.1 as set out in the notice of this meeting) be and is hereby approved."

By order of the Board
SRE Group Limited
Shi Jian
Chairman

Hong Kong, 7 September 2007

Notes:

(1) Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company.

(2) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's branch registrar, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting (or any adjournment thereof, as the case may be).

(3) Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting convened or any adjournment thereof and in such event, the authority of the proxy shall be deemed to be revoked.

(4) The ordinary resolutions as set out above will be voted by way of a poll.

(5) As at the date of this notice, the board of directors of the Company comprises nine directors, four of whom are executive directors, namely, Mr. Shi Jian, Mr. Li Yao Min, Mr. Yu Hai Sheng and Mr. Jiang Xu Dong; two of whom are non-executive directors, namely, Mr. Cheung Wing Yui and Mr. Jin Bing Rong and three of whom are independent non-executive directors, namely, Mr. Yeung Kwok Wing, Mr. Geng Yu Xiu and Mr. E Hock Yap.